

Case No.

1246

Application, Transcript,
Small Exhibits, Etc.

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

April 23, 1957

IN THE MATTER OF
CASE NO. 1246

TRANSCRIPT OF PROCEEDINGS

DEARNLEY - MEIER & ASSOCIATES
INCORPORATED
GENERAL LAW REPORTERS
ALBUQUERQUE - SANTA FE
3-6691 2-2211

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 23, 1957

IN THE MATTER OF:

Application of Oland E. Aikman for a 160-acre non-standard drilling and proration unit or, in the alternative, for a 120-acre non-standard drilling and proration unit, in the Fulcher Kuba-Pictured Cliffs Gas Pool in exception to Rules 2, 3, and 6 (A) of the Special Rules and Regulations for said pool as set forth in Order R-565-C. Applicant, in the above-styled cause, seeks an order establishing a 160-acre non-standard drilling and gas proration unit in the Fulcher Kuba Pictured Cliffs Pool comprising the N/2 NE/4, SE/4 NE/4, and NE/4 SE/4 of Section 24, Township 29 North, Range 12 West, San Juan County, New Mexico, or in the alternative, a 120-acre non-standard drilling and gas proration unit comprising acreage in either non-standard unit is to be dedicated to a well to be drilled 990 feet from the North and East lines of said Section 24.

CASE NO.
1246

BEFORE:

Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: Take up next Case No. 1246.

MR. COOLEY: Case 1246. Application of Oland E. Aikman for a 160-acre non-standard drilling and proration unit or, in the alternative, for a 120-acre non-standard drilling and proration

unit, in the Fulcher Kutz-Pictured Cliffs Gas Pool in exception to Rules 2, 3, and 6 (A) of the Special Rules and Regulations for said pool as set forth in Order R-565-C.

MR. KELLAHIN: Jason Kellahin appearing for the applicant, and since the matters involved in this case involve informal matters pertaining to the lease ownership, I will serve as witness in this case, and I would like to be sworn.

JASON KELLAHIN

called as a witness, having been first duly sworn, testified as follows:

MR. KELLAHIN: My name is Jason Kellahin, I am an attorney for the applicant in Case 1246.

Case 1246 involves an application for a non-standard drilling and production unit in the Fulcher Kutz-Pictured Cliffs Gas Pool. The application has been filed in the alternative, either for a 160-acre non-standard unit, which involves land not lying wholly within one Quarter Section, or in the alternative, for a 120-acre non-standard production unit, consisting of the land lying within the Northeast Quarter of Section 24, Township 29 North, Range 13 West.

Attached to the application in this case is a plat showing the lands involved, together with the off-setting ownership, which plat I would like to have considered as a part of the record in this case.

On the plat, the acreage which is marked "Clara E. Aikman" is

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held under one basic lease, that lease being a federal lease, New Mexico 9-13885, which covers the North Half of the North Half; the Southeast Quarter of the Northeast Quarter; the Southwest Quarter of the Northwest Quarter; the Northeast Quarter of the Southeast Quarter, and the Northwest Quarter of the Southwest Quarter, containing approximately 320-acres.

This lease is held in the name of Carl E. Maxie, who has entered into an operating agreement with Claudi E. Aikman, granting operating rights to the applicant in this case from the surface to the base of the Pictured Cliffs Formation.

I have filed a Designation Of Operator, which was signed by Carl E. Maxie, with the Bureau of Land Management, the United States Geological Office, I should say, in Roswell.

The acreage lying in the Southwest Quarter of the Northeast Quarter, and the Southeast Quarter of the Northeast Quarter, is unleased federal acreage, upon which the applicant has been unable to obtain a lease.

I hand you what has been marked as Applicants Exhibit No. 1 in Case 1246. This is a letter signed by a Mr. W. O. Turner, who at that time, the date of the letter, was Acting Manager of the Bureau of Land Management in Santa Fe. The letter, of course, speaks for itself, however, it does show that the acreage involved, the unleased federal acreage, is not available for leasing due to the fact that a bid had been submitted by one C. C. Thomas, who had taken an appeal from the decision of the Bureau of Land Management.

ment office in Santa Fe, refusing the bid. By decision of November 7th, 1956, the Secretary of The Interior upheld the rejection of the G. C. Thomas bid, and the land was subsequently offered for lease as a portion of Parcel Five, which was offered at the sale of February 19, 1957.

At that time, the applicant in this case submitted a bid, however, all bids on this parcel were returned unopened with the notice from the Bureau of Land Management that the land had been erroneously included in the offering.

On April 19, 1957, I, again requested that the Bureau of Land Management offer the unleased acreage for lease, and was informed verbally that the lands were unavailable for leasing at the present time.

On March 30th, Mr. Aikman, as operators, filed a notice of Intention to Drill, and I am informed that he has commenced drilling of the Marie Federal Well No. 1, which is located 990 feet from the North and East lines of Section 28. This well, it is my belief, has presently been drilled and has not yet been completed.

On the basis of the information which has been given, I believe it is obvious that unless this Commission grants an exception to Mr. Marie for a non-standard proration unit, he will be denied the right to develop the acreage now held by him.

My client has informed me, and I have his letter here, that he is perfectly willing to include the Southwest Quarter of the Northeast Quarter in a standard proration unit under a suitable

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commutation agreement, when and if it is leased, and if he secures a lease upon it himself, he will file with this Commission an application for vacating the order granting a non-standard unit and form a standard unit of this acreage by commutation. Pending that time, we request that the Commission grant a non-standard unit of 160-acres, or in the alternative, that we be granted the 120-acre unit as applied for.

DIRECT EXAMINATION

MR. MEYER:

Q Mr. Kalliban, this Marie lease, which consists of the acreage that you described at the beginning of your testimony is a Federal Lease, is that correct?

A That's correct, yes, sir.

Q And you stated that on March 30th, 1957, a Notice Of Intention to drill was filed?

A Yes, sir.

Q And that was approved by the U.S.G.S.?

A That was approved, yes, sir.

Q Is the well currently drilling?

A The well is currently drilling, yes, sir, as I filed the notice myself. I might say that the approval was granted with the restriction that there would be no production until the Commission had approved a unit.

Q A production unit of one sort or another?

A Yes, sir.

CROSS EXAMINATION

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RE MR. WIS:

Q Mr. Kallihan, have the off-set operators been notified of the formation of this by notice?

A No, sir.

Q Is this proposed unit in the Fulcher Kutz-Pictured Cliffs Gas Pool?

A It is my understanding it is just outside the Pool, Mr. Wis, it comes within the Pool Rules.

Q It is adjacent to the Pool, is that your understanding?

A Yes, sir.

Q In your opinion, would it be to your benefit, or your client's benefit, to form a unit greater than 120 should it, well be a small well and not be capable of making the allowable?

A I do not believe that the size of the unit would have anything to do with the productivity of the well. It is all one lease and the royalty would all be the same in any event.

Q If the well is only capable of making a 120-acre allowable, it would not be beneficial to 120-acres?

A I do not believe, Mr. Wis, that it would make any difference, so long as that acreage included acreage held by Mr. Aikman. In the event you form a standard proration unit of 160-acres and an additional 40 to be included belong to some other person, certainly a small well on a 120-acre unit would be more advantageous to Mr. Aikman.

I would like to offer into evidence, Exhibit No. 1.

MR. HUTTER: Without objection, Claud Aikman's Exhibit No. 1 in Case 1246 will be accepted.

BY MR. HUTTER:

Q Mr. Kallihan, you've requested for a non-standard drilling and proration unit consisting of 160-acre, or in the alternative, a non-standard drilling proration unit consisting of 120-acres. Does Claud E. Aikman have any preference as to which route the Commission should follow?

A The applicant would prefer the 160-acre unit. In the event he gets a well of sufficient production, why he would like to secure that allowable. However, he is presently willing to include the acreage in the South Half of the Section in any communitization agreement with Pan American, should they so desire.

Q So what is the preference?

A Well, the preference is a 160-acre non-standard unit as applied for.

MR. HUTTER: Does anyone have anything further in this case? Any further questions of the witness?

MR. GOOLEY: I have none.

BY MR. GOOLEY:

Q That agreement Mr. Aikman has with the lessee it constitutes Mr. Aikman as the sole person entitled to drill in the acreage to the lower limits of the Pictured Cliffs?

A It does, and I have a copy of that agreement here, an

unexecuted copy which I would be glad to put in the record if you desire.

Q I would appreciate it.

MR. BUTTER: Let the record show that exhibit, the operating agreement between Mr. and Mrs. Maxie and Mr. and Mrs. Aikman will be marked as Exhibit 2 in Case 1246, and without objection, it will be received.

BY MR. COOLEY:

Q Mr. Kallahan, are you familiar with the statutory definition of owner?

A In connection with, may I say this, in connection with the operating agreement, the copy offered as an exhibit is an unexecuted copy but I can testify of my own knowledge that the original, as executed, is identical with this.

Q Mr. Kallahan, are you familiar with the statutory definition of ownership?

A I believe I am.

Q Is it your opinion that Mr. Aikman is the sole owner?

A I believe Mr. Aikman is the sole owner from the surface to the base of the Pictured Cliffs as being the person having the sole right to drill for and produce the oil, or gas, or both within that limit.

MR. BUTTER: He would also have full rights to communitize if necessary, with another company?

A Yes, he has full rights to communitize it.

MR. BURTON: Is there anything further in Case 1246? If not, we will take the case under advisement. And the hearing is adjourned.

C E R T I F I C A T E

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO)

I, J. A. ZUCALIS, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing was reported by me in Stenotype at the time and place hereinbefore set forth; that same was thereafter transcribed into typewritten transcript by me; and that same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 9th day of May, 1957,
in the City of Albuquerque, County of Bernalillo, State of New Mexico.

J. A. Zucalis
Notary Public

My Commission Expires:
October 5, 1960.

DEARNLEY - MEIER & ASSOCIATES
INCORPORATED
GENERAL LAW REPORTERS
ALBUQUERQUE - SANTE FE
3-6691 2-2211

OIL CONSERVATION COMMISSION

P. O. BOX 971

SANTA FE, NEW MEXICO

May 31, 1957

C
O
P
Y

**Mr. Jason Kellohin
Box 597
Santa Fe, New Mexico**

Dear Sir:

On behalf of your client, Claude E. Aikman, we enclose two copies of Order R-1853 issued May 29, 1957, by the Oil Conservation Commission in Case 1246, which was heard on April 23rd at Santa Fe.

Very truly yours,

**A. L. Porter, Jr.
Secretary - Director**

**by
Encs.**

**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 1246
Order No. 3-1003**

**APPLICATION OF CLAUDE E. AIKMAN
FOR A 100-ACRE NON-STANDARD DRILLING
AND PRODUCTION UNIT OR IN THE ALTERNATIVE
FOR A 120-ACRE NON-STANDARD DRILLING AND
PRODUCTION UNIT IN THE FULCHER KUTE-
PICTURED CLIFFS GAS POOL, SAN JUAN COUNTY,
NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 23, 1937, at Santa Fe, New Mexico, before Daniel S. Hutter, Examiner duly appointed by the New Mexico Oil Conservation Commission, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

Now, on this 29th day of May, 1937, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Hutter, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Claude E. Aikman, is the owner of a federal oil and gas lease, a portion of which consists of the N/2 NE/4, SE/4 NE/4, and NE/4 SE/4 of Section 24, Township 25 North, Range 12 West, NMMN, San Juan County, New Mexico.

(3) That the SW/4 NE/4 of said Section 24 is owned by the United States of America and is not now available for oil and gas leasing.

(4) That the applicant proposes to establish a non-standard gas production unit in the Fulcher Kute-Pictured Cliffs Pool consisting of the N/2 NE/4, SE/4 NE/4, and NE/4 SE/4 of said Section 24.

(5) That the applicant proposes to dedicate the above-described non-standard gas production unit to a well to be drilled at a point 500 feet from the North line and 500 feet from the East line of said Section 24.

(6) That approval of the subject application will not cause waste nor impair correlative rights.

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Case No. 1348
Order No. B-1003

(7) That unless a proration unit consisting of the applicant's aforesaid acreage is permitted, applicant will be deprived of the opportunity to recover its just and equitable share of the natural gas in the Fulcher Data-Pictured Cliffs Pool.

IT IS THEREFORE ORDERED:

That the application of Claude E. Aikman for the establishment of a 100-acre non-standard gas proration unit for the Fulcher Data-Pictured Cliffs Pool consisting of the N/2 NE/4, SE/4 NE/4, and NE/4 SE/4 of Section 24, Township 20 North, Range 12 West, NMPN, San Juan County, New Mexico, be and the same is hereby approved.

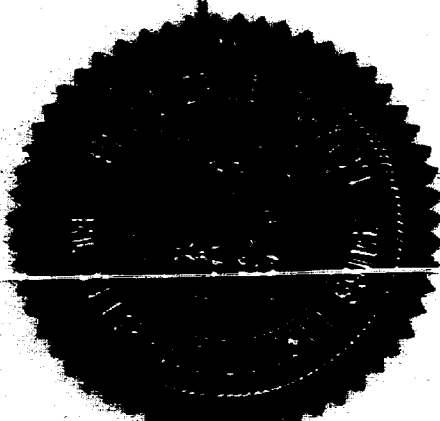
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E. L. McChesney
EDWIN L. MCCHESNEY, Chairman

Murray E. Morgan
MURRAY E. MORGAN, Member

A. L. Foster, Jr.
A. L. FOSTER, Jr., Member & Secretary



12/

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 5/3/57

CASE 1246

Hearing Date 9am 4/23/57 DSN @ SF

My recommendations for an order in the above numbered case are as follows:

Enter an order approving a non-Standard drilling and gas production unit comprising 160 acres in N/2 NE/4, SE/4 NE/4, and the NE/4 SE/4 of Section 24, T29N, R12W, ~~Section~~ Gulcher Litz, Pictured Cliffs Pool.

Reasons:

1. Operator owns all of the above described acreage
2. Operator does not own the SW/4 NE/4 of Sec 24, which would be necessary to form a standard unit, ~~but~~ which is, in fact, not leased to anyone.
3. Operator has attempted to lease said 40 acres, but was informed by the Bureau of Land Management that due to certain pending action by the Secretary of Interior, said land cannot be offered for leasing at the present time.

Staff Member

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date _____

CASE _____ Hearing Date _____

My recommendations for an order in the above numbered cases are as follows:

asked for either of ~~the~~

4. Operator has two alternatives:

(a) form a 120-acre non-std unit comprising the N $\frac{1}{2}$ NE $\frac{1}{4}$ and SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Sec 24

(b) form a 160-acre non std unit comprising the above acreage plus the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Sec 24

5. If operator is granted the 120-acre unit, he will be deprived of a full allowable for the unit, and the pay-out will be extended. If the other 40 is ever leased it could be ~~submerged~~ if necessary and a std unit created

6. If operator is granted the 160-acre unit, he will have a full allowable from the beginning to expedite the pay-out of well costs. If the other 40 is ever leased it could readily be thrown in with the remaining acreage in the SE $\frac{1}{4}$ Sec 24. and a 160 non-std unit easily created.

7. 65-3-14 ~~and~~ Sec C, NMSA, provides that no one shall be deprived of the right of drilling due to the smallness or shape of his tract. While this does not specifically have this situation

in mind, I believe that it can be broadly interpreted to include applicants 160 acre unit even though it does have an odd shape.

Staff Member

Ray Miller
Examiner

Need
Examine
Recommendation

CIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

DATE 4/14/57
before DSP @ SF @ 9AM
CASE 1246 Hearing Date 4/23/57

My recommendations for an order in the above numbered cases are as follows:

I don't agree with EAC - I think
the 120 acre unit should
be approved, to keep from setting
a chain reaction of other NSP's -
Also some one may have soon have the
remaining 40 acres in NE74 under
lease & it could then be committed
to form a standard unit.

Waverly Mankin
Staff Member

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 4-23-57

CASE 1276

Hearing Date 4-23-57

My recommendations for an order in the above numbered cases are as follows:

That the flow std. unit consisting of the N/2 NE/4, SE/4 NE/4, and the NE/4 SE/4 of section 24-29N-12W be granted and dedicated to the Aikman - Mosley Tract #1, 990/N, 990/E sec. 24-29N-12W.

A std. unit cannot be formed in the NE/4 because of the Bureau of Land management cannot lease the SW/4 of the NE/4 of sec. 24.


Staff Member

DOCKET: EXAMINER HEARING APRIL 23, 1957

Oil Conservation Commission 9:00 a.m. Mabry Hall, State Capitol, Santa Fe

The following cases will be heard before Daniel S. Nutter, Examiner

- CASE 1240: Application of Leslie Frank Hale, dba Hale Production Company, for approval of an unorthodox oil well location in Section 22, Township 21 South, Range 34 East, Lea County, New Mexico, in exception to Rule 104 of the Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order authorizing the unorthodox location of its Sanders State Well No. 1, at a point 2,386 feet from the South line and 670 feet from the West line of Section 22, Township 21 South, Range 34 East, Lea County, New Mexico; said location is within one mile of the boundary of the West Wilson Pool.
- CASE 1241: Application of Gulf Oil Corporation for approval of a 234-acre non-standard gas proration unit in the Eumont Gas Pool, Lea County, New Mexico, in exception to Rule 5 (A) of the Special Rules and Regulations for said pool. Applicant, in the above-styled cause, seeks an order authorizing a 234-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the E/2 SW/4 Section 6 and the NW/4 Section 7, Township 22 South, Range 37 East, Lea County, New Mexico said unit to be dedicated to applicant's H. T. Mattern "D" Well No. 6 located 660 feet from the South line and 1980 feet from the West line of said Section 6.
- CASE 1242: Application of Gulf Oil Corporation for permission to effect a gas-oil dual completion for its Alice Paddock No. 3 Well in the Blinebry Oil Pool and Tubb Gas Pool, Lea County, New Mexico, in accordance with Rule 112-A of the Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Alice Paddock No. 3 Well in the Blinebry Oil Pool and Tubb Gas Pool located 660 feet from the South line and 660 feet from the East line of Section 1, Township 22 South, Range 37 East, Lea County, New Mexico. Applicant proposes to produce said well by means of parallel strings of tubing.
- CASE 1243: Application of Rowan Oil Company for approval of a 160-acre non-standard gas proration unit in the Eumont Gas Pool, Lea County, New Mexico, in exception to Rule 5 (A) of the Special Rules and Regulations for said Pool. Applicant, in the above-styled cause, seeks an order authorizing a 160-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the N/2 S/2 Section 7, Township 22 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to the Rowan Oil Company and Neville G. Penrose, Inc. H. T. Mattern No. 1 Well located 1650 feet from the South line and 330 feet from the West line of said Section 7.

CASE 1244: Application of Amerada Petroleum Corporation for an order authorizing an oil-oil dual completion in the Penrose-Skelly Pool and the Paddock Pool in Lea County, New Mexico, in compliance with Rule 112-A of the New Mexico Oil Conservation Commission Rules and Regulations. Applicant, in the above-styled cause, proposes to dually complete, by means of parallel tubing strings, its Baker Well No. 2, located in SE/4 SE/4 of Section 10, Township 22 South, Range 37 East, Lea County, New Mexico, to produce oil from both the Penrose-Skelly and the Paddock Pools.

CASE 1245: Application of Geror Oil Corporation for an order granting an exception to Rule 30(a) of the New Mexico Oil Conservation Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order authorizing the movement of oil before being measured from its State B-8318 lease in the SW/4 NW/4 of Section 23, from its State B-8605 lease in the NW/4 SW/4 of Section 22, and from its State B-10418 lease in the SE/4 SW/4 of Section 22 to a central tank battery on its B-10418 lease in the NE/4 SE/4 Section 22, all in Township 13 South, Range 31 East, Chaves County, New Mexico, and the commingling of the oil produced from the Caprock-Queen Pool underlying said separate leases in common tankage at the central battery.

CASE 1246: Application of Claud E. Aikman for a 160-acre non-standard drilling and proration unit or, in the alternative, for a 120-acre non-standard drilling and proration unit, in the Fulcher Kutz-Pictured Cliffs Gas Pool in exception to Rules 2, 3, and 6 (A) of the Special Rules and Regulations for said pool as set forth in Order R-565-C. Applicant, in the above-styled cause, seeks an order establishing a 160-acre non-standard drilling and gas proration unit in the Fulcher Kutz-Pictured Cliffs Pool comprising the N/2 NE/4, SE/4 NE/4, and NE/4 SE/4 of Section 24, Township 29 North, Range 12 West, San Juan County, New Mexico, or in the alternative, a 120-acre non-standard drilling and gas proration unit comprising the N/2 NE/4 and SE/4 NE/4 of said Section 24; the acreage in either non-standard unit is to be dedicated to a well to be drilled 990 feet from the North and East lines of said Section 24.

CASE 1247: Application of Pan American Petroleum Corporation for an order authorizing the drilling of a salt water disposal well in the Hobbs Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing the drilling of a salt water disposal well at a point 1650 feet from the North line and 340 feet from the West line of Section 15, Township 19 South, Range 38 East, Hobbs Pool, Lea County, New Mexico. Applicant proposes to inject salt water in the lower San Andres formation, below the oil-water contact of the Hobbs Pool.

CASE 1248:

Application of Moran Oil Producing and Drilling Corporation for an order authorizing an unorthodox location and 80-acre non-standard gas proration unit in the Tubb Gas Pool, Lea County, New Mexico, for its Lineberry No. 1 Well and further, authorizing a gas-oil dual completion for said well in the Tubb Gas Pool and Drinkard Oil Pool. Applicant, in the above-styled cause, seeks an order authorizing the unorthodox location of its Lineberry No. 1 Well at a point 2240 feet from the North line and 1980 feet from the East line of Section 29, Township 22 South, Range 38 East, Lea County, New Mexico. Applicant proposes to effect a gas-oil dual completion for said well in the Tubb Gas Pool and Drinkard Oil Pool. Applicant further proposes to establish an 80-acre non-standard gas proration unit for the Tubb Gas Pool to be dedicated to said well; said unit consists of the S/2 NE/4 of said Section 29.

ir/



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Land Office
P. O. Box 1251
Santa Fe, New Mexico

IN REPLY REFER TO:
NM 019408 O&G/Comp.

July 6, 1956

Mr. Jason W. Kellahin
Attorney at Law
P. O. Box 597
Santa Fe, New Mexico

Dear Mr. Kellahin:

This is in reply to your letter of June 11, 1956, requesting on behalf of Claud E. Aikman, that the following described land be offered for oil and gas leasing by competitive bidding:

T. 29 N., R. 12 W., N.M.P.M., New Mexico
Sec. 24, SE 1/4, SW 1/4

The records of this office disclose that the above-described land is included in bid New Mexico 019408, submitted by C. C. Thomas at an oil and gas lease sale held in this office on July 28, 1955. While the decision of this office rejecting this bid was affirmed by the Director, Bureau of Land Management, by his decision of April 30, 1956, such action has not become final. We have been advised that Mr. Thomas has now taken an appeal from the Director's decision to the Secretary of the Interior.

In view of the foregoing, action towards re-offering the land referred to above for oil and gas leasing must remain suspended until final action is taken on Mr. Thomas' bid.

We have added the names of Claud E. and William H. Aikman to our mailing list, and if and when the land is offered for oil and gas leasing, complete information thereof will be furnished them.

Very truly yours,

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
Aikman EXHIBIT No. 1
CASE 1246

W. O. Turner
W. O. Turner
Acting Manager

Case No. 1246
applicant's
Exhibit No. 1

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
Oil Conservation No. 2
CASE 12-86

OPERATING AGREEMENT ON OIL AND GAS
MINING LEASE

THIS AGREEMENT made and entered into this ____ day of _____, 1936, by and between Carl E. Maxey and Paulene E. Maxey, his wife, hereinafter referred to as Owners, and Claud E. Aikman and Gladys J. Aikman, his wife, hereinafter referred to as Operator,

WITNESSETH:

WHEREAS, Owners are the present owner and holder of that certain oil and gas mining lease wherein the United States of America is the Lessor, and Carl E. Maxey is the Lessee, Serial No. NM 012885, dated March 1, 1954, covering the following described lands in San Juan County, New Mexico, to-wit:

TOWNSHIP 29 NORTH, RANGE 12 WEST, N.M.P.M.

Sec. 24 - N/2 E/2, NE/4 NE/4, SW/4 NE/4,
NE/4 SE/4, NW/4 SW/4, containing
320 acres, more or less;

and,

WHEREAS, Owners desire to grant unto Operator the sole and exclusive right to drill and operate the above described land for the discovery and production of oil and/or gas and liquid hydrocarbons in all formations down through and to the base of the Pictured Cliffs Formation and Operator desires to accept and exercise such right;

NOW, THEREFORE, for and in consideration of the sum of FIVE DOLLARS (\$5.00) and other good and valuable considerations to Owners in hand paid by Operator, the full receipt and sufficiency of which is hereby acknowledged and confessed, it is understood and agreed between the parties as follows:

1.

Owners do hereby give, grant and convey unto the said Operator the sole and exclusive right to drill and operate in and on the above described land for the discovery and production of dry gas, oil and liquid hydrocarbons in all formations lying between the

surface and the base of the Pictured Cliffs Formation together with the sole right to take and appropriate for Operator's own use and benefit all dry natural gas, oil, or liquid hydrocarbons, or all of them, lying in and under said lands in all formations from the surface down to and including the base of the Pictured Cliffs Formation, and all dry gas, oil and liquid hydrocarbons, or all of them, produced therefrom subject to the terms and provisions of this agreement and of the above described gas and oil mining lease, during the term of said lease and any and all renewals and extensions thereof, and for the full term of any exchange or other lease obtained pursuant thereto and any and all renewals thereof.

2.

It is mutually understood and agreed by the parties hereto that to the extent that may be necessary, and that may be permitted by applicable laws or regulations, the royalties which may become due the lessor by reason of the operations of the Operator hereunder, the same shall apply against Owners' rental or minimum royalty (or such rental or minimum royalty of the leasee under the above referred to oil and gas mining lease) on all lands covered by the above described oil and gas mining lease.

3.

Owners, as a part of the consideration of this agreement, do hereby reserve unto themselves, their heirs, executors, administrators, successors or assigns, as a free and overriding royalty, an undivided three per cent (3%) of all the oil, gas and other minerals produced, saved and marketed from the above described premises. The overriding royalty herein reserved shall be delivered free and clear of all costs, charges and expenses, except taxes, and shall extend to all renewals and extensions of said lease.

4.

Operator agrees to complete one test well on the above described land or on land communitized or pooled therewith, on or

before May 1, 1957, said well to be located on such location or drilling site as shall be selected by Operator, and drilled to a sufficient depth to adequately test the Pictured Cliffs Formation, or to a total depth of Two Thousand One Hundred Feet (2,100 feet) whichever shall first occur. In the event said test well is successfully completed for the production of gas or oil, or both, in a sufficient quantity, and of a sufficient potential to warrant a prudent operator to make further development, Operator will drill a second well to test the Pictured Cliffs Formation, commencing such well within a reasonable time after completion of the first.

5.

It is understood and agreed that under the rules and regulations of the New Mexico Oil Conservation Commission the above described lands do not include an orthodox drilling and/or production unit for development of the Pictured Cliffs Formation. Operator agrees to attempt to form an orthodox drilling unit by purchase or communitization, or in the alternative, to seek approval of the Oil Conservation Commission of New Mexico of a non-standard drilling and production unit, together with such approval of well location as may be necessary and proper.

6.

Operator agrees, in the event commercial production has not been obtained by the next rental paying date (March 1, 1957) in sufficient quantities to hold the lease by production, to pay such rentals before delinquency.

7.

Landers hereby reserve and retain unto themselves, their heirs, successors, executors, administrators, and assigns, the right to use so much of the surface of the above described lands to explore and develop formations below the base of the Pictured Cliffs Formation and hereby covenant and agree that they will conduct operations so as to interfere as little as possible with the operations of Operator, and Operator shall have the equal right to use

as much of the surface of said land as may be necessary to conduct operations in the formations down to and including the base of the Pictured Cliffs Formation for the discovery and production of oil, dry gas, and liquid hydrocarbons, which operations are to be conducted so as to interfere as little as possible with the operations of Owners. Owners further covenant and agree that in the conduct of their operations they will, in penetrating the Pictured Cliffs Formation, effectively seal off the dry gas and liquid hydrocarbon deposits therein so as to prevent as much as possible the loss or escape of dry gas and liquid hydrocarbons from the Pictured Cliffs Formation and prevent any injury or damage to said formation occasioned by their operations. Both Owners and Operator shall have full rights of ingress and egress in carrying out their respective operations on said land.

8.

It is understood and agreed by and between the parties hereto that should either Owners or Operator herein, their heirs, assigns, executors or administrators, desire to surrender the interest in the lease covered by this agreement, the party so desiring to surrender such interest shall give to the other party hereto written notice thereof at least 30 days before making such a surrender. Should the other party hereto not agree or consent to such surrender, the party so desiring to surrender shall assign and convey without warranty of any kind, either expressed or implied, all of their interest in such lease to the other party hereto and thereupon, the party so assigning their interest in such lease shall be relieved of and from any and all obligations under such lease and this agreement thereafter, but not thereafter, accruing. The provisions hereof shall be considered covenants running with the lands and lease during the life of the lease and all modifications, renewals and extensions thereof, and shall bind the parties hereto, their legal representatives, successors, heirs and assigns, and any grant, transfer or assignment of the lease shall be subject to the provisions hereof.

9.

Owners hereby covenant and agree that they will at all times save and keep Operator harmless from and against any and all losses, damages, claims or injuries occasioned by the drilling and all other operations of Owners on the above described lands. Operator hereby covenants and agrees that he will at all times save and keep Owners harmless from and against any and all losses, damages, claims or injuries occasioned by the drilling and all other operations of Operator on the above described lands.

10.

Operator shall have the right to remove from time to time from said land all machinery, rigs, pipe, casing, pumping stations and other property and improvements belonging to or furnished by Operator provided that such removal shall be completed within a reasonable time after the termination of this agreement.

11.

Owners hereby covenant with Operator that they are the lawful owners of the above described lease and the rights and interests thereunder, and that they have good title and full right to sell and convey the same, and that said lease is free and clear from all liens and incumbrances.

12.

The rights, title and interests hereby granted by Owners to Operator shall be irrevocable and Operator shall be entitled to have and retain all of the dry gas, oil and liquid hydrocarbons produced from any and all formations in and under the above described lands, from the surface of the earth to the base of the Pictured Cliffs Formation, subject only to the terms and conditions of the above described lease, and the payment of royalties as herein provided.

Dry gas, oil and liquid hydrocarbons, as these terms are used herein, shall be construed to mean "gas in its natural state as produced from the well and includes its content of gasoline and

all liquid or liquefiable hydrocarbons produced at the wellhead by ordinary production methods, oil, casinghead, and/or residue gas."

13.

All of the terms and provisions of this agreement shall be deemed as covenants running with the land and the interest of the parties hereto shall be binding upon and shall inure to the benefit of the parties, their legal representatives, heirs, successors and assigns.

IN WITNESS WHEREOF, this agreement is executed in counterpart originals as of the day and year first above written.

Carl E. Nance

Pauline E. Nance

Clarence E. Aikman

Gladys J. Aikman

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1956, by Carl E. Nance and Pauline E. Nance, his wife.

My commission expires: _____
Notary Public

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1956, by Clarence E. Aikman and Gladys J. Aikman, his wife.

My commission expires: _____
Notary Public

BEFORE THE OIL CONSERVATION COMMISSION
OF THE
STATE OF NEW MEXICO

Examiner by
② SF
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Jason 4-8-57
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IN THE MATTER OF THE APPLICATION
OF CLAUD E. AIKMAN FOR APPROVAL
OF A NON-STANDARD DRILLING AND
PRORATION UNIT CONSISTING OF THE
N/2 NE/4, SE/4 NE/4, NE/4 SE/4,
SEC. 24, T29N, R12W, OR IN THE
ALTERNATIVE, FOR A 120-ACRE DRILL-
ING AND PRORATION UNIT, AS AN EXCEPTION
TO ORDER NO. R-565-C

No. 1216

APPLICATION

Comes now Claud E. Aikman, and applies to the Commission for approval of a non-standard drilling and proration unit of 160 acres, consisting of the N/2 NE/4, SE/4 NE/4, and NE/4 SE/4, Section 24, Township 29 North, Range 12 West, N.M.P.M., San Juan County, New Mexico, as an exception to Rule 2, Rule 3, and Rule 6 (a) of the Special Rules and Regulations for the Fulcher-Kutz Pictured Cliffs Gas Pool as contained in Order No. R-565-C, or in the alternative, for approval of a non-standard drilling and proration unit of 120 acres consisting of the N/2 NE/4, SE/4 NE/4, of said Section 24, and in support thereof, would show:

1. That the applicant is the owner and holder of the exclusive right to drill for and develop said lands in so far as the Pictured Cliffs gas formation is concerned.
2. That said acreage lies within one mile of the Fulcher-Kutz Pictured Cliffs Gas Pool as defined by the commission.
3. That applicant has been unable to pool or communitize his lands with the lands lying in the SW/4 NE/4 for the reason that said lands are federally-owned lands not presently available for leasing, due to a contest presently on file with the Bureau

of Land Management, Department of Interior, all as shown by the official records on file with said Bureau of Land Management under the style and number: C. C. Thomas, application NM 019408.

4. That the proposed non-standard unit consists of contiguous quarter-quarter sections lying wholly within said Section 24, and the well to be drilled thereon will be located 990 feet from the North line and 990 feet from the East line of said section.

5. That all of the acreage within the proposed non-standard unit may reasonably be presumed to be productive of gas.

6. That unless this application is approved, applicant will be deprived of the opportunity of producing his fair share of the gas and/or liquid hydrocarbons underlying his lands.

Attached hereto, and made a part hereof, is a plat showing, in so far as applicant has been able to determine, the proposed unit, location of the proposed well, and ownership of all leases offsetting said lands.

WHEREFORE, applicant requests that this application be set for hearing before the Commission's duly appointed examiner in Santa Fe, New Mexico, and that after notice and hearing as required by law, applicant be granted the relief prayed for.

Respectfully submitted,

CLAUD E. AIKMAN

By

Jason W. Kellahin
P. O. Box 597
Santa Fe, New Mexico

Attorney for Applicant

