

El Paso Natural Gas Company

El Paso, Texas

May 26, 1955

Mr. William B. Macey,
Secretary and Director
Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Dear Mr. Macey:

It has just come to our attention that at the May hearing of the New Mexico Oil Conservation Commission, the M.S.B.W. Company, in Case No. 897, made an application for the approval of a 140-acre non-standard gas proration unit in the Fulcher Kutz Pictured Cliffs gas pool, to be dedicated to applicant's Hargis #2 well. Their proposed non-standard gas proration unit would include the NW/4 SE/4, the NE/4 SW/4, the SE/4 NW/4, and the SE/2 NE/4 NW/4 of Section 33, Township 30 North, Range 12 West.

El Paso Natural Gas Company has the oil and gas lease upon the SW/4 NW/4 of this same Section 33. Our assignment has been recorded in the records of San Juan County, New Mexico, on page 24 of book 108. We were not notified by the M.S.B.W. Company of their application for non-standard gas proration unit. We were not aware of their application for this non-standard gas proration unit until it came up at the May hearing.

Our oil and gas lease has an early expiration date and we were considering drilling a Pictured Cliffs well in the NW/4 of Section 33. If this non-standard gas proration unit is approved, it will cut 60 acres off any allowable which might be granted to our well or any future well drilled in the NW/4 of Section 33. The granting of such an unorthodox proration unit would definitely affect El Paso Natural Gas Company and the remaining working interest owners in the NW/4 of Section 33.

There is no Pictured Cliffs well in the NW/4 of Section 33 at the present time and it is only logical to assume that one should be drilled and should have allocated to it as a proration unit the entire NW/4. Therefore, we object to the granting of this non-standard gas proration unit and do not feel that such request

Page 2

Mr. William B. Macey

May 26, 1955

by the M.S.B.W. Company should be granted inasmuch as no Pictured Cliffs well has been drilled in the NW/4 of Section 33 and that such a non-standard gas proration unit, if granted, would definitely affect the drilling of any Pictured Cliffs well in the NW/4 of Section 33 by the working interest owners in said quarter section.

Yours very truly,

EL PASO NATURAL GAS COMPANY

By *R L Hamblin*
R. L. Hamblin, Manager
Lease Department

RLH:ms

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above, or preceding the address.

WESTERN UNION

FX-1201

(39) . .

W. P. MARSHALL, PRESIDENT

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- NL=Night Letter
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WILLIAM B MACEY=

OIL CONSERVATION COMMISSION BOX 871 SANTA FE NMEX=

EL PASO NATURAL GAS COMPANY HEREBY OBJECTS TO APPROVAL OF NON STANDARD GAS PRO RATION UNIT OF M.S.B.W. COMPANY IN CASE NO 897 OF MAY HEARING. LETTER FOLLOWS=

R L HAMBLIN EL PASO NATURAL GAS CO==

M.S.B.W. 897 REPT M.S.B.W. =NS FROM ITS PATRONS CONCERNING ITS OPERATIONS

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

June 22, 1955

Mr. Robert L. Maddox
P.O. Box 182
Asteo, New Mexico

Dear Mr. Maddox:

We enclose a copy of Order R-654 issued on June 20, 1955, by the Oil Conservation Commission in Case 897, which was heard at the May 18th hearing upon application of the M. S. B. W. Company.

Very truly yours,

W. B. Macey
Secretary - Director

WBM:brp
Enclosure

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BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
May 18, 1955

IN THE MATTER OF:

CASE NO. 896-897 Consolidated

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 18, 1955

IN THE MATTER OF:

The application of M.S.B.W. Company for approval of a non-standard proration unit.

Applicant in the above-styled cause, seeks an order approving the creation of a 100-acre non-standard gas proration unit in exception to Rule 6(A) of the Special Rules and Regulations for the Fulcher-Kutz-Pictured Cliffs Gas Pool, as set forth in Order R-565, said unit to consist of the following described acreage to be dedicated to applicant's Montano No. 1 Well located in SE/4 SW/4 of Section 28, Township 30 North, Range 12 West, San Juan County, New Mexico:

Case No. 896

SE/4 SW/4 of Section 28, NW/4 NW/4 of Section 33, and 20 acres in NE/4 NW/4 of Section 33 lying northwest of a diagonal line between the northeast corner of the NE/4 NW/4 and the southwest corner of the NE/4 NW/4, said diagonal line running in a northeast-southwest direction, dividing the NE/4 NW/4 in half; all the above-described acreage being in Township 30 North, Range 12 West, San Juan County, New Mexico.

The application of the M.S.B.W Company for approval of a non-standard proration unit.

Applicant, in the above-styled cause, seeks an order approving the creation of a 140-acre non-standard gas proration unit in exception to Rule 6(A) of the Special Rules and Regulations for the Fulcher Kutz-Pictured Cliffs Gas Pool, as set forth in Order R-565, said unit to consist of the following described acreage to be dedicated to applicant's No. 2 Hargis Well located in NW/4 SE/4 of Section 33, Township 30 North, Range 12 West, San Juan County, New Mexico:

Case No. 897

(Consolidated)

NW/4 SE/4, NE/4 SW/4, SE/4 NW/4, and 20 acres in the NE/4 NW/4 lying southeast of a diagonal line between the northeast corner of the NE/4 NW/4 and the southwest corner of

the NE/4 NW/4, said diagonal line running
 in a northeast-southwest direction, divid-
 ing the NE/4 NW/4 in half, all the above-
 described acreage being in Township 30
 North, Range 12 West, San Juan County,
 New Mexico.

BEFORE:

Mr. E. S. (Johnny) Walker
 Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next cases on the docket are Cases 896 and
 897. Mr. Mattix?

MR. MATTIX: That, briefly, is an application for unorthodox
 application to the following land of M. S. B. W. Company, who is the
 operator, and consisting of the NW/4 SE/4, NE/4 SW/4 SE/4 NW/4, and
 20 acres in the NE/4 NW/4 lying southeast of a diagonal line be-
 tween the northeast corner of the NE/4 NW/4 and the southwest
 corner of the NE/4 NW/4, said diagonal line running in a northeast-
 southwest direction, dividing the NE/4 NW/4 in half, all the above-
 described acreage being in Township 30 North, Range 12 West, San
 Juan County, New Mexico, and the above described land being 140 acres,
 more or less.

The Hargis No. 2 Well was drilled on that tract and the royalty
 has been paid on the basis of that acreage to Mr. Hargis, since
 about 1946, I believe, when the well was completed. It was completed
 August 20, 1946 and connected to the Southern Union Gas pipeline in
 September of 1946.

The other allocation is known as the Montano No. 1, located in
 the Fulcher Kutz-Pictured Cliffs Pool, consisting of the SE/4 SW/4
 of Section 28, NW/4 NW/4 of Section 33, and 20 acres in NE/4 NW/4

of Section 33 lying northwest of a diagonal line between the north-east corner of the NE/4 NW/4 and the southwest corner of the NE/4 NW/4, said diagonal line running in a northeast-southwest direction to the place of beginning. Said lands being in Section 33, Township 30 North, Range 12 West, San Juan County, New Mexico.

That M.S.B.W Montano No. 1 Well was drilled 1,660 feet east of the west line and 330 feet north of the south line of Section 28, Township 30 North, Range 12 West, completed November 20, 1946. This well was connected to the Southern Union Gas Company's line in March, 1947, and at that time special requirements in the Fulcher Kutz-Pictured Cliffs Pool recommended 40 acres to a drilling tract. However, we have paid Mr. Montano, until the time he sold the lease to a different party, royalty in the Montano No. 1 well on that land.

MR. MACEY: Do you have any questions you wish to ask of Mr. Mattix in Cases 896 and 897?

I have a letter from Three States Natural Gas Company, which they ask to be read into the record. "May 11, 1955. Mr. W. B. Macey, Secretary, New Mexico Oil Conservation Commission, Santa Fe, New Mexico. Re: Case No. 897 - Application of M.S. B. W. Company for approval of a 140-acre non-standard gas proration unit in the Fulcher Kutz-Pictured Cliffs Gas Pool to be dedicated to applicant's No. 2 Hargis Well.

Dear Mr. Macey:

The above styled Case No. 897 has been set for hearing on the Commission Docket of May 18, 1955. As offset operator, we request that the following statement be read into the record of Case No. 897:

"Three States Natural Gas Company operates the J. J. Hudson Well

No. 1, SE/4 SE/4 Section 33, T-30N, R-12W, which lease directly offsets applicant's No. 2 Hargis well. As offset operator, we request that the Commission deny the application of M.S.B.W. Company for a 140-acre gas proration unit dedicated to their No. 2 Hargis well. Our only objection to the application is the inclusion of 20-acres in NE/4 NW/4 lying southeast of a diagonal line running in a NE-SW direction. Our reasons for this objection are:

1. The 20-acres in the NE/4 NW/4 of Section 33 which applicant seeks to dedicate to its No. 2 Hargis well is nearer to and more likely to be drained by applicant's Montano Well No. 1. Since applicant seeks to include the NW 20 acres of the NE/4 NW/4 in a non-standard gas proration unit for its Montano Well No. 1, reference Case No. 896, they have, by inference, agreed that the formation is continuously permeable between the two wells, and either well is capable of draining the area. Therefore, it would seem more logical and equitable to dedicate the entire NE/4 NW/4 to the nearest well, applicant's Montano Well No. 1.
2. Many other operators in the Fulcher Kutz-Pictured Cliffs field have formed non-standard gas proration units following the established precedent of dedicating acreage in increments of 40-acre governmental subdivisions when dedication by diagonal, hexagonal, or other irregular division might have been to their benefit. This precedent and the equities already established thereunder should not be changed.

For the reasons set out above, Three States Natural Gas Company recommends that the New Mexico Oil Conservation Commission deny the application of the M. S. B. W. Company for a 140-acre non-standard gas proration unit to be dedicated to their No. 2 Hargis Well." The statement is signed by Three States Natural Gas Company, E. A. Jenkins.

Mr. Mattix, as I understand, the question involved the acreage in Case 897, to be dedicated to your Hargis Well, is all under one basic lease, is that correct?

MR. MATTIX: That is correct.

MR. MACEY: In order for you to dedicate the 20 acres in the northwest quarter to the Montano Well, you would have to enter into a unitization agreement?

MR. MATTIX: Yes.

MR. MACEY: Could you tell us what the productive capabilities of the two wells are? Are they very big wells?

MR. MATTIX: No, they are small wells. Well, there are six wells in there and in 1954, why we produced at ten cents per thousand, the six wells produced \$11,000.00, so it don't amount to very much. A million and a half, but not over two million a month at any time.

MR. RHODES: For your information the Montano has a deliverability of 64 MCF and the Hargis has a deliverability of 146.

MR. MATTIX: The Hargis No. 2?

MR. RHODES: Yes.

MR. HARGIS: They haven't been able to put out anything like that because they have been bucking high pressure.

MR. RHODES: Both wells are carried on the proration schedule

