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MR. KENNETH A. SWANSON AZTEC OIL & GAS COMPANY 920 MERCANTILE SECURITIES BLDG. DALLAS 1, TEXAS

May 19, 1960

YOUR APPLICATIONS IN CASES 1963, 1964, 1965 APPROVED BY THE COMMISSION THIS DATE.

A. L. PORTER, Jr., SECRETARY-DIRECTOR OIL CONSERVATION COMMISSION

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. 1965 Order No. R-1679

APPLICATION OF AZTEC OIL & GAS COMPANY FOR APPROVAL OF AN UNORTHODOX GAS WELL LOCATION IN THE BLANCO-MESAVERDE GAS POOL, SAN JUAN COUPTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m., on May 11, 1960, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 19th day of May, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, 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, Aztec Oil & Gas Company, is the owner and operator of the E/2 of Section 28, Township 31 North, Range 12 West, MMPM, San Juan County, New Mexico.
- (3) That considerable development of the Mesaverde formation in this particular area had occurred prior to the promulgation of the Special Rules and Regulations governing the drilling and locating of wells in the Blanco-Mesaverde Pool, and thus the applicant seaks an exception to the requirement of the Blanco-Mesaverde Pool rules which require that a well be drilled in either the NE/4 or SW/4 of a section.
- (4) That the applicant seeks permission to drill a Blanco-Mesaverde gas well in the SE/4 of said Section 28, with the well to be located no nearer than 790 feet to the outer boundary of the SE/4 of said Section 28.
- (5) That approval of the subject application will neither cause waste nor impair correlative rights.

-2-CASE No. 1965 Order No. R-1679

IT IS THEREFORE ORDERED:

That the applicant, Astec Oil & Gas Company, be and the same is hereby granted an unorthodox gas well location in the Blanco-Nesaverde Gas Pool, San Juan County, New Mexico, with said well to be located no nearer than 790 feet to the outer boundary of the SE/4 of Section 28, Township 31 North, Range 12 West, NMPM, San Juan County, New Mexico.

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

> STATE OF NEW MEXICO OIL COMSERVATION COMMISSION

JOHN BURROUGHS, Chairman

MURRAY B. MORGAN, Member

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

DOCKET: EXAMINER HEARING MAY 11, 1960

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

The following cases will be heard before Daniel S. Nutter, Examiner, or Oliver E. Payne, Attorney, as alternate examiner:

CASE 1958:

Application of Texaco Inc., for approval of an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing the installation of an automatic custody transfer system to handle the production from the Echol-Devonian Pool from all wells on its State "AR" Lease, consisting of the N/2 SW/4 and Lots 3 and 4 of Section 2, Township 11 South, Range 37 East, Lea County, New Mexico.

CASE 1959:

Application of Sinclair Oil & Gas Company for approval of an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing the installation of an automatic custody transfer system to handle the production from the Empire-Abo Pool from all wells presently completed or hereafter drilled on its M. Yates "B" Lease, consisting of the S/2, NE/4, S/2 NW/4, and NE/4 NW/4 of Section 33, Township 17 South, Range 28 East, Eddy County, New Mexico.

CASE 1960:

Application of Gulf Oil Corporation for approval of a unit agreement. Applicant, in the above-styled cause, seeks approval of its North Caverns Unit Agreement, which unit will embrace approximately 6,303 acres of Federal and State land in Townships 22 and 23 South, Range 24 East, Eddy County, New Mexico.

CASE 1961:

Application of Gulf Oil Corporation for permission to commingle the production from four separate pools and for approval of an automatic custody transfer system to handle said commingled production. Applicant, in the above-styled cause, seeks permission to commingle the production from the Blinebry, Drinkard, Paddock, and Penrose-Skelly Pools from all wells located on its C. L. Hardy lease comprising the SW/4 of Section 20, Township 21 South, Range 37 East, Lea County, New Mexico, after separately metering only the production from the Blinebry Pool and to allocate the Drinkard Paddock and Penrose-Skelly Pool production without prior metering or measurement but on the basis of monthly individual well tests. Applicant further seeks approval of an automatic custody transfer system to handle the said commingled production from all wells on the said C. L. Hardy lease.

Docket No. 13-60

CASE 1962:

Application of McGrath and Smith for a special allowable for one well in the Caprock-Queen Pool, Lea and Chaves Counties, New Mexico. Applicant, in the above-styled cause, seeks a special allowable for one well offsetting a capacity water-flood project in the Caprock-Queen Pool, Lea and Chaves Counties, New Mexico. Said well is the Tidewater-State Well No. 1, located in the NW/4 SE/4 of Section 18, Township 13 South, Range 32 East, Lea County, New Mexico.

CASE 1963:

Application of Aztec Oil & Gas Company for an unorthodox gas well location and for approval of two non-standard units. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location in the Blanco-Mesaverde Gas Pool for its Richardson Well No. 6, to be located in the SE/4 of Section 22, Township 31 North, Range 12 West, San Juan County, New Mexico. Applicant further seeks establishment of a 297-acre non-standard gas proration unit in the Blanco-Mesaverde Gas Pool and a 297-acre non-standard unit in the Dakota Producing Interval, each consisting of the E/2 of said Section 22 and to be dedicated to the said Richardson Well No. 6.

CASE 1964:

Application of Aztec Oil & Gas Company for an unorthodox gas well location and for approval of two non-standard units. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location in the Blanco-Mesaverde Gas Pool for its Richardson Well No. 7, to be located in the SE/4 of Section 15, Township 31 North, Range 12 West, San Juan County, New Mexico. Applicant further seeks establishment of a 309. 55-acre non-standard gas proration unit in the Blanco-Mesaverde Gas Pool and a 309.55-acre non-standard unit in the Dakota Producing Interval, each consisting of the E/2 of said Section 15, and to be dedicated to said Richardson Well No.

CASE 1965:

Application of Aztec Oil & Gas Company for approval of an unorthodox gas well location. Applicant, in the above-styled cause, seeks approval of an unorthodox location in the Blanco Mesaverde Gas Pool for its Thompson Well No. 6, to be located in the SE/4 of Section 28, Township 31 North, Range 12 West, San Juan County, New Mexico.

CASE 1966:

Application of Texas National Petroleum Company for an oilgas dual completion utilizing parallel strings of casing cemented in a common well bore and for an unorthodox gas well location. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of a well to be located at an unorthodox location 660 feet from the North and West -3-Docket No. 13-60

CASE 1966: (Cont.)

lines of Section 1, Township 25 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of oil from the Gallup formation and the production of gas from the Dakota Producing Interval through 27/6-inch casing and through 2-inch tubing set in 41/2-inch casing respectively with the casing being cemented in a common well bore.

AZTEC OIL & GAS COMPANY

920 MERCANTILE SECURITIES BLDG.
DALLAS I, TEXAS

LAND DEPARTMENT
H. L. SNIDER, JR., MANAGER
KENNETH A. SWANSON, ATTORNEY

April 18, 1960

REGISTERED MAIL

Mr. A. L. Porter, Secretary-Director New Mexico Oil Conservation Commission P. O. Box 871 Santa Fe, New Mexico

> Re: Application of Aztec Oil & Gas Company for an Exception to Section 1(C) of Order R-110 as amended by Order R-397, for approval of an unorthodox drilling location in the Blanco Mesaverde Gas (Pool.

Dear Mr. Porter:

Pursuant to Section 13 of Order R-110, Aztec Oil & Gas Company hereby submits its application in triplicate for an exception to the well location regulations set forth in Section 1(C) of Order No. R-110, as amended by Order R-397, and requests approval of an unorthodox drilling location in the Southeast quarter ($SE_k^{\rm L}$) of Section 28, Township 31 North, Fange 12 West, N.M.P.M., San Juan County, New Mexico.

In support of this application, applicant respectfully states and shows the following:

1. The proposed unorthodox drilling location will be staked at a proper location from the outer boundary of the Southeast quarter $(SE_{\frac{1}{4}})$ of Section 28. This unorthodox location, rather than the prescribed Northeast $(NE_{\frac{1}{4}})$ or Southwest $(SW_{\frac{1}{4}})$ quarter sections, is requested in order to conform to existing well spacing and to provide for proper and efficient drainage of the Section. Wells surrounding the location have been drilled on a Northwest (NW) - Southeast (SE) pattern; the area having been developed prior to the promulgation of the field rules now applicable. It is the intention of Aztec Oil & Gas Company to dedicate the East half of Section 28 as the drilling unit for the proposed well; therefore, in order to have the

Selly Story

well spacing consistent and to provide for proper drainage of the Section, permission for this non-standard location in the Southeast quarter section (SE_4^1) is requested.

- 2. Applicant intends to drill a well on the unorthodox drilling location, if approved, to be known as the Thompson #6 well.
- 3. Applicant plans to dually complete the proposed well as a gas well producing from the Mesaverde and Dakota formations and such well will be within the defined limits of the Blanco Mesaverde Cas Pool and in an undesignated Dakota Area.
- 4. Applicant owns all the acreage within the section on which the proposed non-standard location will fall, and is the only operator owning offsetting acreage, as indicated on Exhibit "A" attached hereto and made a part hereof.

WHEREFOR, pursuant to Statewide Rule 1203, Applicant respectfully requests that a hearing be set before an Examiner as soon as possible at Santa Fe, New Mexico, to consider the request for approval of the unorthodox location.

Yours very truly,

AZTEC OIL & GAS COMPANY

Kenneth A. Swanson

Attorney

April 18, 1960

COUNTY OF DALLAS

Kenneth A. Swanson, being first duly sworn, hereby states that he is the attorney of Aztec Oil & Gas Company, the applicant in the foregoing application; that he has executed said application on behalf of Aztec Oil & Gas Company; that he has read said application and to the best of his knowledge, information and belief, all statements of fact contained therein are true and correct.

-3-

Sworn to and subscribed before me, the undersigned authority, on this 18th day of April, 1960.

Dallas County, Texas

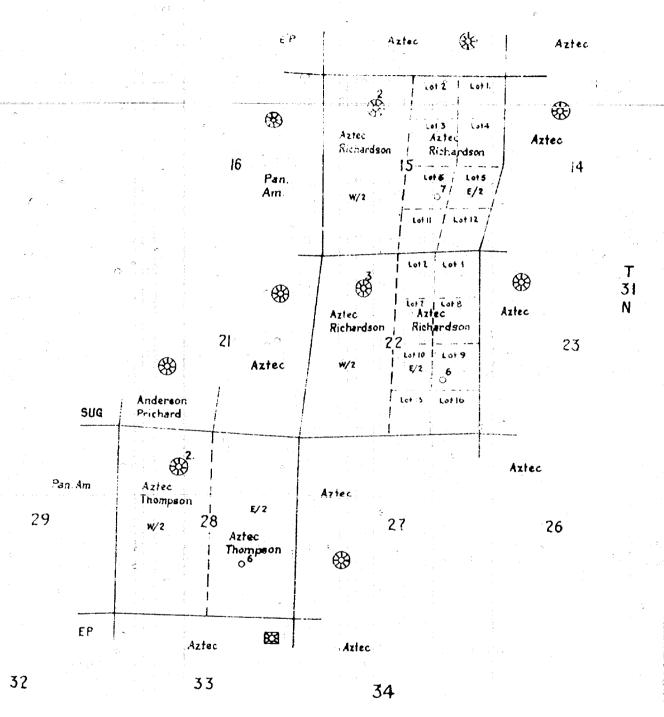
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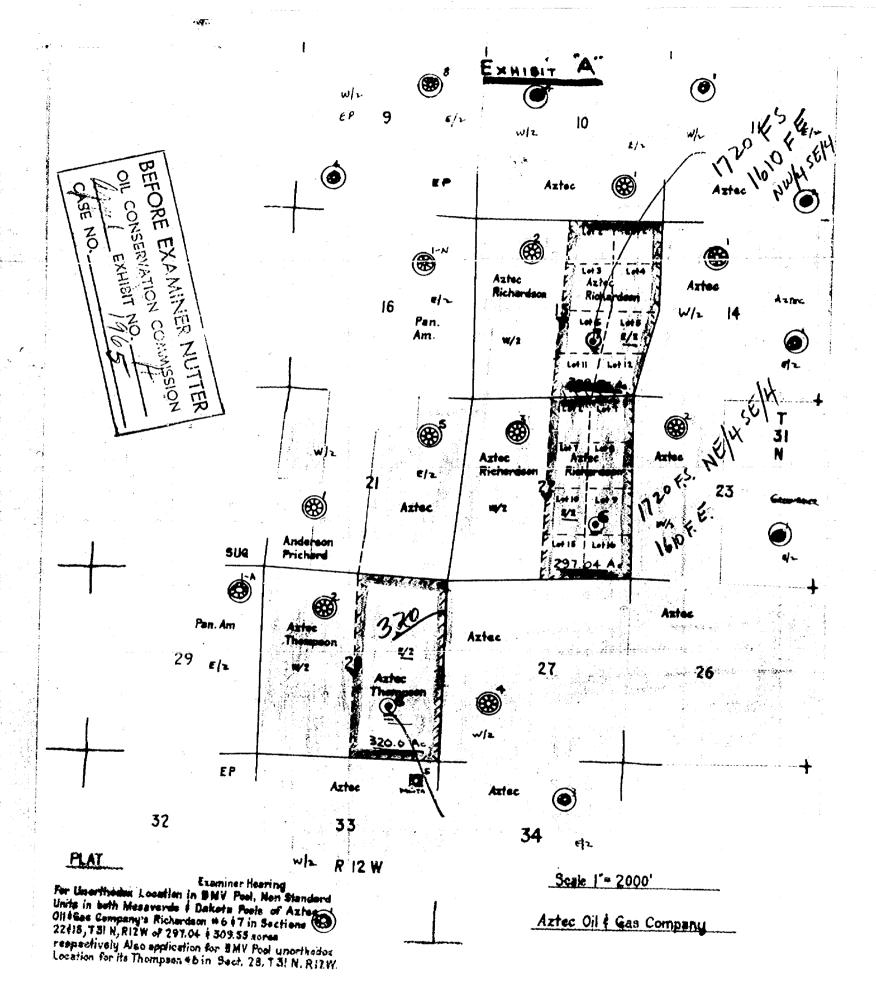
PLAT

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Accompanying Application for Examiner Hearing
For Unorthodox Location in BNV Pool, Non Standard
Units in both Mesaverde & Dakota Pools of Aztec
Ollégas Company's Richardson #6 #7 in Sections
22415, T31 N, R12W of 297.04 #309.55 acres
respectively Also application for BMV Pool unorthodox
Location for its Thompson #6 in Sect. 28, T31 N, R12W.

Scale 1"= 2000"

Aztec Oil & Gas Company



PHONE CH 3-669

BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico May 11, 1960

EXAMINER HEARING

IN THE MATTER OF:

Application of Aztec Oil & Gas Company for an unorthodox gas well location and for approval of two non-standard units. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location in the Blanco-Mesaverde Gas Pool for its Richardson Well No. 6, to be located in the SE/4 of Section 22, Township 31 North, Range 12 West, San Juan County, New Mexico. Applicant further seeks establishment of a 297-acre non-standard gas proration unit in the Dakota Producing Interval, each consisting of the E/2 of said Section 22 and to be dedicated to the said Richardson Well No. 6.

Application of Aztec Oil & Gas Company for an unorthodox gas well location and for approval of two non-standard units. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location in the Blanco-Mesaverde Gas Pool for its Richardson Well No. 7, to be located in the SE/4 of Section 15, Township 31 North, Range 12 West, San Juan County, New Mexico. Applicant further seeks establishment of a 309,55-acre non-standard gas proration unit in the Blanco-Mesaverde Gas Pool and a 309.55acre non-standard unit in the Dakota Producing Interval, each consisting of the E/2 of said Section 15, and to be dedicated to said Richardson Well No. 7.

Application of Aztec Oil & Gas Company for approval of an unorthodox gas well location. Applicant, in the above-styled cause, seeks

Case 1963

Case 1964

Case 1965



ALBUQUERQUE, NEW MEXICO

approval of an unorthodox location in the Blanco-Mesaverde Cas Pool for its Thompson Well No. 6, to be located in the SE/4 of Section 28, Township 31 North, Range 12 West, San Juan County, New Mexico.

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. CAMPBELL: Mr. Examiner, I realize that I had not expected to be here at this hour, unless Examiner or other parties have made a change in their plans, based on my original thought I would like to go ahead with this case in its regular order. course, a change in plans has been made, I will wait until the end.

MR. NUTTER: It was my impression that Case 1962 will take more than an hour.

MR. CAMPBELL: I expect it will.

MR. NUTTER: The applicants in Cases 1963, 1964, 1965 stated it would take about five minutes to get their cases off.

MR. CAMPBELL: All three of them?

Yes. MR. NUTTER:

MR. CAMPBELL: That's going to break a record.

MR. NUTTER: We'll see how well Warren keeps his word.

MR. PAYNE: Case 1963. Application of Aztec Oil & Gas Company for an unorthodox gas well location and for approval of two non-standard units.

MR. WHITE: L. C. White. If the Examiner please, Charles



ALBUQUERQUE, NEW MEXICO

White of Gilbert, White and Gilbert of Santa Fe, appearing as resident counsel for the applicant. I have associated with me Mr. Kenneth Swanson, attorney of the Texas Bar, who will present the case. If the Examiner please, we would like to have, for the purposes of the hearing, Cases 1963, 1964, 1965 consolidated.

MR. NUTTER: Without objection these three cases will be consolidated for hearing.

MR. WHITE: Our appearances will be the same for all three cases.

MR. SWANSON: We have only one witness to testify in these three cases, Mr. Warren Mankin.

(Witness sworn.)

WARREN W. MANKIN

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

DIRECT EXAMINATION

BY MR. SWANSON:

- Mr. Mankin, would you state your full name, please?
- Warren W. Mankin.
- By whom and in what capacity are you employed?
- By Aztec Oil & Gas Company as Chief Engineer in Dallas, Texas.
- Have you previously testified before the New Mexico Oil Conservation Commission?



I have.

- And your qualifications been accepted? Q
- A They were.

MR. NITTER: They still are.

MR. SWANSON: These three cases involve applications by Aztec for unorthodox well locations under the Blanco-Mesaverde Field rules wherein each well will be located in the Southeast rather than the Northeast Quarters of the respective sections. We are also requesting non-standard drilling and proration units with respect to the wells. In support of the applications, one consolidated exhibit has been prepared. This is now offered for examination and will be offered in evidence when the witness has concluded his testimony.

- Mr. Mankin, did you prepare Aztec's Exhibit A?
- Yes, sir.
- Will you please explain what this exhibit is intended to show?
- This Exhibit A is a plat which covers a portion of the area in Township 31 North, Range 12 West, San Juan County, New Mexico. The blue color, which is predominant here, designates Aztec's lease acreage adjoining and in the area of the three tracts which are the subject matter of our applications. The half sections outlined in yellow are the drilling units for the three wells involved in these hearings. They are the East Half of Section



15, Section 22 and Section 28, all in Township 31 North, Range 12 West, San Juan County, New Mexico.

The well locations have been plotted and they're shown by encircled scarlet dots and circles. First, the Richardson 7 is in Section 15 and it has been established at a location 1720 feet from the South line and 1610 feet from the East line of the section which puts it in Lot No. 6. The location for the Richardson No. 6 is 1650 feet from the South line and 990 feet from the East line of Section 22, which puts it in Lot No. 9; although the Thompson No. 6 will be located in Section 28, it has not been established as yet, but it is anticipated it will be in the Southeast Quarter of the section, probably in the Northwest portion of the Southeast Quarter.

Also shown are the wells drilled to the Mesaverde formation shown by a circle with a spoke type symbol, and in one instance a Dakota well is shown. The Mesaverde wells are represented by this conventional gas symbol and are circled in scarlet circles.

- Q The Dakota well is in Section 5 and it's in a box symbol?
- A The Dakota well is our No. 5 Thompson. It's shown in the Southeast Quarter of Section 3 and it is a box.
 - Why are these unorthodox locations being requested? Q
- These three locations are in an area where the surrounding wells were drilled some ten years ago in what is known as the



CH 3-669)

La Plata area. These old wells were drilled prior to the establishment cof field rules for this area and drilled on a Northwest-South east pattern:

Aztec proposes to follow this pattern in drilling the inside locations, in each instance if a standard location were made in in the Northeast Quarter clusters of three or possibly four wells would result, leaving no well on the South Half of the section has involved to drain that part of our acreage.

In your opinion would standard locations as provided in the present rules effect efficient drainage of the South Half of these sections?

A. I certainly believe they would. This fact, of course, is recognized in the Commission's rules which provide for wells in diagonal corners of each section. We are actually conforming with this general plan of development by making diagonal locations with respect to the existing wells. The locations which are the subject of these three applications would provide for more efficient drainage, thereby preventing waste, and would conform to the existing well spacing pattern for this particular area of the Blanco-Mesaverde Gas Pool.

To what formation will these wells be drilled?

Each of the three wells is proposed to be drilled to a depth sufficient for a completion as a dual producer in the Mesaverde and Devonian. Drilling commenced on six which is in



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Section 22 at about the time that the applications were filed. It was originally scheduled to be drilled as a Dakota test. We have decided to attempt a dual completion in the Mesaverde.

Would you describe the gas proration units for each well, please?

We propose to dedicate the Fast Half of Section 22, containing 297.04 acres to the Richardson 6. The unit for the Richardson No. 7 will be the East Half of Section 15 containing 309.55 acres. The Thompson No. 6 will have the East Half of Section 28 containing a standard 320 acres as the standard proration units.

Why do the Richardson 6 and 7 contain less than the normal 320 acres?

This is because of the variance in the U. S. Public Land Surveys, an independent resurvey.

Q In your opinion is there any reason to believe that any of the acreage to be assigned to the units would not be productive of gas?

No, all three of these units are surrounded by productive Mesaverde wells. It might be noted that the Dakota development has not been as intensive as that of the Mesaverde, although there is Dakota production in the area. In my opinion both Mesaverde and Dakota production can be easily expected to be productive in all three units.



Does any operator other than Aztec own an interest in these sections in Section 15 or in the offsetting acreage offsetting the East Half?

No, Aztec is the only operator offsetting these units. MR. SWANSON: At this time we would like to ask for admission of our Exhibit A into evidence and its incorporation in the record of these cases.

MR. NUTTER: Aztec's Exhibit A will be admitted.

MR. SWANSON: Will three copies be sufficient for you?

MR. NUTTER: We will have to have two in each case.

MR. SWANSON: I have no further questions of the witness.

MR. NUTTER: Does anyone have any questions?

MR. PAYNE: Yes.

MR. NUTTER: Mr. Payne.

CROSS EXAMINATION

BY MR. PAYNE:

I need to have a description of each of the well locations at least by quarter, quarter section.

Richardson No. 6, as I have indicated previously, is located 1720 feet from the South line and 1610 feet from the East line. It is actually located in Lot 9. That would normally be what is called the Northeast of the Southeast Quarter. The Richardson No. 7 is located 1720 feet from the South line and 1610 from the East line of Section 15 in Lot 6, what would normally be



ALBUQUERQUE, NEW MEXICO

known as the Northwest Quarter of the Southeast Quarter. And on the Thompson No. 6 we do not have a definite location as yet. Those would be standard quarter, quarter sections. We do not know yet on the basis of topography whether it would be in the Northwest of the Southeast or whether it would be in the Southeast or Southeast of Section 28. That location has not been established as yet.

What is sometimes necessary for us to do, Mr. Mankin, in cases where it hasn't been established, is to hold the order until such time as you can give us the location and then issue the order because in an order approving a non-standard location it has to be set out in the order what the location is.

We could state for the record at this time that the well will be a standard as to the outer boundaries of the unit. It would not be closer than 790 feet from the outer boundary of the unit.

- It would only be non-standard --
- As it's in the improper quarter section.

MR. NUTTER: It is a standard location in a non-standard location.

Yes, we feel that by aerial photographs we can meet not closer than 790 of the outer boundary of the proration unit, or the drilling unit.

Is there a second Mesaverde well in Section 27 on your plat?



No, sir, there has not one been drilled. We anticipate when that would be drilled that we would drill it on pattern.

MR. NUTTER: In the Northeast Quarter of the section?

- Yes. And stay as far away as possible from other wells.
- Any other Mesaverde wells in? Q
- No. It would be drilled in standard pattern.
- No Mesaverde well in the North Half of Section 33?
- No. We first attempted, thought we would make a dual completion, but we did not. The Mesaverde is there but we did not dually complete it.
- If the second well was to be drilled in Section 34, it would also be on pattern?

Yes, sir.

MR. NUTTER: Any further questions of Mr. Mankin? may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further?

MR. SWANSON: Yes. Wouldn't it be possible to expedite action on this application, and in that regard we would like to request to give this proper attention and notify us by collect telegram at our Dallas Office of the approval of the application.

MR. NUTTER: Yes, sir, we will expedite it as quickly as we can. Does anyone have anything for Cases 1963, 1964, 1965? We will take the case under advisement and recess until one-thirty.



STATE OF NEW MEXICO SS COUNTY OF BERNALILLO

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 day of May, 1960. this

My commission expires: June 19, 1963.

> T do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hatting of Case No. Cil Conservation Commission

