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LAW OFFICES

LOSEE AND STEWART

CARPER BUILDING - P. O. DRAWER 239

ARTESIA, NEW MEXICO

A. J. LOSEE
EDWARD B. STEWART

SHERWOOD 6-3508

11 July 1963

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

Dear Mr. Porter:

Enclosed herewith you will please find triplicate copies of Application of International Oil & Gas Corporation for administrative approval of an exception to Rule 309-A of the Oil Conservation Commission permitting the commingling of Queen-Grayburg production from three separate leases into a common tank battery.

The ownership of the Queen-Grayburg production from these leases has been made common by the terms of the attached lease consolidation and pooling agreement and all parties have consented in such agreement to this commingling application.

Thank you in advance for your attention to this request.

Very truly yours,


A. J. Losee

AJL/bk

Enclosures

cc International Oil & Gas
Corporation
Artesia, New Mexico and
Denver, Colorado Offices

ITE

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
INTERNATIONAL OIL & GAS CORPORATION :
FOR ADMINISTRATIVE APPROVAL OF AN : No. _____
EXCEPTION TO RULE 309-A. :
_____ :

APPLICATION

COMES INTERNATIONAL OIL & GAS CORPORATION, by Losee and Stewart, its attorneys, and respectfully states:

1. That International Oil & Gas Corporation is the operator of the following State of New Mexico Oil and Gas Leases insofar as said leases cover the Queen and Grayburg Formation underlying the following lands in Township 19 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, to-wit:

State Lease 648:

- Section 11: E/2 SW/4, SW/4 SW/4
- Section 14: All
- Section 15: S/2 NE/4, E/2 SW/4, SE/4
- Section 22: NE/4

and containing 1240 acres, more or less.

State Lease E-5136:

- Section 23: N/2 NW/4, SW/4 NW/4

and containing 120 acres, more or less.

State Lease E-5003:

- Section 15: NE/4 NE/4

and containing 40 acres, more or less.

2. That applicant proposes to commingle production

from the Queen-Grayburg Formation from the above three leases in a common tank battery and there is attached hereto and by reference made a part hereof, a plat of the leases showing thereon the wells and a diagram of the proposed commingling facility in accordance with the Commission's "Manual for the Installation and Operation of Commingling Facilities".

3. The plat reflects that some of the wells on the above described lands are producing from the Seven Rivers Formation and it is not proposed by this application to secure authority to commingle Seven Rivers production from the leases.

4. That applicant proposes to install at the central tank battery and test stations (as located upon the attached plat) a three-phase metering test separator to permit a determination of the producing capacity of each Queen-Grayburg well on each lease at least once each month.

5. That all of the parties owning an interest in the leases, including the lessor State of New Mexico, have consented in writing to the commingling of production. This consent is reflected in paragraph No. 5 of the attached lease consolidation and pooling agreement.

6. That the lease consolidation and pooling agreement also authorizes the transfer allowables within the project area previously approved by the Oil Conservation Commission of New Mexico in its Order No. R-2405.

WHEREFORE, applicant prays that the Secretary-Director

of the Oil Conservation Commission of New Mexico adminis-
tratively approve this exception to Rule 309-A to permit the
commingling of Queen-Grayburg production from the three
separate leases in a common tank battery.

LOSEE AND STEWART

By

A handwritten signature in cursive script, appearing to read "O. Losee", is written over a horizontal line.

P. O. Drawer 239
Artesia, New Mexico
Attorneys for Applicant.

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

POOLING AGREEMENT

EAST MILLMAN QUEN-GRAYBURG WATERFLOOD

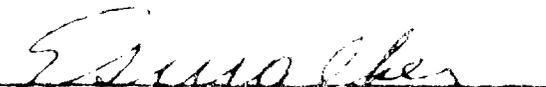
EDDY COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, ~~1963~~ effective May 1, 1963, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1954 Compilation, 1, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 24th day of April 19 63.


Commissioner of Public Lands
of the State of New Mexico

ILLEGIBLE

MR. J. W. ...

...

LEASE CONSOLIDATION AND POOLING AGREEMENT

THIS AGREEMENT, made and entered into by and between the parties subscribing hereto, such parties being hereinafter referred to as 'parties hereto',

W I T N E S S E T H

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, is authorized by an act of the legislature (Chap. 88, Sec. 1, Laws 1943, as Amended, or Sec. 7-11-39, NMSA, 1953 Comp. as Amended) to consent to and approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico, by its Order No. 2-2405 in Case No. 2656, authorized the institution of a secondary recovery project in the East Millman Queen-Grayburg Field, Eddy County, New Mexico, by the injection of water into the Queen and Grayburg Formations through 13 injection wells located in Sections 14, 15, 22 and 23, Township 19 South, Range 28 East, T.M.P.M., Eddy County, New Mexico; and that said Order is by reference made a part hereof; and

WHEREAS, the parties hereto are all of the owners of royalty interests, overriding royalty interests, production payment interests and working interests in the lands covered by this agreement, included within the said project area and described as follows:

Township 19 South, Range 28 East, T.19S., R.28E., M.1.

Section 11: E/2 SW/4, SW/4 SW/4
Section 14: All
Section 15: E/2 SW/4, S/2 NE/4,
NE/4 NE/4, SE/4
Section 22: NE/4
Section 23: N/2 NW/4, SW/4 NW/4

and containing 1400 acres, more or less,
and this agreement shall only include the Queen and Gray-
burg Formations underlying the above described lands under
the terms of the outstanding and existing oil and gas
leases, hereinafter referred to as "pooled area"; and

WHEREAS, the parties hereto recognize that the
creation or attempted creation of an artificial water
drive by the injection of water into the producing Queen
and Grayburg Formations through the water input wells pro-
vided for in the said Order and subsequently authorized by
the Oil Conservation Commission, is a reasonable and pru-
dent producing and engineering practice and the parties
hereto desire to protect their correlative rights and
permit the working interest owners to commingle the oil
into one common storage facility.

NOW, THEREFORE, in consideration of the mutual
covenants and agreements to be kept and performed by the
parties hereto, it is agreed as follows:

1. This agreement shall become effective on the
first day of the calendar month following the month in
which the working interest owners commence to inject the
first water into the authorized input wells and upon
approval of the Commissioner of Public Lands. The signed
statement of said working interest owners as to the

commencement of the injection of water is all that shall be required of a purchaser of production from the pooled area to issue its transfer orders pursuant to this agreement.

2. Exhibit "A" attached hereto is a schedule showing the acreage comprising each tract, the State lease numbers, the lessees of record and the percentage of participation each tract is entitled to receive from production from the pooled area during the effective period of this agreement. However, during the effective period of this agreement, in lieu of the fractional amount of production which each party hereto would otherwise be entitled to receive from all or any portion of the pooled area, the parties hereto shall receive the percentages set opposite their names, to-wit:

State of New Mexico	12.500000%	RI
Hondo Oil and Gas Company	3.125000%	ORI
V. S. Welch	2.301000%	PPI
Continental Illinois National Bank and Trust Company of Chicago, as Trustee under the Will of Wm. D. Flynn, deceased	2.301000%	PPI
Yates Brothers, a partnership composed of Harvey E. Yates, Martin Yates, III, S. P. Yates and John A. Yates	4.253472%	ORI
International Oil & Gas Corporation	51.893959%	WI
Yates Petroleum Corporation	23.625569%	WI.

This paragraph shall only affect the fractional amount of production which the parties hereto will receive from the pooled area and shall never be construed to affect the manner in which the interests of the parties hereto under existing agreements are computed and paid nor shall it otherwise affect the terms and provisions of the instruments

creating the interests of the parties hereto in the pooled area.

3. Production from the whole or any specified part of the pooled area shall be allocated on the basis provided for in paragraph No. 2 hereof, regardless of the particular tract from which production is obtained or proceeds derived; production from any part of the pooled area shall be considered for all purposes as being production from each separate lease tract within the pooled area; and the drilling or operation of a well on any part of the pooled area shall be considered for all purposes the drilling or operation of a well on each separate lease tract within the pooled area.

4. The leases embracing lands of the State of New Mexico having all or a portion of its land committed hereto shall, as to all lands embraced in such lease, continue in full force and effect for the term provided in the lease and as long thereafter as oil and gas in paying quantities, or either of them, is produced on any portion of the lands embraced in such lease, or as long as the production from the pooled area is, under the terms of this agreement, allocated to each lease tract within the pooled area, or as long as the lessee or the operator is then engaged in bona fide drilling, reworking or secondary recovery operations on any part of the lands embraced in such lease and as long as such operations are diligently prosecuted, if they result in the production of oil or gas, as long thereafter as oil or gas in paying quantities, or

either of them, is produced from any portion of the leased lands.

5. The working interest owners shall not be required to measure separately any production of oil or gas from the pooled area by reason of the diverse ownership of the parties hereto.

6. That in compliance with Order No. R-2405 of the Oil Conservation Commission of the State of New Mexico, the parties hereto authorize the transfer of allowables within the project area of this secondary recovery project.

7. This agreement shall remain in force and effect so long as water is being injected into the Queen or Grayburg Formation through any of the input wells provided for in said Order No. R-2405, or as subsequently authorized by the Oil Conservation Commission of the State of New Mexico. The terms of this agreement shall be binding upon and inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto and this agreement shall constitute a covenant running with the leases and lands covered and affected hereby.

8. This agreement shall be binding upon each signatory party hereto and may be executed in any number of counterparts with each such counterpart so executed to have the same force and effect as an original instrument and as if all of the parties to the aggregate counterparts had signed the same document.

IN WITNESS WHEREOF, the parties hereto have

executed this agreement in multiple originals as of the date above provided in paragraph No. 1 hereof.

ATTEST:

HONDO OIL ~~AND~~ GAS COMPANY

Jim Lewis
Secretary

By Donald B. Anderson
Vice President

V. S. Welch

ATTEST:

CONTINENTAL ILLINOIS NATIONAL
BANK AND TRUST COMPANY OF CHICAGO

By _____
President

As Trustee under the Will of
Wm. D. Flynn, deceased.

YATES BROTHERS

ILLEGIBLE

By _____
Partner

ATTEST:

INTERNATIONAL OIL & GAS
CORPORATION

Secretary

By _____
President

ATTEST:

YATES PETROLEUM CORPORATION

Secretary

By _____
President

STATE OF NEW MEXICO)
 : ss.
COUNTY OF GRAVES)

The foregoing instrument was acknowledged before me this 6th day of March, 1963, by Donald B. Anderson, Vice President of HONDO OIL & GAS COMPANY, a corporation, on behalf of said corporation.

My commission expires:

6-30-64

H. E. Hamington
Notary Public

STATE OF NEW MEXICO)
 : ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by V. S. WELCH.

My commission expires:

Notary Public

STATE OF _____)
 : ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, President of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, as Trustee under the Will of Wm. F. Flynn, deceased.

My commission expires:

Notary Public

executed this agreement in multiple originals as of the date above provided in paragraph No. 1 hereof.

ATTEST:

WORLD OIL AND GAS COMPANY

Secretary

By _____
President

V. S. Welch

ATTEST:

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO



Assistant Secretary

By  gm

Vice President

As Trustee under the Will of Wm. D. Flynn, deceased.

WORLD OIL AND GAS COMPANY AND TRUST COMPANY OF CHICAGO
do hereby certify that the foregoing is a true and correct copy of the original, but solely
for the purpose of recording the same, and of no other effect or warranty of any kind, ex-
cept as provided in the last paragraph hereof.

YATES BROTHERS

ILLEGIBLE

By _____
Partner

ATTEST:

INTERNATIONAL OIL & GAS CORPORATION

Secretary

By _____
President

ATTEST:

YATES PETROLEUM CORPORATION

Secretary

By _____
President

executed this agreement in multiple originals as of the date above provided in paragraph No. 1 hereof.

ATTEST: HOUDE OIL AND GAS COMPANY

Secretary By _____

President

V. S. Welch

ATTEST: CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

By _____

President

As Trustee under the Will of
Wm. D. Flynn, deceased.

VATES BROTHERS

By *[Signature]*
Partner

ATTEST: INTERNATIONAL OIL & GAS CORPORATION

[Signature]
Secretary By *[Signature]*

President

ATTEST: VATES PETROLEUM CORPORATION

[Signature]
Secretary By *[Signature]*

President

EXHIBIT "A"
 ATTACHED TO AND MADE A PART OF LEASE CONSOLIDATION
 AND POOLING AGREEMENT FOR PART OF EAST HILLMAN
 QUINN-GRAYBURG FIELD, EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION	LEASE NO.	LESSOR OF RECORD	TRACT PARTICIPATION PERCENTAGE IN POOLED AREA
1	T-198 R-28E Sec. 11: E/2 SW/4, SW/4 S1/4 Sec. 14: A11 Sec. 15: S/2 NE/4 E/2 S1/4, SE/4 Sec. 22: NE/4 1200 acres	510-190	Hondo Oil & Gas Company International Oil & Gas Corporation Yates Petroleum Corporation	39.850
2	T-198, R-28E Sec. 23: N/2 NW/4, SW/4 NW/4 120 acres	E-135	Hondo Oil & Gas Company	3.041
3	T-198 R-28E Sec. 15: NE/4 NE/4 40 acres	E-5003-1	International Oil & Gas Corporation	1.5799

RECAPITULATION

3 Tracts
 All State Lands
 110 Acres
 Beneficiary - Public Building

LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE