

Case No.

828

Application, Transcript,
Small Exhibits, Etc.

CASE 828: Amendment of NSP-29 to reduce
size of Sumont gas proration unit, Aztec
Oil and Gas Company

This already has been signed as
of February 28, but was re-typed
for minor correction, thus ne-
cessitating re-signature.

Case # 828

August 2, 1955

C
O
P
Y

Astec Oil and Gas Company
920 Mercantile Securities Bldg.
Dallas 1, Texas

Re: Astec State #1-Lea County
Sec. 35-20-37E
S/2 S/2, N/2 SW/4, NW/4 SE/4

Atten: H. L. Snider, Jr.
Land & Lease Dept.

Gentlemen:

In regard to the above designated Communitization, which supercedes one which was designated as an Astec State #2, and to which you have referred to in your letter of July 29, 1955, as a PU-56. We are designating this Communitization as Astec State #1-Lea, to conform with a well of such name on this Communitization, and in the future will you please refer to it as such.

We are enclosing eight copies which were approved by the Commissioner of Public Lands on August 2, 1955, subject to existing rules and regulations of the Oil Conservation Commission.

Will you please remit to us a \$5.00 filing fee at your earliest convenience.

Very truly yours,

E. J. HARKER
COMMISSIONER OF PUBLIC LANDS

Encl.
cc: OGC-Cents Fo

AZTEC OIL & GAS COMPANY
920 MERCANTILE SECURITIES BUILDING
DALLAS 1, TEXAS

QUILMAN B. DAVIS
SECRETARY AND GENERAL ATTORNEY

March 15, 1955

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

Dear Bill:

This is to confirm our telephone conversation concerning Order No. R-593 (Case No. 828) which is to be revised to reflect Stanolind Oil and Gas Company's ownership of the $N\frac{1}{2}SW\frac{1}{4}$ and $NW\frac{1}{4}SE\frac{1}{4}$ of Section 35, and Makin Oil Company, Morris R. Antweil, and A&M Oil Company's ownership of the $NE\frac{1}{4}SE\frac{1}{4}$ of Section 35. Aztec owns the $S\frac{1}{2}$ of the $S\frac{1}{2}$ of Section 35.

It will be greatly appreciated if you will forward a copy of the revised order to each of the above named parties. For your information their addresses are as follows:

Stanolind Oil and Gas Company
Oil and Gas Building
Roswell, New Mexico

Makin Oil Company
P. O. Box 1628
Hobbs, New Mexico

Morris R. Antweil
Hobbs, New Mexico

A&M Oil Company
Corsicana, Texas

With thanks and best personal regards, I am

Yours very truly,

Q. B. Davis

QBD/ba

*Charlie
Take Care of this*

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

March 11, 1955

Aztec Oil and Gas Company
920 Mercantile Securities Building
DALLAS 1 - TEXAS

Attention: Mr. Quilman Davis, Attorney

Gentlemen:

We attach a copy of Order R-593 issued in Case 828 under date of February 28, 1955.

Very truly yours,

W. B. Pacey
Secretary-Director

WBP:mr

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. 828
Order No. R-593

THE APPLICATION OF THE COMMISSION
UPON ITS OWN MOTION, DIRECTED TO
AZTEC OIL AND GAS COMPANY, FOR
RECONSIDERATION OF ADMINISTRATIVE
ORDER NSP-29 WHICH CREATED A NON-
STANDARD GAS PRORATION UNIT IN THE
EUMONT GAS POOL CONSISTING OF THE
S/2 OF SECTION 35, TOWNSHIP 20 SOUTH,
RANGE 37 EAST, NMPM, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on February 16, 1955, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 28th day of February, 1955, the Commission, a quorum being present, having considered the records and testimony adduced, and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That pursuant to provisions of Rule 5 (a) of the Special Rules and Regulations for the Eumont Gas Pool of Order No. R-520, the Commission has power and authority to permit the formation of a gas proration unit consisting of other than a legal section after notice and hearing by the Commission.

(3) That applicant, Aztec Oil and Gas Company is the owner of an oil and gas lease in Lea County, New Mexico, which lease is described as follows:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
S/2 S/2 of Section 35

(4) That Stanolind Oil and Gas Company is the owner of an oil and gas lease in Lea County, New Mexico, which lease is described as follows:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
N/2 SW/4, NW/4 SE/4 of Section 35

(5) That Makin Oil Company, Morris R. Antwell and A & M Oil Company are the owners of an oil and gas lease in Lea County, New Mexico, which lease is described as follows:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
NE/4 SE/4 of Section 35

(6) That the above described leases, when combined, will form a non-standard gas proration unit consisting of other than a legal section and described as follows, to-wit:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
S/2 of Section 35

containing 320 acres, more or less.

(7) That applicant, Aztec Oil and Gas Company, has a producing well on the aforesaid lease known as State Unit "E" #1 located 990 feet from the south and west lines of Section 35, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico.

(8) That the above-described 320-acre non-standard gas proration unit has been producing under the provisions of Administrative Order NSP-29, and that the Aztec Oil and Gas Company was required to, and did, show cause why this 320-acre proration unit should not be reduced in size.

(9) That it is impractical to pool the above-described leases with adjoining acreage in the Eumont Gas Pool, and that the owners of adjoining acreage in said area have not objected to the formation of the proposed proration unit of 320-acres.

(10) That unless a proration unit consisting of the aforesaid acreage is permitted, applicant will be deprived of the opportunity to recover its just and equitable share of the natural gas in the Eumont Gas Pool.

(11) That creation of a proration unit consisting of the aforesaid acreage will not cause but will prevent waste, and will protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the application of Aztec Oil and Gas Company for approval of an unorthodox proration unit consisting of the following described acreage:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
S/2 of Section 35

be and the same is hereby approved, and a proration unit consisting of aforesaid acreage is hereby created.

-3-
Order No. R-593

(2) That applicant's well, State Unit "E" Well No. 1, located in the SW/4 SW/4 of Section 35, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, shall be granted an allowable in the proportion that the above described 320-acre unit bears to the standard or orthodox proration unit for said pool, all until further order of the Commission.

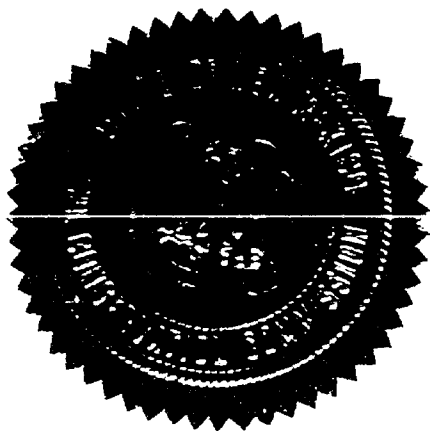
DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

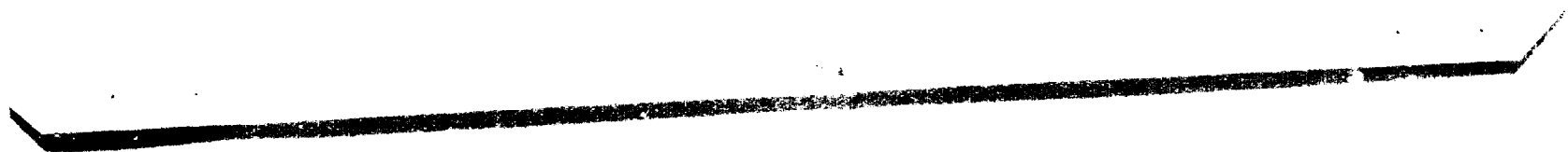
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John F. Simms
JOHN F. SIMMS, Chairman

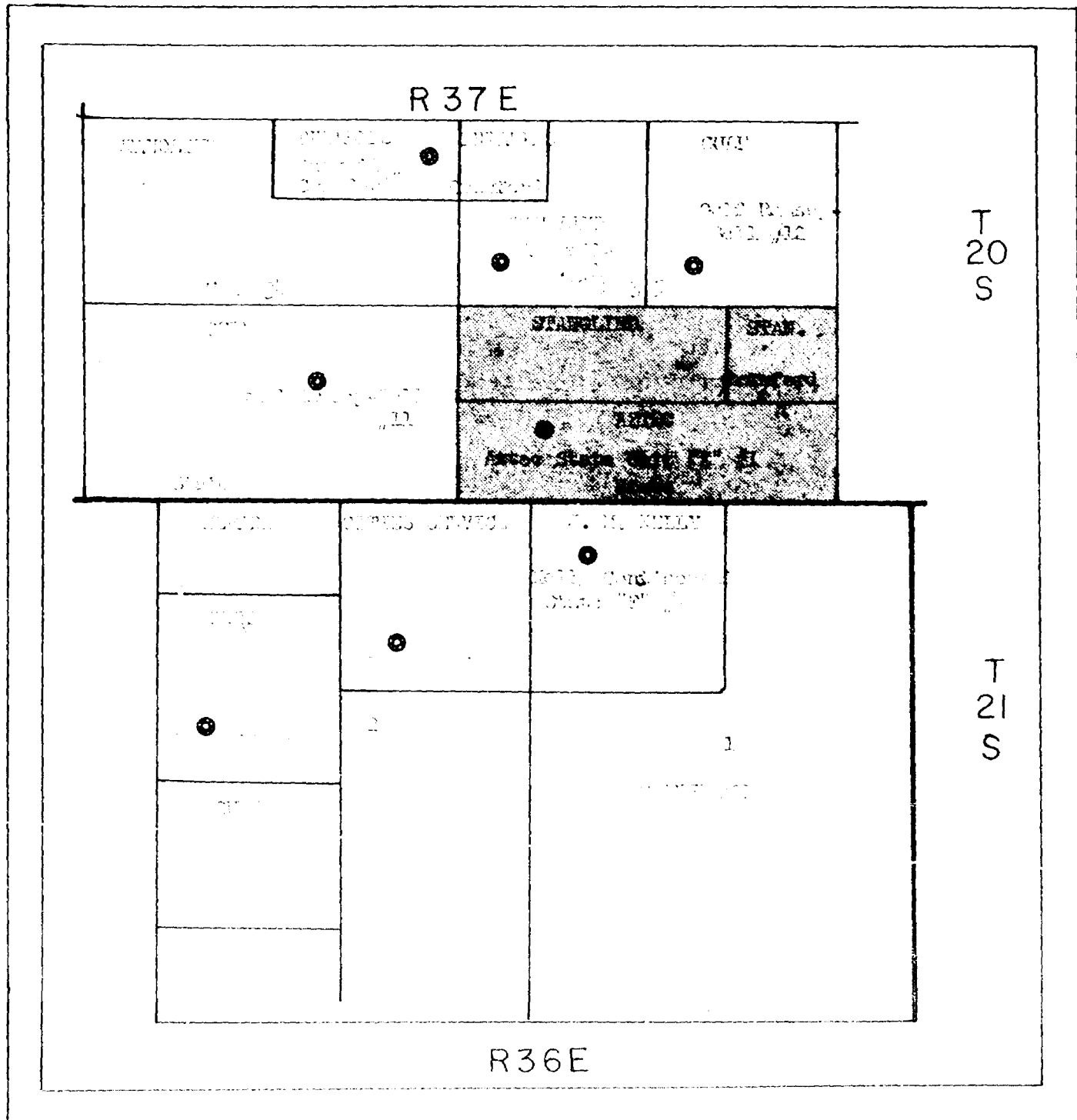
E. S. Walker
E. S. WALKER, Member

W. B. Macey
W. B. MACEY, Member and Secretary





*Ant. Com. Garden
Echidna*



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BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
February 17, 1955

IN THE MATTER OF:

CASE NO. 828 - Regular Hearing

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
February 17, 1955

IN THE MATTER OF:

The application of the Oil Conservation Commission for revision of an administrative order in creation of a non-standard gas proration unit.

Applicant, in the above-styled cause, seeks an order amending Administrative Order NSP-29 and directing Aztec Oil and Gas Company to reduce the size of the non-standard gas proration unit permitted therein to conform to provisions of Paragraph 3 of Rule 5(a) of the Special Rules and Regulations for the Eumont Gas Pool, as set forth in Order R-520; the resulting proration unit to consist of SW/4 of Section 35, Township 20 South, Range 37 East, Lea County, New Mexico.

Case No. 828

BEFORE:

Honorable John Simms, Jr.
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case No. 828.

(Statement of Policy on the Formation of Non-Standard Gas Proration Units - (Presented at February 16 Hearing by W. F. Kitts, Attorney).

Considerable confusion has developed in recent weeks regarding the formation of non-standard gas proration units in Lea County gas pools, and the following statement is presented in an effort to eliminate this confusion and to clarify the requirements in filing applications for approval of non-standard gas proration units in the Southeast gas pools.

The basic considerations for approval of all applications

will be that the formation of such unit will:

1. Prevent Waste
2. Protect Correlative Rights
3. Serve the Best Interests of Conservation

For an application to receive consideration of administrative approval, the unit for which the exception is requested must in all respects meet the requirements of Rule 5(a) paragraph 3 and Rule 5(b) of the various pool rules contained in Order R-520. Any application which does not meet these requirements for administrative approval must be heard after notice at a hearing of the Commission at which time the merits of the application can be considered.

Further, the Commission Staff feels that Order R-520 clearly implies the radius of influence for one well in the various Southeast gas pools, covered by Order R-520, to be 3735' -- that is, the radius of a circle which will totally enclose a 640-acre section. And that such radius should be applied to all applications for exception to the provisions of Order R-520. Quite naturally, this radius of influence cannot be the only consideration and factors of economics, offset counter-drainage, and good operating practice must be considered. The Commission Staff is aware that each request for approval of a non-standard gas proration unit must stand on its own merits, and be treated individually - and we take note of this fact.

We have briefly outlined our position in an effort to assist the operators in making application for and securing non-standard proration units, and with the hope that the operators can assist the Commission Staff by keeping their units within the limits as set out in this statement, insofar as economics and good operating

practice will permit.

We are certain that we can count on the full support of all of the operators.)

MR. DAVIS: Quilman Davis. Case 828, like two cases we heard yesterday, is a show-cause Order NSP - 29, which was granted to Aztec Oil and Gas Company November 21st, granting a 320-acre proration unit for its State "E" No. 1. We felt it was a valid and proper order, and we still feel that way, and we propose to show to this Commission, that the order should be continued in effect. We would like to have the record, in our application for administrative order, made a part of this record here.

MR. MACEY: Yes.

V A N T H O M P S O N ,

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

DIRECT EXAMINATION

By MR. DAVIS:

Q Please state your name.

A Van Thompson.

Q By whom are you employed?

A Aztec Oil and Gas Company.

Q In what position?

A Vice-president.

Q Have you testified before this Commission before?

A Several times.

MR. DAVIS: Are Mr. Thompson's qualifications accepted?

MR. MACEY: They are.

(Marked Aztec Oil & Gas Company's
Exhibit "A", for identification.)

Q I want to direct your attention to Aztec Oil and Gas Company's Exhibit "A". Mr. Thompson, will you tell the Commission what Aztec Oil and Gas Company's Exhibit "A" purports to show?

A It shows the location of Aztec Oil and Gas Company unit in the south half of Section 35, Township 20 South, Range 37 East.

Q South half of Section 35?

A Yes, sir.

Q Who are the owners of that acreage in that unit?

A Aztec Oil and Gas Company owns the south half of the south half of Section 35, State of New Mexico is a lessor. Stanolind Oil and Gas Company owns the north half, southwest quarter, and the northwest quarter, southeast quarter of Section 35. State of New Mexico is also lessor under that tract. Makin Oil Company, Morris Antweil and Stanolind own northeast, southeast quarter of Section 35. This 40 acre tract is patented or fee land and under lease to Makin Oil Company.

Q Has a well been drilled on this south half of Section 35?

A Yes, sir, it has.

Q What is the name of that well?

A It is Aztec Oil and Gas Company State Unit "A" No. 1.

Q What is the location of it?

A Well, it is located 500 feet from the west, and south of Section 35.

Q When was the well completed, Mr. Thompson?

A April 1, 1951.

Q It was first drilled shortly after completion?

A July 3, 1951.

Q In other words, that was prior to the adoption and the

effective date of Order R-520?

A Yes, sir.

Q What formation is the State "E" Unit Well producing from?

A Queens formation.

Q Is it within the limits of the Eumont Field?

A Yes, sir.

Q Did this well conform to the spacing requirements in effect at the time it was drilled?

A Yes, sir, it did.

Q Mr. Thompson, referring again to the plat, is it practical to pool the lands to the north and make that a full 640-acre section in accordance with R-520?

A No, sir, because, if you will notice on the plat, there are two wells already drilled to the north, and as far as we know, the whole north half is dedicated to those two wells.

Q Has the company received any objections to the formation of this unit?

A No, sir. In fact, we have received waivers from the Gulf Oil Corporation, Cities Service Oil Company, and John Kelly.

Q What disposition was made of the waivers?

A They were filed with the Commission.

Q Mr. Thompson, would you point out in general what the conditions are with respect to drainage to the surrounding or off-set tracts of this proposed unit, and our well?

A Well, you will notice from the plat there are two wells north of the unit, one well to the west and two wells to the south. There is also a well that is not shown on this plat, in Township -- or in Section 36, I believe it is, that is off the plat.

Q That is --

A (Interrupting) It is practically, completely surrounded with Queens sand wells.

Q Are all of them producing in the Queens, as far as you know?

A That is right.

Q Mr. Thompson, these wells, and the off-set operators have either waived notice or do own an interest in this proposed unit, is that true?

A That is right.

Q In your opinion, is this 320-acre tract productive of gas?

A Yes, sir, I believe it is.

Q What is the potential of the State "E" Unit Well?

A The potential is 6,550,000.

Q Is there any doubt in your mind that it will be able to produce a 320-acre unit?

A No, sir. In fact, it already has been for several months.

Q In other words, since the Commission order, administrative order, allowing the 320-acre allowable, with some variations, depending on pipeline take?

A That is right.

Q Do you think that the correlative rights of all parties, royalty and working interests, are fully protected?

A Yes, sir, I do. The reason I say that is because all of the acreage to the west and the south, and all of the acreage in our unit, with the exception of one 40 is State land. The State is the royalty owner. The acreage to the north is apparently Federal land, and fully protected by wells already.

MR. DAVIS: I believe that is all we have.

MR. MACEY: Mr. Thompson, on your Exhibit "A", I notice that the northeast of the southeast is shown as Stanolind Crawford, or is it Makin?

A It actually belongs to Makin. That is the way it has been shown on our map for several years, and we simply didn't change it.

MR. MACEY: Anyone have a question of the witness? If not the witness may be excused.

(Witness excused.)

MR. DAVIS: I would like to introduce Aztec Oil and Gas Company's Exhibit "A" as part of this record.

MR. MACEY: Is there objection to the introduction of Exhibit "A" in this case? If not the Exhibit will be received in evidence and we will take the case under advisement.

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss.

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 23rd day of February, 1955.

Ada Dearnley
Notary Public, Court Reporter

My Commission Expires:

June 19, 1955

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

January 21, 1955

**Astec Oil and Gas Company
920 Mercantile Securities Bldg.
Dallas 1, Texas**

Re: Administrative Order NSP-29

Attention: Mr. Guilman Davis, Attorney

Gentlemen:

On October 26, 1954, by virtue of the provisions of Administrative Order NSP-29, I approved the formation of a non-standard gas proration unit consisting of the following described acreage in the Eumont Gas Pool:

**Section 35, Township 20 South, Range 37 East
S/2**

Information available to me at this time indicates that I exceeded the authority granted to me by the provisions of Rule 5-b of Order R-520 (Eumont Pool Rules) due to the fact that the third paragraph of Rule 5-a specifically limits the maximum amount of acreage that may be assigned to a gas well, the amount being governed by the well location.

The formation of a 320-acre non-standard proration unit with your State Unit "EP" Lease, Well No. 1, located 990 feet from the South line and 990 feet from the West line is contrary to the provisions of this rule.

On February 16, 1955, this Commission will hold hearings described to you as operator for you to show cause why the acreage assigned your State Unit "EP", Well No. 1, SW/4 SW/4 Section 35, Township 20 South, Range 37 East, NSP-29, Eumont Gas Pool, should not be reduced to 160 acres in accordance with the provisions of Paragraph 3 of Rule 5-a of Order R-520. The description of this 160-acre unit is as follows:

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

-2-

Section 35, Township 20 South, Range 37 East
SW/4

This proposed reduction would be effective March 1, 1955. You will of course be afforded the opportunity to present any testimony or evidence to support the formation of the proration unit as it now exists.

This letter is being directed to you so that you can prepare your case, if you so desire. A copy of the advertisement will be mailed to you when available.

Very truly yours,

W. B. MACEY,
Secretary-Director

WBM/lr