

CASE 3497: Appln. of MS-TEX
SUPPLY CO. for a non-standard
gas unit and non-std. gas well.

Case Number

34107

Large

Exhibits

INSTRUCTIONS TO DELIVERING EMPLOYEE

☐ Deliver **ONLY** to addressee ☐ Show address where delivered
(Additional charges required for these services)

RECEIPT

Received the numbered article described on other side.

SIGNATURE OR NAME OF ADDRESSEE (must always be filled in)
Cont. Oil

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
Larry Reed

DATE DELIVERED **OCT 25 1966** SHOW WHERE DELIVERED (only if requested)

CSS-16-71548-5-F GPO

INSTRUCTIONS TO DELIVERING EMPLOYEE

☐ Deliver **ONLY** to addressee ☐ Show address where delivered
(Additional charges required for these services)

RECEIPT

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SIGNATURE OR NAME OF ADDRESSEE (must always be filled in)
Sgt. Brown

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
William R. Smith

DATE DELIVERED **10-25-66** SHOW WHERE DELIVERED (only if requested)

CSS-16-71548-5-F GPO

INSTRUCTIONS TO DELIVERING EMPLOYEE

☐ Deliver **ONLY** to addressee ☐ Show address where delivered
(Additional charges required for these services)

RECEIPT

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SIGNATURE OR NAME OF ADDRESSEE (must always be filled in)
Gulf Oil Corp

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
Plasance

DATE DELIVERED **10-25-66** SHOW WHERE DELIVERED (only if requested)

CSS-16-71548-5-F GPO

INSTRUCTIONS TO DELIVERING EMPLOYEE

☐ Deliver **ONLY** to addressee ☐ Show address where delivered
(Additional charges required for these services)

RECEIPT

Received the numbered article described on other side.

SIGNATURE OR NAME OF ADDRESSEE (must always be filled in)
Sun Oil

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
J. H. Pate

DATE DELIVERED **OCT 26 1966** SHOW WHERE DELIVERED (only if requested)

CSS-16-71548-5-F GPO

INSTRUCTIONS TO DELIVERING EMPLOYEE

☐ Deliver **ONLY** to addressee ☐ Show address where delivered
(Additional charges required for these services)

RECEIPT

Received the numbered article described on other side.

SIGNATURE OR NAME OF ADDRESSEE (must always be filled in)
Medina

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
DL

DATE DELIVERED **OCT 26 1966** SHOW WHERE DELIVERED (only if requested)

CSS-16-71548-5-F GPO

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE, \$300

Continental Oil Co.
Tenneco Building
Box 460
Hobbs, New Mexico 88240

INSTRUCTIONS: Fill in items below and complete instructions on other side, if applicable. Moisten gummed ends, attach and hold firmly to back of article. Print on front of article RETURN RECEIPT REQUESTED.

REGISTERED NO.	NAME OF SENDER
CERTIFIED NO. 434686	Girand, Cowan & Reese
INSURED NO.	STREET AND NO. OR P. O. BOX P. O. Box 1290
	CITY, STATE, AND ZIP CODE Hobbs, New Mexico 88240

CSS-16-71548-6-F

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE, \$300

The Atlantic Refining Co.
Security Nat'l Bank Bldg
Box 1978
Roswell, New Mexico 88201

INSTRUCTIONS: Fill in items below and complete instructions on other side, if applicable. Moisten gummed ends, attach and hold firmly to back of article. Print on front of article RETURN RECEIPT REQUESTED.

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	CITY, STATE, AND ZIP CODE Hobbs, New Mexico 88240

CSS-16-71548-6-F

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE, \$300

Gulf Oil Corporation
Petroleum Building
Box 1938
Roswell, New Mexico 88201

INSTRUCTIONS: Fill in items below and complete instructions on other side, if applicable. Moisten gummed ends, attach and hold firmly to back of article. Print on front of article RETURN RECEIPT REQUESTED.

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CSS-16-71548-6-F

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE, \$300

Sun Oil Company
Midland Tower Building
Box 1861
Midland, Texas

INSTRUCTIONS: Fill in items below and complete instructions on other side, if applicable. Moisten gummed ends, attach and hold firmly to back of article. Print on front of article RETURN RECEIPT REQUESTED.

REGISTERED NO.	NAME OF SENDER
CERTIFIED NO. 434685	Girand, Cowan & Reese
INSURED NO.	STREET AND NO. OR P. O. BOX P. O. Box 1290
	CITY, STATE, AND ZIP CODE Hobbs, New Mexico 88240

CSS-16-71548-6-F

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE, \$300

Porter, Jr.
Secretary Director
New Mexico Oil Conserv. Comm.
P. O. Box 2088, Santa Fe, N. M. 87501

INSTRUCTIONS: Fill in items below and complete instructions on other side, if applicable. Moisten gummed ends, attach and hold firmly to back of article. Print on front of article RETURN RECEIPT REQUESTED.

REGISTERED NO.	NAME OF SENDER
CERTIFIED NO. 434688	Girand, Cowan & Reese
INSURED NO.	STREET AND NO. OR P. O. BOX P. O. Box 1290
	CITY, STATE, AND ZIP CODE Hobbs, New Mexico 88240

CSS-16-71548-6-F

State of New Mexico
Oil Conservation Commission



P. O. BOX 2088
SANTA FE

December 6, 1966

Re: Case No. 3497
Order No. R-3159
Applicant:

ME-TEX SUPPLY COMPANY

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

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

Carbon copy of order also sent to:

Artesia OCC_____

Aztec OCC _____

OTHER

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 3497
Order No. R-3159

APPLICATION OF ME-TEX SUPPLY COMPANY
FOR A NON-STANDARD GAS PRORATION UNIT
AND A NON-STANDARD GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 30, 1966, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 6th day of December, 1966, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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, Me-Tex Supply Company, is the owner and operator of the Wallace State Well No. 3 located 3300 feet from the South line and 1980 feet from the West line of Section 3, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico; that said well presently has dedicated to it a non-standard gas proration unit in the Eumont Gas Pool comprising Lots 13 and 14 of said Section 3.

(3) That the applicant is the owner and operator of the Wallace State Well No. 2 located in Lot 12 of said Section 3; that said well presently has dedicated to it a non-standard gas proration unit in the Eumont Gas Pool comprising Lots 5, 6, 11, and 12 of said Section 3.

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CASE No. 3497

Order No. R-3159

(4) That the applicant seeks to abolish the aforesaid non-standard proration units and create a 240-acre non-standard gas proration unit in the Eumont Gas Pool comprising Lots 5, 6, 11, 12, 13, and 14 of said Section 3 to be dedicated to its Wallace State Well No. 3 located at an unorthodox location 3300 feet from the South line and 1980 feet from the West line of said Section 3.

(5) That the applicant further seeks the assignment to the proposed non-standard gas proration unit of the accumulated underproduction presently carried by the aforesaid Wallace State Well No. 3 and Wallace State Well No. 2.

(6) That the proposed non-standard gas proration unit can be efficiently and economically drained and developed by the Wallace State Well No. 3.

(7) That the accumulated underproduction presently carried by the aforesaid Wallace State Well No. 3 and Wallace State Well No. 2 should be assigned to the proposed non-standard gas proration unit.

(8) That in order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and otherwise prevent waste and protect correlative rights, the aforesaid non-standard gas proration units presently dedicated to the said Wallace State Wells Nos. 2 and 3 should be abolished and a non-standard proration unit created and dedicated as requested by the applicant.

IT IS THEREFORE ORDERED:

(1) That the non-standard gas proration unit comprising Lots 13 and 14 and the non-standard gas proration unit comprising Lots 5, 6, 11, and 12, both in Section 3, Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico, are hereby abolished.

(2) That an unorthodox location is hereby approved for the Me-Tex Supply Company Wallace State Well No. 3 located 3300 feet from the South line and 1980 feet from the West line of Section 3, Township 21 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico.

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CASE No. 3497
Order No. R-3159

(3) That a 240-acre non-standard gas proration unit in the Eumont Gas Pool comprising Lots 5, 6, 11, 12, 13, and 14 of Section 3, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby established and dedicated to the Me-Tex Supply Company Wallace State Well No. 3;

PROVIDED HOWEVER, that the effective date for the establishment of said unit shall be as of December 1, 1966;

PROVIDED FURTHER, that the beginning status for the unit shall be the combined status, as of December 1, 1966, of the two units being abolished.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

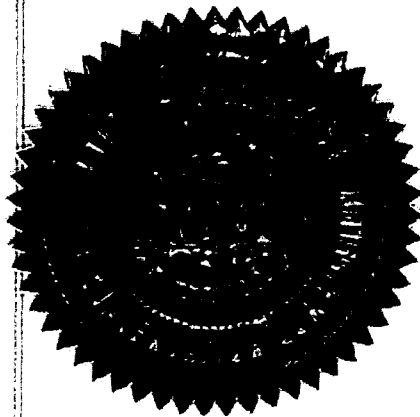
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Jack M. Campbell
JACK M. CAMPBELL, Chairman

Guyton B. Hays
GUYTON B. HAYS, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary



esr/

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 30, 1966

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Elvis A. Utz, Alternate Examiner:

- CASE 3492: Application of Midwest Oil Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Cinta Roja-Morrow Gas Pool, Lea County, New Mexico, including a provision for 640-acre proration units.
- CASE 3493: Application of H. M. Sweeney for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Hale Unit Area comprising 1920 acres, more or less, of Federal, State and Fee lands in Township 20 South, Range 30 East, Eddy County, New Mexico.
- CASE 3494: Application of Texaco Inc. for a non-standard gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Cotton Draw Unit Well No. 64 at an unorthodox gas well location 650 feet from the North line and 1652 feet from the West line of Section 18, Township 25 South, Range 32 East, in an undesignated Devonian gas pool, Lea County, New Mexico.
- CASE 3495: Application of Burleson & Huff for a non-standard proration unit and a non-standard location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the approval of a 50.30-acre non-standard oil proration unit comprising all of Lot 3, Section 2, Township 16 South, Range 32 East, North Anderson Ranch-Wolfcamp Pool, Lea County, New Mexico, to be dedicated to a well to be drilled at a non-standard location for said pool 990 feet from the North line and 330 feet from the East line of said Lot 3.
- CASE 3496: Application of Newmont Oil Company for a waterflood expansion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its West Square Lake Waterflood Project, Square Lake Pool, by the conversion to water injection of its Continental State Well No. 1, located 1980 feet from the North line and 1990 feet from the West line of Section 36, Township 16 South, Range 31 East, Eddy County, New Mexico.
- CASE 3497: Application of Me-Tex Supply Company for a non-standard gas proration unit and a non-standard gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the approval of a non-standard gas proration unit comprising Lots 5, 6, 11, 12, 13, and 14 of Section 3, Township 21 South, Range

(Case 3497 continued)

36 East, Eumont Gas Pool, Lea County, New Mexico, to be dedicated to its Wallace State Well No. 3 located at an unorthodox location 3,300 feet from the South line and 1980 feet from the West line of said Section 3. Applicant further seeks the assignment to said proration unit of the accumulated underproduction presently carried by its Wallace State Well No. 2 located in Unit L of said Section 3, said well currently being dedicated to a 160-acre non-standard gas proration unit comprising Lots 5, 6, 11, and 12 of said Section 3, and also the assignment to said unit of the accumulated underproduction presently carried by the aforesaid Wallace State Well No. 3, said well currently being dedicated to an 80-acre non-standard proration unit comprising Lots 13 and 14 of said Section 3.

CASE 3498: Application of Pan American Petroleum Corporation for a pressure maintenance project, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project in the Piñon Gallup Oil Pool by the injection of water into the Gallup formation through five wells located in Section 19, Township 28 North, Range 11 West and Sections 14, 15, and 24, Township 28 North, Range 12 West, San Juan County, New Mexico. Applicant further seeks the promulgation of special rules for the operation of said project.

CASE 3499: Application of Pan American Petroleum Corporation for pressure interference tests, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to conduct a pressure interference test in the Cato-San Andres Pool, Chaves County, New Mexico, by shutting in a number of its wells in said pool and producing its Baskett "D" Well No. 1 located in Unit G, Section 11, Township 8 South, Range 30 East, Chaves County, New Mexico. Applicant also seeks authority to transfer the allowable from other wells on said Baskett "D" lease to Well No. 1, to temporarily overproduce said lease, and to make-up the overproduction at the conclusion of the test period by curtailment of wells on said lease. Applicant further seeks authority to accumulate underproduction on any lease where wells will be shut-in, for production upon conclusion of the interference tests.

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 12/1/66

CASE 3497

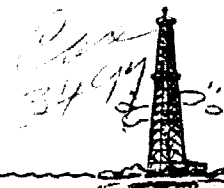
Hearing Date 9am 11/30/66
DSN @ SF

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

Enter an order abolishing
Nethy Supply Co's 80-acre non std
gas unit in the Summit Gas Pool comprising
lots 13 & 14 of 3-215-36E which is dedicated
to its Wallace Stan Well No 3 located 3300'
FSL & 1980' FWL of said Sec 3. Also abolish
their 160-acre non-std gas proration unit
comprising lots 5, 6, 11, & 12 of Sec 3 and dedi-
cated to their Wallace Stan Well No 2 located
std gas unit, Summit Pool, comprising lots
5, 6, 11, 12, 13, & 14 of Sec 3 to be dedicated
to the aforesaid Well No 3. Provide that
the new unit shall have the combined
status of the two units being abolished effective
Dec 1, 1966

Xander

ME-TEX AND ASSOCIATED COMPANIES



PHONES: EXPRESS 3-8013 - 3-5633

JAMES M. MURRAY, Jr., President
D. P. TEED, Vice-Pres. and Secretary
EDNA MURRAY, Treasurer

October 21, 1966

P. O. Box 2077
HOBBS, NEW MEXICO

Mr. A. L. Porter, Jr., Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

OCT 26 PM 1 00

Re: Application for Non-Standard Gas
Proration Unit, Non-Standard
Location and Transfer of Gas
Allowable

Dear Mr. Porter:

We forward, herewith, Applications in triplicate requesting approval of non-standard gas proration unit, non-standard location and transfer of gas allowable from Wallace State No. 2 to our Wallace State No. 3 located in Section 3, T-21-S, R-36-E, Lea County, New Mexico. The acreage is presently dedicated as follows:

Wallace State No. 2: Lots 5, 6, 11, and 12
Wallace State No. 3: Lots 13 and 14

We now request your consideration to dedicate the acreage as follows:

Wallace State No. 3: Lots 5, 6, 11, 12, 13, and 14

We request administrative approval of the application, and we are notifying each offset operator by certified mail.

Yours very truly,

ME-TEX SUPPLY COMPANY


R. F. Montgomery

RM/110/jm

Enclosures

CERTIFIED MAIL - R.R.R. - #434688

DOCKET MAILED

Date 11-18-66
6-

Mr. A. L. Porter, Jr.
New Mexico Oil Conservation Commission

Page 2
October 21, 1966

Copies to:

Gulf Oil Corporation
Petroleum Building
Box 1938
Roswell, New Mexico 88201 (CERTIFIED MAIL - R.R.R. - #434684)

Sun Oil Company
Midland Tower Building
Box 1861
Midland, Texas (CERTIFIED MAIL - R.R.R. - #434685)

Continental Oil Company
Tenneco Building
Box 460
Hobbs, New Mexico 88240 (CERTIFIED MAIL - R.R.R. - #434686)

The Atlantic Refining Co.
Security National Bank Building
Box 1978
Roswell, New Mexico 88201 (CERTIFIED MAIL - R.R.R. - No. 434687)

New Mexico Oil Conservation Commission
P. O. Box 1980
Hobbs, New Mexico 88240

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

FORM C-128
 Revised 5/1/57

SEE INSTRUCTIONS FOR COMPLETING THIS FORM ON THE REVERSE SIDE

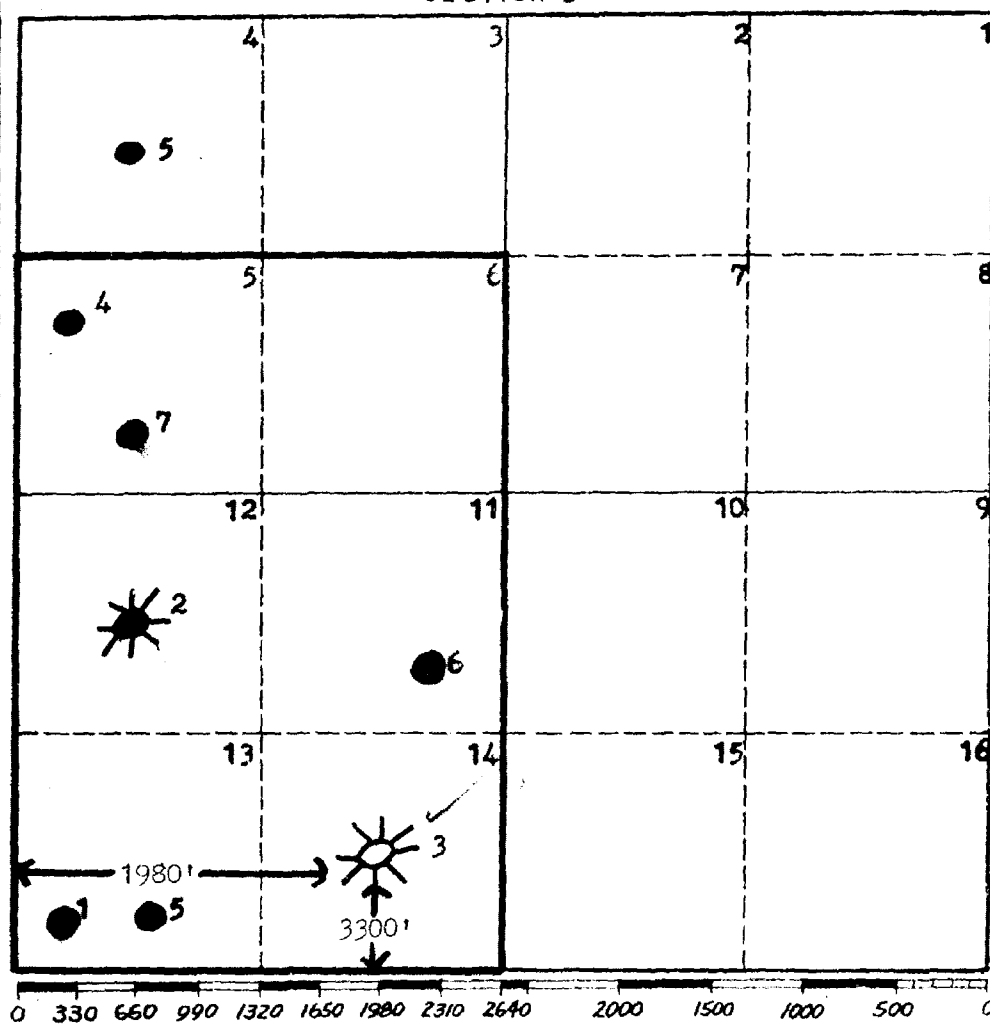
SECTION A

Operator ME-TEX SUPPLY CO.		Lease WALLACE STATE		Well No. 3
Unit Letter N	Section 3	Township 21S	Range 36E	County LEA
Actual Footage Location of Well: 3300 feet from the South line and 1980 feet from the West line				
Ground Level Elev. 3535 est	Producing Formation Queen	Pool Bumont	Dedicated Acreage: 240 Acres	

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below? YES X NO ____ . ("Owner" means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another. (65-3-29 (e) NMSA 1935 Comp.)
2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? YES ____ NO ____ . If answer is "yes," Type of Consolidation _____
3. If the answer to question two is "no," list all the owners and their respective interests below:

Owner	Land Description

SECTION B



CERTIFICATION

I hereby certify that the information in SECTION A above is true and complete to the best of my knowledge and belief.

R. F. Montgomery
 Name

R. F. Montgomery
 Position

Geologist
 Company

Me-Tex Supply
 Date

October 17, 1966

I hereby certify that the well location shown on the plat in SECTION B was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

Registered Professional Engineer
 and/or Land Surveyor

Certificate No.

INSTRUCTIONS FOR COMPLETION OF FORM C-128

1. Operator shall furnish and certify to the information called for in Section A.
2. Operator shall outline the dedicated acreage for *both* oil and gas wells on the plat in Section B.
3. A registered professional engineer or land surveyor registered in the State of New Mexico or approved by the Commission shall show on the plat the location of the well and certify this information in the space provided.
4. All distances shown on the plat must be from the outer boundaries of the Section.
5. If additional space is needed for listing owners and their respective interests as required in question 3 of Section A, please use space below.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

OS Oct 26 PM 1 9

IN THE MATTER OF)
)
APPLICATION OF ME-TEX SUPPLY COMPANY)
FOR A 240-ACRE NON-STANDARD GAS)
PRORATION UNIT AND A NON-STANDARD LOCATION))
FOR ITS WALLACE-STATE WELL NO. 3 IN)
SECTION 3, T-21-S, R-36-E, N.M.P.M.,)
EUMONT GAS POOL, LEA COUNTY, NEW MEXICO,)
AND TRANSFER OF UNDERPRODUCTION FROM THE)
ME-TEX WALLACE STATE WELL NO. 2 TO THE)
ME-TEX WALLACE STATE WELL NO. 3 UNDER THE)
PRORATION UNIT.)

CASE NO. 3497

A P P L I C A T I O N

Me-Tex Supply Company respectfully requests administrative approval under the provisions of Rule 5(c) of the Special Rules and Regulations for the Eumont Gas Pool of Order No. R-1670 for the formation of a 240-acre non-standard gas proration unit consisting of Lots 5, 6, 11, 12, 13, and 14 of Section 3, T-21-S, R-36-E, for its Wallace State Well No. 3 located 3,300 feet from the south line and 1,980 feet from the west line of Section 3, T-21-S, R-36-E, Lea County, New Mexico, in the Eumont Gas Pool.

In support of this request, we point out that the proposed unit conforms with the requirements of said Rule 5(c):

1. Proposed non-standard gas proration unit consists of contiguous quarter-quarter sections.

2. Proposed non-standard gas proration unit lies wholly within a single governmental section.

3. The entire proposed non-standard gas proration unit may be reasonably presumed to be productive of gas.

4. The length or width of unit does not exceed 5,280 feet.

A plat is attached hereto showing the proposed unit and the

location of the wells.

The Me-Tex Wallace State Well No. 2 has had continuous gas production since its initial completion in April of 1936 and was assigned a 160-acre proration unit at the time of the creation of the Eumont Gas Pool. In March of 1966, said well was shut in awaiting FPC approval of a change in purchaser. The Me-Tex Wallace State Well No. 2 had a September ending net allowable of 29,312 MCFG and an October new allowable of 4,926 MCF. Permission has been obtained from the FPC approving the change in purchasers.

The Me-Tex Wallace State Well No. 2 was initially completed in April of 1936 as a dual completion producing Eumont gas from the 7-5/8" x 5-1/2" bradenhead and oil from the Eunice-Monument oil zone through open hole below the 5-1/2" casing. The Eunice-Monument Oil Pay has been temporarily abandoned for a number of years, and the well has been classified as a gas well.

Applicant seeks authority to establish the 240-acre non-standard gas proration unit, dedicating the acreage to Me-Tex Wallace State Well No. 3; and in this connection Applicant alleges that all of the acreage dedicated to the proposed gas proration unit is capable of producing gas.

Applicant would further show that since the Me-Tex Wallace State Well No. 2 has been shut in awaiting approval of the FPC to a change in purchasers, Applicant has re-entered the Me-Tex Wallace State Well No. 2 and now desires to recomplete the Me-Tex Wallace State Well No. 2 as an oil well producing from the Eunice-Monument oil zone. It is Applicant's opinion that an attempt to dually complete the well is not in keeping with good field practices when the Applicant has a well to which

the acreage can be assigned, as a proration unit, that is capable of producing the allowable previously attributable to the Me-Tex Wallace State Wells No. 2 and 3.

Applicant would further show that by reason of its election to discontinue the operation of the Me-Tex Wallace State Well No. 2 as a gas well producing from the Eumont zone that the accumulated allowable assigned to its Me-Tex Wallace State Well No. 2 should be transferred to the Me-Tex Wallace State Well No. 3. Applicant alleges that it is within the power and authority of the Commission to grant said request and that the granting of said request will result in the protection of correlative rights and the prevention of waste.

The Applicant therefore respectfully requests that the Commission enter an administrative order approving the non-standard proration unit comprised of Lots 5, 6, 11, 12, 13, and 14 of Section 3, T-21-S, R-36-E, and allocating said acreage to the Me-Tex Wallace State Well No. 3, granting unto said Well No. 3 the allowable previously allocated to the Me-Tex Wallace State Wells No. 2 and 3, and in addition thereto authorize the transfer of 34,238 MCF of unproduced allowable attributable to Well No. 2.

Should the Commission determine that this matter cannot be handled administratively, Applicant requests that the matter be set down for hearing at a time and place convenient to the Commission.

By copy of this Application, notice is being furnished

to Gulf Oil Corporation, Sun Oil Company, Continental Oil
Company, and Atlantic Refining Company.

Respectfully submitted,

ME-TEX SUPPLY COMPANY

By R. F. Montgomery
R. F. Montgomery

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

FORM C-128
 Revised 5-1-57

SEE INSTRUCTIONS FOR COMPLETING THIS FORM ON THE REVERSE SIDE

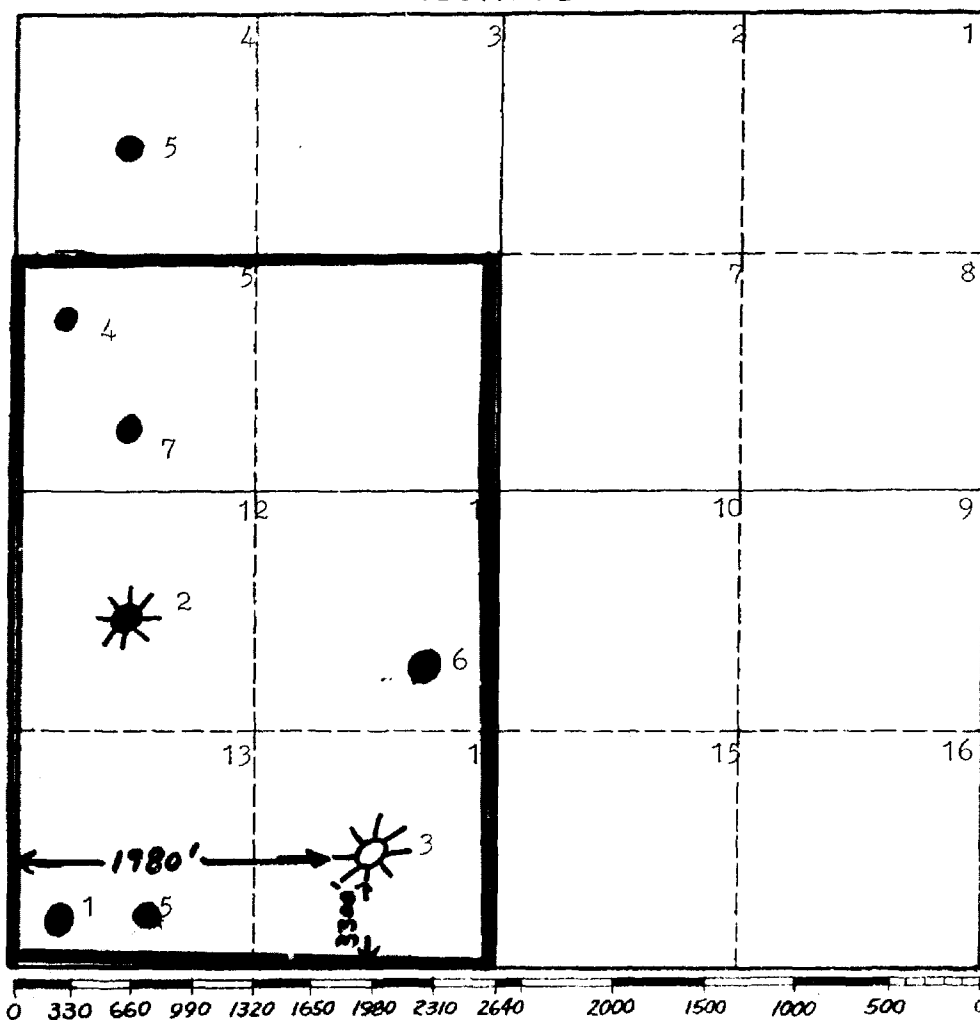
SECTION A

Operator ME-TEX SUPPLY CO.			Lease WALLACE STATE		Well No. 3
Unit Letter N	Section 3	Township 21S	Range 36E	County LEA	
Actual Footage Location of Well: 3300 feet from the South line and 1980 feet from the West line					
Ground Level Elev. 3535 est	Producing Formation Queen		Pool Ermont		Dedicated Acreage: 240 Acres

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below? YES X NO ____ . ("Owner" means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another. (65-3-29 (c) NMSA 1935 Comp.)
2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? YES ____ NO ____ . If answer is "yes," Type of Consolidation _____
3. If the answer to question two is "no," list all the owners and their respective interests below:

Owner	Land Description

SECTION B



CERTIFICATION

I hereby certify that the information in SECTION A above is true and complete to the best of my knowledge and belief.

R. F. Montgomery
 Name
R. F. Montgomery
 Position
Geologist
 Company
Me-Tex Supply
 Date
October 17, 1966

I hereby certify that the well location shown on the plat in SECTION B was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed _____
 Registered Professional Engineer and/or Land Surveyor

Certificate No. _____

3697

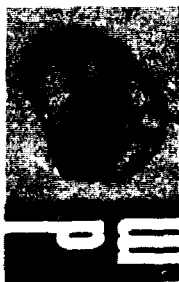
INSTRUCTIONS FOR COMPLETION OF FORM C-128

1. Operator shall furnish and certify to the information called for in Section A.
2. Operator shall outline the dedicated acreage for *both* oil and gas wells on the plat in Section B.
3. A registered professional engineer or land surveyor registered in the State of New Mexico or approved by the Commission shall show on the plat the location of the well and certify this information in the space provided.
4. All distances shown on the plat must be from the outer boundaries of the Section.
5. If additional space is needed for listing owners and their respective interests as required in question 3 of Section A, please use space below.

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BEFORE THE NEW MEXICO
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 30, 1966

EXAMINER HEARING

In the Matter of:)

)
Application of Me-Tex Supply)
Company for a nonstandard gas)
proration unit and a nonstandard)
gas well location, Lea County,)
New Mexico.)

CASE NUMBER
3497

BEFORE:

DANIEL S. NUTTER, Examiner

TRANSCRIPT OF HEARING

MR. HATCH: Case 3497, application of Me-Tex Supply Company for a nonstandard gas proration unit and a nonstandard gas well location, Lea County, New Mexico.

MR. DURAN: Mr. Examiner, let the record show that W. D. Duran, P.O. 1290, Hobbs, New Mexico, is appearing on behalf of the applicant. I have one witness, Mr. Montgomery.

MR. NUTTER: What are your initials? W.D.?

MR. DURAN: W. D.

MR. NUTTER: I never remember hearing anything except Doug.

(Witness sworn.)

MR. DURAN: Mr. Examiner, at this time in connection with the call of the docket, the applicant also asks for a transfer of the allowable of the well we have proposed to shut in to the Number 3 well which will be the producing well of the unit, and I don't believe that was announced in the announcement. It is in the notice.

MR. NUTTER: Now, in the docket here, we say "The applicant further seeks the assignment to set proration unit of the accumulated underproduction presently carried by the Number 2 and also the assignment to the unit of the accumulated underproduction presently carried by the Number 3."

MR. DURAN: That is correct, but in reading the notice, in calling the docket just a moment ago, he did not

mention that as part of our application and I thought it ought to be --

MR. PORTER: This all has to do, Mr. Duran, with accumulated underproduction?

MR. DURAN: That is correct, and we will offer some proof of why that underproduction exists.

MR. NUTTER: Well, now, this style is very brief and doesn't include all of that.

MR. DURAN: I see. We would like to file the return receipt showing service on all offsetting operators as well as by certified mail. Are you ready to proceed?

MR. NUTTER: Yes. Go ahead.

R. F. MONTGOMERY, called as a witness on behalf of the applicant, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. DURAN:

Q Will you state your name and position, Mr. Montgomery?

A Randall F. Montgomery, operator of the Me-Tex Supply Company property.

Q And is that in particular the Me-Tex Supply Company, Wallace State lease?

A That is correct?

Q Mr. Montgomery, did you assist in preparing the application that has been assigned the Docket Number 5497?

A I did.

Q Generally, give the history of the Me-Tex Supply Company, Wallace State lease and the two proration units heretofore existing, if you will, please.

A There have been two wells drilled on the property. It includes six lots in Section 3 of Township 21 South, Range 36 East. Well Number 2 was a dually completed well, an oil well producing from the Eunice-Eumont Pool and a Bradenhead Gas completion from the Eumont Gas Pool. The acreage dedicated to that well included Lots 5, 6, 12 and 13. Well Number 3 is a single completion in the Eumont Gas Pool and the acreage dedicated to that pool at the present time is Lot 13 and 14, 80 acres.

Q These wells were completed prior to the establishment of Eumont Pool?

A That's correct.

Q At the present time, to what purchaser are those wells connected?

A At the present time, the status is in limbo due to the action of the Federal Power Commission. The wells have been shut in since March of this year, waiting approval of the transfer of this gas from Southern Union Gas Company as

purchaser to El Paso Natural Gas Company.

Q It's your understanding that the El Paso Natural Gas has acquired the distribution lines and contracts of the Southern Union Gas Company?

A That's what they advised us.

Q And for that reason, you have not been able to sell any gas from either well?

A Since March of '66.

Q Now, during that time, did you take occasion to go in and work over your Well Number 2?

A We did. Well Number 2, the Bradenhead side had loaded up with fluid and it was becoming increasingly difficult to put the well on production, particularly since the wells have been shut in since March. We also anticipate secondary recovery operations in this area and the zone to the Grayburg has been abandoned for many years and we --

MR. NUTTER: Mr. Montgomery, excuse me. Now, the Well Number 2, is that the one on the exhibit that is labeled with a 3?

THE WITNESS: No. Well, I should have referred to Well Number 2 as being the dual completion, if I did not. Well Number 3 is the single in Lot 14, in Lot 12 is Well Number 2.

MR. NUTTER: Well, isn't it labeled with a 3 there

on the exhibit?

THE WITNESS: Well, mine shows 2. Perhaps it's --

Q (By Mr. Duran) Is this a Number 2?

A Yes.

(Whereupon, an off the record discussion was held.)

MR. NUTTER: Number 3 is the one down in the southeast corner of this little red area.

THE WITNESS: Tract, yes.

MR. DURAN: Mr. Examiner, may I interrupt long enough just to get this exhibit identified?

MR. NUTTER: Yes, sir.

(Whereupon, Applicant's Exhibit Number 1 was marked for identification.)

Q (By Mr. Duran) Mr. Montgomery, I hand you here what has been marked for identification as Petitioner's Exhibit Number 1 in Cause Number 3497. Your testimony in regard to

Well Number 2 and Well Number 3, as previously given here, are shown on that exhibit?

A That's correct.

Q And insofar as you heretofore testified in connection with these two wells, why, you were referring to a duplicate of that exhibit, were you not?

A That's correct.

MR. DURAN: Okay. Shall I proceed?

MR. NUTTER: Yes.

Q (By Mr. Duran) In connection with the work that you've performed on Well Number 2 during the shut down period, what have you done to that Well Number 2?

A Well Number 2, we elected to squeeze off the Bradenhead gas well and to clean out the old oil producing zone and we shot the scale that had accumulated in the bottom of the hole and cleaned out some fifty to seventy-five feet of cavings that had fallen into the hole and we are now sitting there waiting on approval or disapproval of this application in order to know what step to proceed to at this time. In the event the Commission elects not to grant this nonstandard unit, well, it will require us making a decision as to whether we want to dual complete the well or to reperforate the casing in the gas zone and produce it through the five and a half rather than through the Bradenhead.

Q As I understand it, then, at the present time the well is shut in, waiting determination on this application of whether or not you will make a dual completion out of the well or elect to make just a gas well.

A That's correct.

Q Do you believe that it is capable of producing in the oil zone, the Grayburg zone?

A Yes.

Q What size hole is the Number 2 well?

A The open hole is four and three-quarter inches with five and a half casing.

Q And what is the -- what is your experience from the standpoint of the economy of operation where you dually complete in that small of a hole?

A We prefer not to, particularly due to a future potential secondary recovery. We could do it, it would be added expense. Chances are would cause a premature abandonment of the well. We anticipate perhaps four or five barrels per day production out of this lower zone and dual completions require more maintenance and more work and the pulling in and out one or two additional times would void any profit we would make off any such type well. We prefer to make it a single completion.

Q Now, Mr. Montgomery, directing your attention to Exhibit Number 1, there are tracts there outlined in red. What do those tracts represent?

A Those tracts are nonstandard proration units approved by this Commission surrounding this property for a distance as much as a mile and a half and we bring this to the attention of the Commission only to indicate that we are asking for no more than what the Commission has previously judged to be.

Q Now, from the production record of Well Number 3,

is that well capable, when it has a connection, or producing the allowable assigned to both wells, Number 2 and Number 3?

A It is.

Q Do you believe, as an operator, that the granting of this application, creating this unit of the six lots, would be, would prevent waste and protect correlative rights?

A It would.

Q Now, have you made a check of the underproduction attributable to the Me-Tex State Well Number 2?

A I have.

Q At the present time?

A The November, 1966 Order Number AG2605, the New Mexico Oil Conservation Commission gives a November new allocation on the Wallace State Well Number 2 of 5,925 m.c.f. The October ending net allowable would be 34,000,238 cubic feet.

Q All right. And that is the allowable that you're underproduced at this time?

A That's correct.

Q And as to your Number 3 well, what is your underproduction on it?

A Ending October, 18,168,000 cubic feet.

Q You are familiar with the balancing period as exercised by the Oil Conservation Commission, are you not?

A I am.

Q What months do they usually balance the allowables for gas wells?

A June and December, -- January. It's either December or January.

Q Well, in connection with that, what is the practice of the Commission in connection with oil-gas which has been allowed to be produced that has not been produced, what happens to that gas, does the operator lose that gas on the adjustment period?

A On the -- the underproduced allowable is cancelled and then redistributed among all of the wells equally in the pool, according to acreage factors.

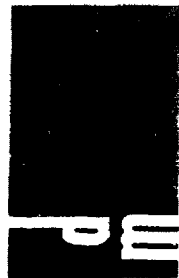
Q Now, if that is done in this particular case, have you calculated approximately what the loss to the State of New Mexico would be on gas that you were unable to produce because of the order of the F.P.C.?

A It would be in the range of 50,000,000 feet of gas.

Q In connection with the application that you filed, Mr. Montgomery, and the notice that you gave to the offsetting operators, have you received any protests, written protests or complaint of any kind?

A I have not.

MR. DURAN: I believe that's all of the questions



I have.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Montgomery, do you know what the status of the well, of these two wells was in December of 1965?

A They were on production December of '65.

Q Do you know whether their status was under or overproduced?

A I don't know offhand. I suspect they were very close to the allowable.

Q Just about in balance?

A Yes, they were probably close to balance.

Q And do you know what the status was at the end of June, 1966?

A We lost approximately 10,000,000 cubic feet.

Q And that would be the amount that would be subject to cancellation this coming December?

It would be underproduction that was carried for this past six months. So you had an underproduced status in June of about 10,000,000 so you wouldn't be subject to 50,000,000 cancelled, you would be subject to 10,000,000 cancelled because it wasn't made up in the succeeding six months' period.

A Yes.

MR. PORTER: What is that rule, the underproduction that

is carried into the proration period and not produced during that period, it's cancelled?

MR. NUTTER: Yes, sir. It wouldn't be the current status that is cancelled; it would be the status six months ago that's cancelled.

THE WITNESS: That's correct.

MR. DURAN: I believe you do have the six months' equalization period in there, balancing period.

MR. PORTER: Yes.

THE WITNESS: Of course, we were advised initially that they thought there would be no interruption and it's been March -- since March --

Q (By Mr. Nutter) Mr. Montgomery, is this a usual procedure to sever the connection with one pipe line before you get the connection with the other pipe line approved?

MR. DURAN: Maybe I would be better qualified to answer that. If you would take the unappointed --

MR. NUTTER: Yes, sir.

MR. DURAN: Southern Union has had this small line out there for a number of years and they brought this particular gas and all of it moved in intrastate and not any in interstate. None of the operators connected with this line were selling under a Certificate of Convenience issued by the Federal Power Commission.

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When Southern Union made their deal with El Paso, it was to the advantage of the operators because of the small increase in price and subsequently all operators consented, plus the fact that Southern Union was just not using more than he had to buy, but each of the operators to which this connecting line or gathering line was connected, had to go in and get a Certificate of Convenience from the -- Public Convenience from the F.P.C.

MR. NUTTER: Now, in other words, this is not a case of the operator severing the connection with the pipe line and taking a new purchaser on; this is a case of the pipe line selling out to another pipe line.

MR. DURAN: No. This is a deal of selling out to another pipe line and we're just the victims of it --

MR. NUTTER: I see.

MR. DURAN: -- plus the fact that up until that time none of the connecting operators had to comply with the National Gas Act provisions because the gas didn't move in interstate commerce.

MR. NUTTER: How many wells were affected by this change from Southern Union to El Paso, do you know, Mr. Duran?

MR. DURAN: Now you've got me outside my property. I know there is quite a few of Christy Wells down there in that area and --

THE WITNESS: Approximately fourteen.

MR. NUTTER: And all these wells are shut in waiting approval?

MR. DURAN: They're all shut in waiting approval.

MR. NUTTER: So there will be an allowable accrued on a number of wells.

MR. DURAN: It would be a number of them, that's true.

MR. PORTER: Actually, this -- excuse me, Mr. Nutter -- this underproduction you are talking about here, most of the 34,000,000 and the 18,000,000 is a result of the wells being shut in and not their inability to produce.

MR. DURAN: That is correct. We just didn't have anyone to take our gas.

MR. PORTER: I see.

Q (By Mr. Nutter) When did the wells get shut in, Mr. Montgomery?

A Sometime in March, '66.

Q You don't know the date?

A No, I don't. We could, perhaps, establish that.

I suspect that each well would have been on or off, and we would have to, of course, go to the Transporter's Gas Chart to determine that, but I presume the trade was effective February 1 of '66, the last day the well was shut in. We could

establish that.

Q Do you know the operators of the other wells that are affected in a similar manner?

A We have a list of them. We don't happen to have them with us. What happened, it was what they call a sour-gas system and all the wells that happened to be listed under the Southern Union did not necessarily have to go on that sour-gas system but generally, most of the wells that are in here were probably the ones that show no production were probably the ones.

Q Could you furnish us with a list of all the wells that are connected to this particular Southern Union system and have been shut in as a result of this sale?

MR. DURAN: Within this pool?

MR. NUTTER: Yes.

MR. DURAN: This pool is connected to that old sixty mile or seventy mile line that they built in there from the loop from Hobbs over to Carlsbad in about 1946, '47 along in there -- no earlier than that about '44.

MR. PORTER: Let's go off the record for a minute.

(Whereupon, an off the record discussion was held.)

MR. NUTTER: Back on the record.

Q (By Mr. Nutter) Mr. Montgomery, would you furnish

the Commission with a list of the wells and the names of the operators of those wells which were affected by this sale of Southern Union pipe line to El Paso?

A We would be pleased to advise you to our knowledge which wells are affected.

Q And it's your opinion, Mr. Montgomery, if the Commission should transfer the accrued underproduction which accumulated for the Number 2 well and the unit presently assigned to the Number 3 well and assign all that underproduction to the Number 3 well that this well could make that underproduction?

A Yes, it could.

MR. NUTTER: Are there any further questions of Mr. Montgomery?

MR. PORTER: Just one other point, Mr. Nutter.

CROSS EXAMINATION

BY MR. PORTER:

Q Mr. Montgomery, you referred to this configuration of a nonstandard unit in this particular area. Wasn't this due mainly to the fact that the development took place down here before spacing rules were instituted in this area?

A Yes, sir. I didn't mean to indicate that it was anything other than that. I don't believe there is a standard unit in the Eumont Pool. There might be one.

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witness?

MR. NUTTER: Are there any other questions of the

MR. DURAN: If the Commission please, we would like to offer our Exhibit Number 1.

MR. NUTTER: Applicant's Exhibit Number 1 will be admitted in evidence and the witness is excused.

(Witness excused.)

Duran?

MR. NUTTER: Do you have anything further, Mr.

MR. DURAN: No.

MR. NUTTER: Does anyone have anything they wish to offer in Case 3497? We will take the case under advisement.

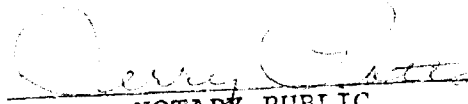
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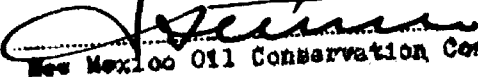
I, JERRY POTTS, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached transcript of hearing was reported by me in stenotype and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.


NOTARY PUBLIC

My Commission Expires:

July 10, 1970

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3497 heard by me on 11/30, 1966

 Examiner
New Mexico Oil Conservation Commission