

Cage No.

3822

Application, Transcripts,
Small Exhibits, Etc.

State of New Mexico
Oil Conservation Commission



STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

September 12, 1968

Mr. Richard S. Morris
Montgomery, Federici, Andrews,
Hannahs and Morris
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

Re: Case No. 3822
Order No. R-3501
Applicant:
Aztec Oil & Gas Company

Dear Sir:

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

Very truly yours,

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

ALP/ir

Carbon copy of order also sent to:

Hobbs CCC x

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. 3822
Order No. R-3501**

**APPLICATION OF AZTEC OIL & GAS COMPANY
FOR COMMINGLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 24, 1968, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 12th day of September, 1968, 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, Aztec Oil & Gas Company, is the operator of the State "AJ" and Amerada State Leases comprising the SW/4 of Section 1 and the N/2 NW/4 of Section 12, respectively, Township 18 South, Range 26 East, NMPM, Arkansas Junction-San Andres Pool, Lea County, New Mexico.

(3) That the applicant seeks authority to commingle the San Andres oil production from said leases in a common tank battery and to allocate production to each of said leases on the basis of periodic well testing.

(4) That approval of the subject application will result in economic savings to the operator, prevent waste, and protect correlative rights, provided the installation of facilities for commingling production will permit the individual testing of each of the wells on the subject leases.

-2-

CASE No. 3822

Order No. R-3501

IT IS THEREFORE ORDERED:

(1) That the applicant, Aztec Oil & Gas Company, is hereby authorized to commingle the San Andres production from its State "AJ" and from its Amerada State Leases comprising the SW/4 of Section 1 and the N/2 NW/4 of Section 12, respectively, Township 18 South, Range 36 East, NMPM, Arkansas Junction-San Andres Pool, Lea County, New Mexico, allocating the production to each lease on the basis of monthly well tests;

PROVIDED HOWEVER, that the facilities for said commingling of production shall be installed and maintained in a manner that will permit a determination of the producing capacity of each of the wells on the subject leases at least once each month;

PROVIDED FURTHER, that the applicant shall conduct monthly productivity tests on each of the wells on the subject leases and shall file the results of said tests with the Commission's District Office at Hobbs, New Mexico, on Commission Form C-116 each month.

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

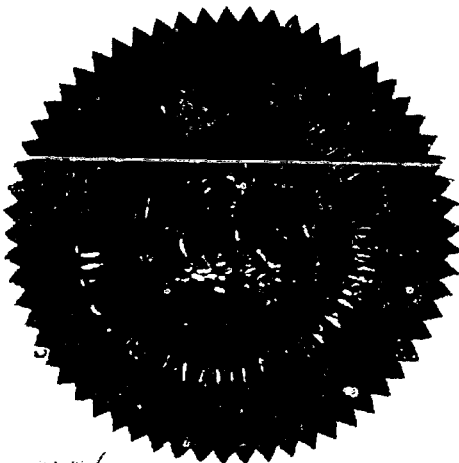
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID P. CARGO, Chairman

CUNTON E. HAYS, Member

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



001/

State of New Mexico



Commissioner of Public Lands

GUYTON B. HAYS
COMMISSIONER



P. O. BOX 1148
SANTA FE, NEW MEXICO

September 5, 1968

Aztec Oil and Gas Company
2000 First National Bank Bldg.
Dallas, Texas 75202

Attn: Mr. Kenneth A. Swanson
Land Department

Re: Commingling of hydrocarbons on State owned
lands in Lea County, New Mexico
SW $\frac{1}{4}$ Sec. 1 - Twp 18S - Rng. 36E
N $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 12 - Twp 18S - Rng. 36E

Gentlemen:

This is to inform you that insofar as the State Land Office is concerned, your above request is hereby granted. This however is granted with the understanding that the Commissioner of Public Lands reserves the right to withdraw his approval, if at any time the operation is not feasible or profitable to the State of New Mexico.

Also, it is understood that the Oil Conservation Commission has to grant its approval.

GUYTON B. HAYS
Commissioner of Public Lands

By:
TED BILBERRY, Director
Oil and Gas Department

GBH:TB:RM:cw

cc: Oil Conservation Commission
Oil and Gas Accounting Commission
Mr. Richard S. Morris

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 24, 1968

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
A. L. Porter, Jr., Alternate Examiner:

- CASE 3809: Application of Solar Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Travis Well No. 2 located in Unit J of Section 21, Township 23 South, Range 37 East, Lea County, New Mexico, to produce oil from the Teague-Blinbry and undesignated Tubb-Drinkard pools through parallel strings of tubing.
- CASE 3810: Application of Bronco Oil Corporation for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Saltmount Well No. 2 located in Unit O of Section 21, Township 23 South, Range 37 East, Lea County, New Mexico, to produce oil from the Teague-Blinbry and undesignated Tubb-Drinkard pools through parallel strings of tubing.
- CASE 3811: Application of Charles B. Read for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill his Marathon State Well No. 1 at a location 1980 feet from the South line and 660 feet from the West line of Section 7, Township 19 South, Range 35 East, Scharb-Bone Springs Pool, Lea County, New Mexico, in exception to the pool rules which require the first well drilled on a unit to be located in the NE/4 or the SW/4 of the quarter section.
- CASE 3812: Application of Tenneco Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Southwest Henshaw (Premier) Unit Area comprising 1720 acres, more or less, of Federal lands in Township 16 South, Range 30 East, West Henshaw-Grayburg Pool, Eddy County, New Mexico.
- CASE 3813: Application of Tenneco Oil Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its Southwest Henshaw (Premier) Unit Area by the injection of water into the Premier sand through nine injection wells in Sections 7, 8, 17, 18 and 19, Township 16 South, Range 30 East, West Henshaw-Grayburg Pool, Eddy County, New Mexico.

CASE 3814: Application of Humble Oil & Refining Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Penrose zone of the Queen formation in the perforated interval from 3818 feet to 3838 feet in its New Mexico "G" State Well No. 17 located 330 feet from the South line and 1850 feet from the West line of Section 23, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico. If said Penrose zone does not prove satisfactory, then the applicant proposes to deepen said well and dispose into the San Andres formation.

CASE 3815: Application of Humble Oil & Refining Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Abo formation in the interval from 5670 feet to 6030 feet in its Chalk Bluff Draw Unit (A) Well No. 19 located 990 feet from the South line and 1650 feet from the West line of Section 16, Township 18 South, Range 27 East, Empire Abo Pool, Eddy County, New Mexico.

CASE 3816: Application of Humble Oil & Refining Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Wolfcamp formation in the interval from 10,199 feet to 10,530 feet in its H. A. Townsend Well No. 6 located 1980 feet from the North and East lines of Section 9, Township 16 South, Range 35 East, Townsend Wolfcamp Pool, Lea County, New Mexico.

CASE 3817: Application of Continental Oil Company for reinstatement of cancelled underproduction, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the general rules and regulations for prorated gas pools of Southeastern New Mexico promulgated by Order No. R-1670, as amended, to permit the reinstatement of underproduction accumulated by its Stevens A-35 Well No. 2 located in Unit J of Section 35, Township 23 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, cancelled December 31, 1967. Applicant requests that its Stevens A-35 Well No. 1 located in Unit L and its Stevens A-35 Well No. 2 located in Unit J, both in the aforesaid Section 35 and dedicated to the same non-standard gas proration unit, be permitted to produce the aforesaid cancelled underproduction.

- CASE 3818: Application of Continental Oil Company for an exception to Rule 506, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the statewide limiting gas-oil ratio of 2,000 feet of gas per barrel of oil as promulgated by Commission Rule 506 for its Warren Unit Well No. 11, located in Unit A of Section 35, Township 20 South, Range 38 East, Warren-Drinkard Pool, Lea County, New Mexico.
- CASE 3819: Application of Cities Service Oil Company for the institution of gas prorationing in the Buffalo Valley-Pennsylvanian Gas Pool, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the limitation of gas production from the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, to reasonable market demand and to the capacity of gas transportation facilities, and that the subject pool be governed by the general rules and regulations for the prorated gas pools of Southeastern New Mexico insofar as said general rules and regulations are not inconsistent with the special rules and regulations governing the subject pool. Further, the applicant proposes that the allowable production from the pool be allocated among the wells in the pool on a 100% surface acreage basis.
- CASE 3820: Application of El Paso Natural Gas Company for an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Harvey "A" Well No. 3 at a point 890 feet from the South line and 1650 feet from the East line of Section 32, Township 27 North, Range 7 West, Blanco-Mesaverde Pool, Rio Arriba County, New Mexico, in exception to the pool rules which require locations to be in either the Northeast or Southwest quarter of the section.
- CASE 3821: Application of Marathon Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the SE/4 of Section 22, Township 20 South, Range 35 East, Lea County, New Mexico. Said acreage to be dedicated to a well to be drilled 660 feet from the South and East lines of said Section 22, and within one mile of the Southeast Lea-Wolfcamp Gas Pool.

Case 3822: Application of Aztec Oil & Gas Company for commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle San Andres production from its State "AJ" lease comprising the SW/4 and the W/2 NE/4 of Section 1 and its Amerada State lease comprising the N/2 NW/4 of Section 12, all in Township 18 South, Range 36 East, Arkansas Junction-San Andres Pool, Lea County, New Mexico, allocating production to each lease on the basis of periodic well tests.

CASE 3805: CONTINUED FROM THE JULY 10, 1968, EXAMINER HEARING

Application of Benson-Montin-Greer Drilling Corporation and Lloyd B. Taylor for Pressure Interference Tests and Back Allowable, San Juan County, New Mexico. Applicants, in the above-styled cause, seek authority to extend for an additional 60-day period from July 8, 1968, the shut-in test period authorized for one well in the La Plata Gallup Oil Pool, San Juan County, New Mexico, by Commission Order No. R-3399 and to also extend the back allowable make-up period for said well. Applicants further seek authority to drill three additional La Plata oil wells in Section 6 of Township 31 North, Range 13 West, and Sections 31 and 32, Township 32 North, Range 13 West, and to shut said wells in immediately after recovery of load oil and the establishment of initial potentials, for a period of up to 180 days for the purpose of conducting pressure interference tests, and to make-up the production lost during said test period at a later date. Applicants further seek a provision for administrative extension of the shut-in test period and the make-up period.

J.O. SETH (883-1903)

MONTGOMERY, FEDERICI, ANDREWS, HANNAHS & MORRIS

ATTORNEYS AND COUNSELLORS AT LAW

A. K. MONTGOMERY

WM. FEDERICI

FRANK ANDREWS

FRED C. HANNAHS

RICHARD S. MORRIS

SUMNER G. BUELL

SETH D. MONTGOMERY

350 EAST PALACE AVENUE
SANTA FE, NEW MEXICO 87501

July 31, 1968

POST OFFICE BOX 2307
AREA CODE 505
TELEPHONE 982-3876

Mr. Daniel S. Nutter, Examiner
New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico 87501

Re: NMOCC Case No. 3822; Application of Aztec
Oil & Gas Company for Permission to Com-
mingle, Lea County, New Mexico

Dear Dan:

Enclosed is a copy of the application we have filed
with the State Land Office seeking permission to
commingle hydrocarbons on State owned land. This
application is a companion to the subject application
that was heard before you on July 24th.

Also enclosed are the original waivers that we have
received from the overriding royalty interests in
these two leases.

The only overriding royalty interest who has not sent
in a waiver of objection is Carmen J. Stafford, but
this interest has not objected to the proposed com-
mingling.

We have asked the State Land Office to inform you
directly when they approve this application.

Very truly yours,

Richard S. Morris

RSM:F

Encl.

cc: Mr. Kenneth A. Swanson, Manager
Land Department
Aztec Oil & Gas Company
2000 First National Bank Bldg.
Dallas, Texas 75202

AZTEC OIL & GAS COMPANY

2000 FIRST NATIONAL BANK BUILDING
DALLAS, TEXAS 75202

LAND DEPARTMENT
KENNETH A. SWANSON, MANAGER

July 11, 1968

Amerada Petroleum Corporation
Box 2040
Tulsa, Oklahoma 74102

Re: NM-OCC Case #3822
Aztec State A J Well No. 1
Aztec Amerada State Well No. 1
Township 18 South, Range 36 East
Arkansas Junction-San Andres Pool
Lea County, New Mexico

Dear Sir:

Aztec Oil & Gas Company has on this date filed application with the Oil Conservation Commission of the State of New Mexico for authority to commingle fluids produced from the two captioned wells. You are the owner of an overriding royalty interest under one of these wells and are, therefore, an interested party to this application.

Both of the subject wells produce high water volumes and contain corrosive ingredients which have rendered normal pumping techniques impractical. Therefore, at considerable expense Aztec Oil & Gas Company has installed a hydraulic pumping system which is capable of handling production from both of these wells concurrently. The Rules and Regulations of the Oil Conservation Commission of the State of New Mexico prohibit the commingling of oil from separate leases unless the oil has been separately metered or measured before being commingled. Metering devices of the type which would be required with the equipment which we have installed would be extremely expensive and future production might not justify the expenditure. We are, therefore, requesting permission to commingle oil produced from the subject wells with existing equipment and allocate royalty based upon periodic well tests to be conducted not less than once every calendar month. It is anticipated that the inaccuracy, if any, resulting from this method of royalty accounting would be insignificant.

July 11, 1968

If the Oil Conservation Commission of the State of New Mexico should see fit to grant our request, we expect that the producing life of this reservoir might be materially extended by the economy which would be thus affected in our operations. If you as an overriding royalty owner have no objections to our proceeding as outlined hereinabove, please evidence your consent thereto and your waiver of objections by signing the attached copy of this letter in the space provided therefor and return same to us at your earliest convenience in the enclosed stamped self-addressed envelope.

We shall appreciate your cooperation in this matter.

Yours truly,

Joe E. Starks

JES:sbb

DATE:

July 17, 1968

Overriding royalty owner

AMERADA PETROLEUM CORPORATION

By

C. A. Hadley

AZTEC OIL & GAS COMPANY

2000 FIRST NATIONAL BANK BUILDING
DALLAS, TEXAS 75202

LAND DEPARTMENT
KENNETH A. SWANSON, MANAGER

July 11, 1968

Tenneco Oil Company
P. O. Box 2511
Houston, Texas 77001

Re: NM-OCC Case #3822
Aztec State A J Well No. 1
Aztec Amerada State Well No. 1
Township 18 South, Range 36 East
Arkansas Junction-San Andres Pool
Lea County, New Mexico

Dear Sir:

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July 11, 1968

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We shall appreciate your cooperation in this matter.

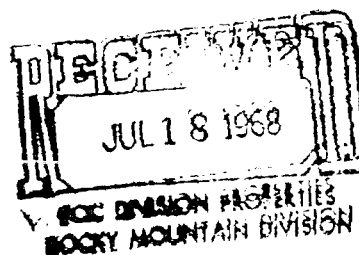
Yours truly,

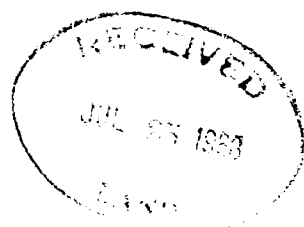
Joe E. Starks
Joe E. Starks

JES:sbb

DATE: July 23 1968

F. J. McDonald
Overriding royalty owner





AZTEC OIL & GAS COMPANY

2000 FIRST NATIONAL BANK BUILDING
DALLAS, TEXAS 75202

LAND DEPARTMENT
KENNETH A. SWANSON, MANAGER

July 11, 1968

Mr. C. R. McVay
308 Philtower
Tulsa, Oklahoma 74103

Re: NM-OCC Case #3822
Aztec State A J Well No. 1
Aztec Amerada State Well No. 1
Township 18 South, Range 36 East
Arkansas Junction-San Andres Pool
Lea County, New Mexico

Dear Sir:

Aztec Oil & Gas Company has on this date filed application with the Oil Conservation Commission of the State of New Mexico for authority to commingle fluids produced from the two captioned wells. You are the owner of an overriding royalty interest under one of these wells and are, therefore, an interested party to this application.

Both of the subject wells produce high water volumes and contain corrosive ingredients which have rendered normal pumping techniques impractical. Therefore, at considerable expense Aztec Oil & Gas Company has installed a hydraulic pumping system which is capable of handling production from both of these wells concurrently. The Rules and Regulations of the Oil Conservation Commission of the State of New Mexico prohibit the commingling of oil from separate leases unless the oil has been separately metered or measured before being commingled. Metering devices of the type which would be required with the equipment which we have installed would be extremely expensive and future production might not justify the expenditure. We are, therefore, requesting permission to commingle oil produced from the subject wells with existing equipment and allocate royalty based upon periodic well tests to be conducted not less than once every calendar month. It is anticipated that the inaccuracy, if any, resulting from this method of royalty accounting would be insignificant.

Royalty Interest Owner

- 2 -

July 11, 1968

If the Oil Conservation Commission of the State of New Mexico should see fit to grant our request, we expect that the producing life of this reservoir might be materially extended by the economy which would be thus affected in our operations. If you as an overriding royalty owner have no objections to our proceeding as outlined hereinabove, please evidence your consent thereto and your waiver of objections by signing the attached copy of this letter in the space provided therefor and return same to us at your earliest convenience in the enclosed stamped self-addressed envelope.

We shall appreciate your cooperation in this matter.

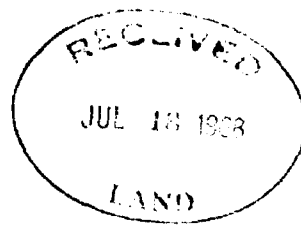
Yours truly,

Joe E. Starks

JES:sbb

DATE: 7-17-68

EBM
Overriding royalty owner



AZTEC OIL & GAS COMPANY

2000 FIRST NATIONAL BANK BUILDING
DALLAS, TEXAS 75202

LAND DEPARTMENT
KENNETH A. SWANSON, MANAGER

July 11, 1968

Fort Worth National Bank
Independent Executor and Trustee
under the Will of Roy S. Magruder, Deceased
P. O. Box 2050
Fort Worth, Texas

Re: NM-OCC Case #3822
Aztec State A J Well No. 1
Aztec Amerada State Well No. 1
Township 18 South, Range 36 East
Arkansas Junction-San Andres Pool
Lea County, New Mexico

Dear Sir:

Aztec Oil & Gas Company has on this date filed application with the Oil Conservation Commission of the State of New Mexico for authority to commingle fluids produced from the two captioned wells. You are the owner of an overriding royalty interest under one of these wells and are, therefore, an interested party to this application.

Both of the subject wells produce high water volumes and contain corrosive ingredients which have rendered normal pumping techniques impractical. Therefore, at considerable expense Aztec Oil & Gas Company has installed a hydraulic pumping system which is capable of handling production from both of these wells concurrently. The Rules and Regulations of the Oil Conservation Commission of the State of New Mexico prohibit the commingling of oil from separate leases unless the oil has been separately metered or measured before being commingled. Metering devices of the type which would be required with the equipment which we have installed would be extremely expensive and future production might not justify the expenditure. We are, therefore, requesting permission to commingle oil produced from the subject wells with existing equipment and allocate royalty based upon periodic well tests to be conducted not less than once every calendar month. It is anticipated that the inaccuracy, if any, resulting from this method of royalty accounting would be insignificant.

Royalty Interest Owner

- 2 -

July 11, 1968

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We shall appreciate your cooperation in this matter.

Yours truly,

Joe E. Starks

JES:sbb

DATE: 7-15-68

THE FORT WORTH NATIONAL BANK TRUSTEE

overriding royalty owner


Assistant Trust Officer

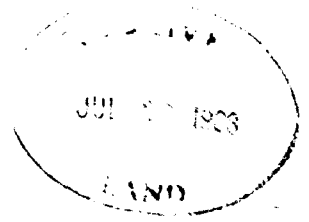


AZTEC OIL & GAS COMPANY

2000 FIRST NATIONAL BANK BUILDING
DALLAS, TEXAS 75202

LAND DEPARTMENT
KENNETH A. SWANSON, MANAGER

July 11, 1968



Mrs. Helen Magruder Kolliker
3812 Hillcrest
El Paso, Texas 79902

Re: NM-OCC Case #3822
Aztec State A J Well No. 1
Aztec Amerada State Well No. 1
Township 18 South, Range 36 East
Arkansas Junction-San Andres Pool
Lea County, New Mexico

Dear Madam:

Aztec Oil & Gas Company has on this date filed application with the Oil Conservation Commission of the State of New Mexico for authority to commingle fluids produced from the two captioned wells. You are the owner of an overriding royalty interest under one of these wells and are, therefore, an interested party to this application.

Both of the subject wells produce high water volumes and contain corrosive ingredients which have rendered normal pumping techniques impractical. Therefore, at considerable expense Aztec Oil & Gas Company has installed a hydraulic pumping system which is capable of handling production from both of these wells concurrently. The Rules and Regulations of the Oil Conservation Commission of the State of New Mexico prohibit the commingling of oil from separate leases unless the oil has been separately metered or measured before being commingled. Metering devices of the type which would be required with the equipment which we have installed would be extremely expensive and future production might not justify the expenditure. We are, therefore, requesting permission to commingle oil produced from the subject wells with existing equipment and allocate royalty based upon periodic well tests to be conducted not less than once every calendar month. It is anticipated that the inaccuracy, if any, resulting from this method of royalty accounting would be insignificant.

July 11, 1968

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We shall appreciate your cooperation in this matter.

Yours truly,

Joe E. Starks
Joe E. Starks

JES:sbb

DATE:

7/26/68

Helen Magnuson Fallikar
Overriding royalty owner

Morris R. Antweil

OIL OPERATOR
P.O. BOX 2010
HOBBS, NEW MEXICO

July 23, 1968

Aztec Oil & Gas Co.
2000 First National Bank Bldg.
Dallas, Texas 75202

Attn: Mr. Joe E. Starks

Re: NM-OCC Case #3822
Aztec State AJ Lease
Arkansas Junction-San Andres
Lea County, New Mexico

Gentlemen:

We have no objection to Aztec's proposal to commingle production from two leases as outlined in your letter of 11 July 1968.

We did not execute your waiver, however, since we do not hold an override under the well involved. Our interest in the Aztec State AJ Lease is as follows:

- (a) 3.5% ORRI between 4500 and 10,940 feet in
SE/4 SW/4 Sec. 1-18S-36E.
- (b) 5.0% ORRI between 4500 and 10,940 feet in
NE/4 SW/4 Sec. 1-18S-36E.

Yours very truly,

MORRIS R. ANTWEIL

R M Williams

R. M. Williams

RMW/cs



J. O. SEER 1166-11703
A. K. MONTGOMERY
WM. FEDERICI
FRANK ANDREWS
FRED C. HANNAHS
RICHARD S. MORRIS
SUMNER G. BUELL
SETH C. MONTGOMERY

MONTGOMERY, FEDERICI, ANDREWS, HANNAHS & MORRIS
ATTORNEYS AND COUNSELORS AT LAW
110 EAST PALM AVENUE
SANTA FE, NEW MEXICO 87501

STATE OFFICE BOX 2307
AREA CODE 505
TELEPHONE 962-3876

July 31, 1968

Commissioner of Public Lands
State Land Office Building
Santa Fe, New Mexico 87501

Attention: Mr. Ray Graham
Oil & Gas Section

Re: Application of Aztec Oil & Gas Company for
permission to commingle hydrocarbons on
State owned lands, Lea County, New Mexico

Gentlemen:

Enclosed for filing is the original and two copies of
the subject application and our check in the amount of
\$10 in payment of the filing fee therefor.

Very truly yours,

Richard S. Morris

RSM:F
Encls.

cc: New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico
Attention: Mr. Daniel S. Nutter, Examiner

Mr. Kenneth A. Swanson, Manager
Land Department
Aztec Oil & Gas Company
2000 First National Bank Bldg.
Dallas, Texas 75202

C
O
P
Y

BEFORE THE COMMISSIONER OF PUBLIC LANDS

STATE OF NEW MEXICO

APPLICATION OF AZTEC OIL & GAS
COMPANY FOR PERMISSION TO COM-
MINGLE HYDROCARBONS ON STATE
OWNED LANDS, ARKANSAS JUNCTION
- SAN ANDRES POOL, LEA COUNTY,
NEW MEXICO.

APPLICATION

Comes now Aztec Oil & Gas Company by its attorneys and makes application to the Commissioner of Public Lands for the State of New Mexico pursuant to Rule 53 of the rules relating to oil and gas leases, promulgated by the State Land Office, and in support of its application states

1. Applicant is the owner and operator of the SW $\frac{1}{4}$ of Section 1, and the N $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 12, Township 16 South, Range 36 East, Lea County, New Mexico. The SW $\frac{1}{4}$ of Section 1, and the N $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 12 are covered by different State leases, but the beneficiary under each lease is the Common Schools Fund.

2. The State A J Well No. 1, located in the SW $\frac{1}{4}$ of Section 1, is presently capable of producing approximately 15 barrels of oil per day from the Arkansas Junction - San Andres Pool. The Amerada State Well No. 1 located in the N $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 12, presently is capable of producing approximately 15 barrels of oil per day from the Arkansas Junction - San Andres Pool. The combined total production of these two wells is less than a single normal well allowable for this pool which presently is 77 barrels per day.

3. A plat showing the location of the subject lands and of the wells located thereon is attached to this application.

4. Applicant proposes to combine the production from the

two aforesaid wells and leases into a common tank battery and to allocate production between the subject wells and leases on the basis of monthly production tests on each of the said wells. Further description of the status of the subject wells and the manner in which production therefrom would be commingled is set forth in the application by Aztec Oil & Gas Company to the Oil Conservation Commission in Case No. 3922, a copy of which application is attached hereto and incorporated herein by reference. Also attached to this application is a schematic diagram showing the hydraulic pumping installation that will be utilized if this application is approved.

5. The estimated cost of providing separate heater treaters and meters is an additional \$7000, which expenditure is not reasonably justifiable in view of the extremely high lifting and operating costs that already are being experienced on the subject wells. Accordingly, unless this application is approved, applicant may have to abandon the State # 2 Well No. 1, with resultant loss in revenue to it and the State of New Mexico.

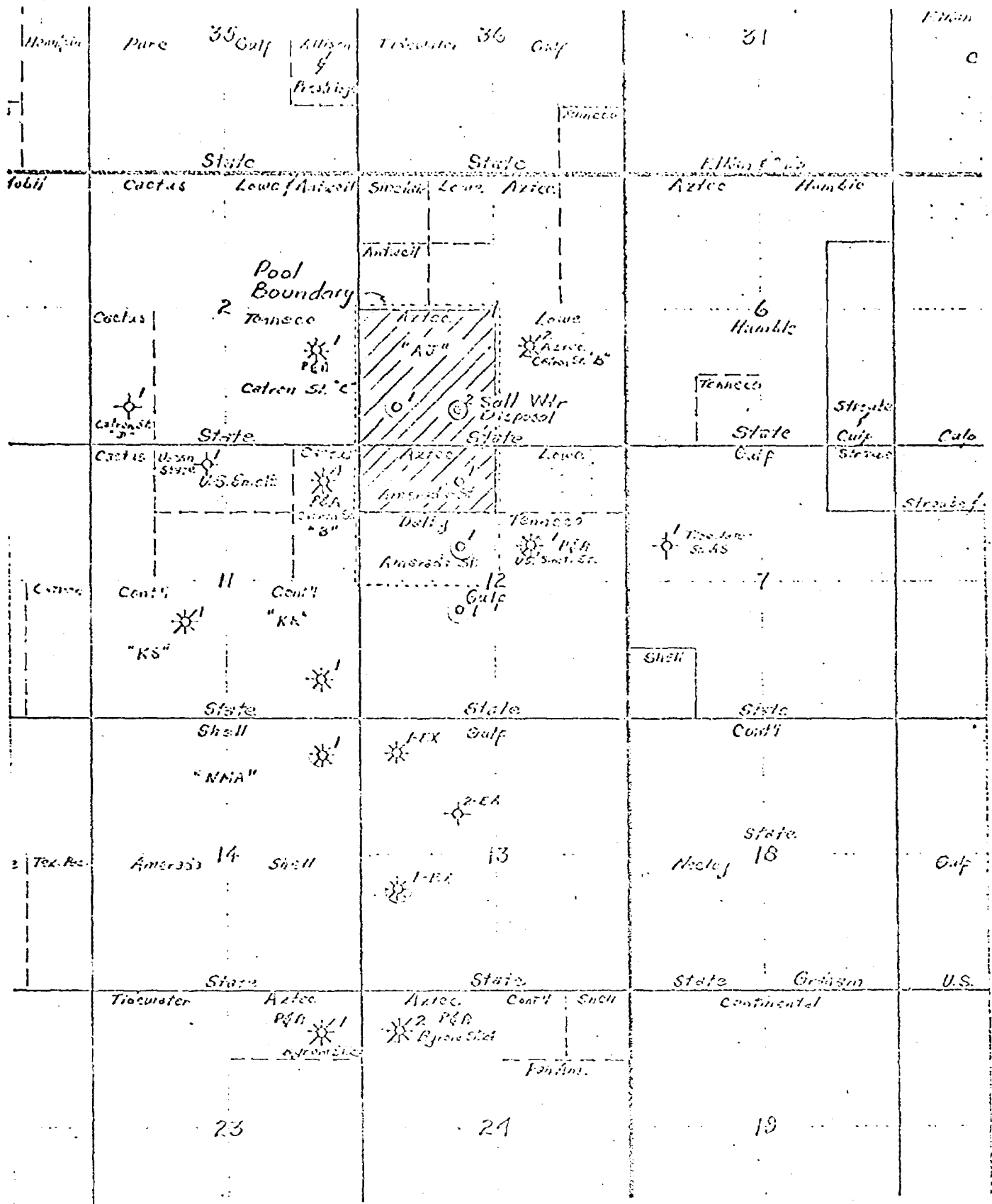
6. The overriding royalty interests in each of the subject leases have been notified of the applicant's proposal to commingle the production from these two leases and no objection has been received. Answers of objection have been received from all but one of the overriding royalty interests.

WHEREFORE, Aztec Oil & Gas Company requests that the Commission of Public Lands approve this application for commingling. Applicant further requests that the Commission of Public Lands communicate the approval of this application to the New Mexico Oil Conservation Commission so that the said Commission can proceed to act with respect to the application pending in Case 3922.

Respectfully submitted,
MONTGOMERY, HENNING, ANDREWS, HENNING & MORRIS

Richard J. Morris
P.O. Box 2397
Santa Fe, New Mexico 87501
Telephone: Los Alamos 71-1111

R-36-E



Map Showing
AZERO OIL & GAS COMPANY LEASES
in the
ARKANSAS JUNCTION-SAN ANDRES POOL
Lea County, New Mexico

Legend:
 * San Andres Wells
 o Queen Wells

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
AZTEC OIL & GAS COMPANY FOR AN ORDER
APPROVING THE COMMINGLING OF HYDRO-
CARBONS PRODUCED FROM THE AZTEC STATE
A J #1 WELL AND THE AZTEC AMERADA STATE
#1 WELL IN THE ARKANSAS JUNCTION-SAN
ANDRES POOL, LEA COUNTY, NEW MEXICO AS
AN EXCEPTION TO RULE 309-A

CASE NO. 3822

APPLICATION

Aztec Oil & Gas Company (herein referred to as "Applicant") hereby makes application to the Commission for authority to commingle hydrocarbons produced by means of hydraulic lift from the Aztec State A J Well No. 1 and the Aztec Amerada State Well No. 1, which wells are located in Sections 1 and 12 respectively in Township 18 South, Range 36 East, Lea County, New Mexico, as an exception to Rule 309-A of the Oil Conservation Commission. In support of such application, Applicant respectfully submits the following:

1. Both of the subject wells, which produce from a common reservoir, are limited capacity wells which produce high water volumes and contain highly corrosive elements which have rendered normal lift pumping techniques impractical and Applicant has installed a hydraulic pumping system at considerable expense in an effort to economically produce the recoverable hydrocarbons underlying the lands in question.

2. Separate metering equipment adequate to assure compliance with Rule 309-A would, in this instance, be prohibitively expensive and would impose an unjustifiable economic burden upon Applicant. Economies effected by the procedures herein recommended are expected to prolong the producing life of these wells, thus preventing reservoir waste.

3. The ownership of the land owners' royalty is common under both of the subject leases and the only diversity of ownership which exists is with respect to a portion of the overriding royalty interest created under such leases.

4. Applicant proposes, subject to the approval of the Commission, to allocate production from the two wells based upon periodic production tests of such wells to be conducted at least once each calendar month thereby protecting the correlative rights of the overriding royalty interest owners.

5. Attached hereto and made a part of this application is a plat showing the location of the subject wells and the location of all other wells within a radius of two miles from the subject wells.

6. Attached hereto and made a part of this application is a schematic drawing showing thereon the plan of pumping facilities, flow lines and tankage as well as other surface facilities which will be utilized in producing fluids from the subject wells if the Commission grants Applicant's request as herein made.

7. A copy of this application together with all the attachments has been mailed to the State Land Office, P. O. Box 1148, Santa Fe, New Mexico with all necessary postage duly prepaid, on this 11th day of July, 1968.

Wherefore, Applicant respectfully requests that this matter be set down for hearing before an Examiner at the earliest practicable date, that notice thereof be given according to the laws and the rules and regulations of the Commission, and upon hearing of this application, an order be issued authorizing and approving the commingling of hydrocarbons produced from the Aztec State A J Well No. 1 and the Aztec Amorada State Well No. 1 from

the Arkansas Junction-San Andres Pool and that royalties to be allocated to each of the respective wells shall be determined by periodic production tests to be conducted at least once each calendar month on each such well.

Respectfully submitted this 11th day of July, 1968.

AZTEC OIL & GAS COMPANY

By Joe E. Starks
Joe E. Starks
Attorney

LIST OF OFFSET OPERATORS

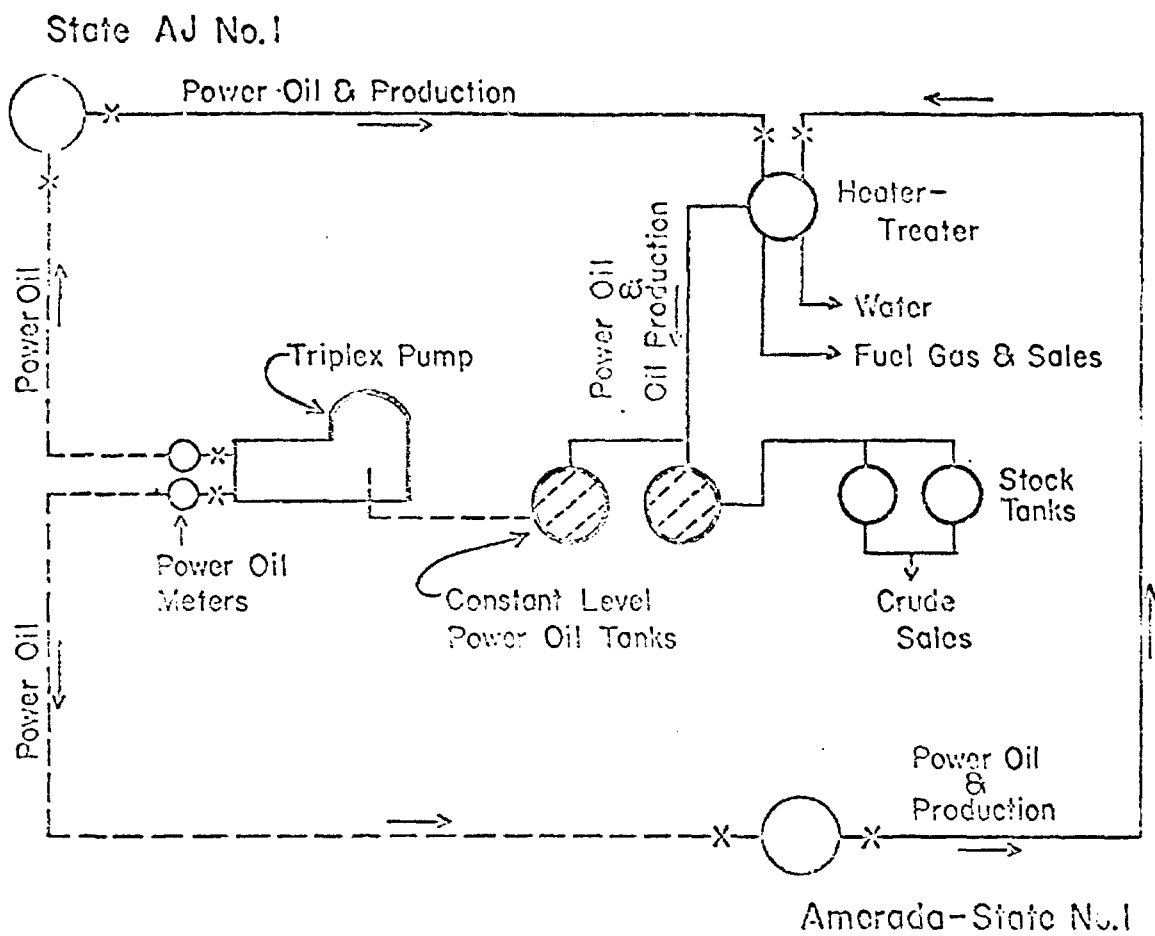
Morris R. Antwell
P. O. Box 2010
Hobbs, New Mexico

Estate of Ralph Lowe
P. O. Box 832
Midland, Texas 79701

Tenneco Oil Company
P. O. Box 1301
Midland, Texas 79701

Arno Dalby
c/o Bill Ranck
1504 Main Street
Lubbock, Texas

Cactus Drilling Company
P. O. Box 1826
Hobbs, New Mexico



Schematic Diagram

Showing

Hydraulic Pumping Installation

on

AZTEC OIL & GAS COMPANY

Leases in the Arkansas Junction Pool

Lea County, New Mexico

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILEY COPY, CONVENTIONS

1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6491 • ALBUQUERQUE, NEW MEXICO

IN THE DISTRICT COURT OF THE STATE OF NEW MEXICO
COUNTY OF LEA
July 17, 1964

STATE OF NEW MEXICO

IN THE MATTER OF:

Application of Aztec Oil & Gas Company) Case No. 3322
for commingling, Lea County, New Mexico.)

BEFORE: Daniel S. Rutter
Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: We'll call the next case, 3822.

MR. HATCH: Case 3822. Application of Aztec Oil and Gas Company for commingling, Lea County, New Mexico.

MR. MORRIS: Mr. Examiner, I'm Dick Morris of Montgomery, Federici, Andrews, Hannahs and Morris, Santa Fe, appearing for the Applicant, Aztec Oil and Gas Company. I have one witness. I ask that he stand and be sworn, please.

(Witness sworn.)

(Whereupon, Applicant's Exhibits Numbers 1 and 2 were marked for identification.)

JERRY ESKEW

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

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Eskew, will you state your name, where you reside, by whom you are employed and in what capacity?

A Jerry Eskew, Hobbs, New Mexico, District Engineer for Aztec Oil and Gas.

Q Have you previously testified before the New Mexico Oil Conservation Commission or one of its examiners and had your qualifications established and accepted as a matter of record?

A Yes, I have.

Q Mr. Eskew, please refer to what has been marked as Exhibit Number 1 in this case and state what that exhibit is and what it shows.

Q This is a plat of the subject wells, the AJ Number 1 located in Section 1 of 18 South, 36 East and the Amerada State Number 1 located in Section 12 of 18 South, 36 East. And it also shows all completed wells within two miles and the ownership of the leases.

Q All right, sir. Concerning the two subject wells, are they both completed in the same pool?

A Yes, they are. Both are completed in the Arkansas Junction San Andres Pool.

Q Now, these are two separate leases that you have shown here colored in yellow: the State AJ Lease and the Amerada State Lease.

A Correct.

Q Is Aztec Oil and Gas Company the working interest owner in each of these leases?

A That is true.

Q Are they both -- is the royalty interest in each of these leases owned by the State of New Mexico?

A That is correct.

Q Are there overriding royalty interests in each of these

leases?

A Yes. In the State AJ Lease, the Fort Worth National Bank, the Executor for Roy S. McGrueter, deceased, is 2% overriding royalty interest; and Helen McGrueter Colliker has 2% overriding royalty interest, and Morris R. Antwell has 3-1/2 % overriding royalty interest.

In the Amerada State Lease, Amerada has 6-1/4% overriding royalty interest. Tenneco has 4.71750% interest. C. R. McVey has .78125%, and Carmen J. Stafford has .78125% interest.

Q So the overriding royalty interests are not common as between these two leases?

A No, they're not.

Q What is the present producing capacity of each of the subject wells?

A The State AJ Well Number 1 is capable of fifteen barrels of oil and 280 barrels of salt water per day, and the Amerada State Number 1 is capable of 35 barrels of oil and 300 barrels of water per day.

Q What is the present allowable for each of these wells?

A The Amerada State has a 41 barrel per day allowable and the State AJ Number 1 has a 20 barrel per day allowable.

Q Now, these allowables that you just gave are allowables that have been assigned in accordance with the producing capacities of the wells, is that correct?

A That is correct.

Q What would the top unit allowable be for each of these two wells?

A For a well on 40 acres in this particular pool which is below 5,000 feet, it would be 77 barrels per day. And both wells are under top allowable.

Q Would the combined producing ability of these two wells be less than a single top unit allowable?

A Yes.

Q What would the combined producing ability of the wells be?

A Approximately 50 barrels per day.

Q And that would be as opposed to what figure?

A 77.

Q 77 barrels per day as a single well's top unit allowable?

A Right.

Q Have you experienced any production problems with these two wells?

A Yes, quite a few. The State AJ Number 1 was formerly a Queen gas well and in 1965, the Queen was squeezed off and

the well was completed in the San Andres and a few months later, the Amerada State Number 1, the Queen was squeezed off, deepened to the San Andres, and both of these wells produced a high volume of water and the water is quite corrosive.

It's been our experience that ordinary beam type pumps will not handle this production because of the corrosive nature of the water. In fact, numerous strings of tubing, rods, pumps were replaced and we thought it necessary to get the corrosion inhibitor chemical to a point where the water enters the tubing string so we went to a hydraulic type system and it was necessary, of course, to be high volume. They're sort of quite expensive, and we have found that by injecting corrosion inhibitor with a power oil down the tubing, that we can contain this corrosion condition.

Q What would be necessary, Mr. Eskew, in order to comply with the rules and regulations and manuals of the Commission to commingle the production from these two leases and how much would it cost to do that?

A The necessary meters, proving connections, samplers, another heater treater and the labor involved in this installation would be approximately \$7,000.00, and this, we feel to be too much to economically continue producing both wells. In fact, if we're not allowed to commingle without putting in these facilities, we will have to plug and abandon the State

AJ Number 1.

Q Is your proposal for commingling set forth on Exhibit Number 2?

A Yes, it is.

Q Would you briefly describe the manner in which you would propose to commingle the production from these two leases?

A Starting with a triplex pump, the power oil is separated at the power oil meters and distributed to the individual wells. The production, oil and water, is commingled, enters a single heater; from there to power oil production tanks which are at constant level, and the difference in the amount of power oil used in production is transferred by gravity to the stock tanks. And we propose, should we be allowed to use these facilities, to perform monthly production tests on each well and report these tests to the Commission.

Q How would your tests actually be performed on the basis of which production would be allocated to each of these wells?

A Once production is stabilized from both wells, one well will be shut in. Say, for example, the State AJ Number 1 would be shut in. The production on a twenty-four hour period would be measured in the stock tanks from the Amerada State Number 1. Then power oil would be transmitted to the State AJ

Number 1 again, and production stabilized over a three to five-day period, and then the Amerada State Number 1 would be shut in for a twenty-four hour period and the production gauged in the stock tanks from the State AJ Number 1.

Q In your opinion, Mr. Eskew, would this monthly testing procedure be adequate under the circumstances, the production from these two wells, to adequately allocate the monthly and daily production that you will obtain from these wells?

A In my opinion, it would be.

Q In your opinion, would this afford adequate protection to the correlative rights of the overriding royalty interests under both of these leases?

A Yes, it would.

Q Has actual notice been given of this application to all of the overriding royalty interests that you mentioned earlier in your testimony?

A Yes, it has. To our knowledge, they have no objection.

Q No one has registered any objection to this?

A No, they haven't.

Q Were Exhibits 1 and 2 prepared by you or under your direction?

A Yes, they were.

MR. MORRIS: Aztec's Exhibits 1 and 2 are offered

into evidence.

MR. NUTTER: Aztec's Numbers 1 and 2 will be admitted in this case.

(Whereupon, Applicant's Exhibits Numbers 1 and 2 were admitted in evidence.)

MR. MORRIS: That's all I have on direct, Mr. Examiner.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Fskew, inasmuch as you're not putting in a testing system here, you propose to shut the wells in one day a month and take a production test there?

A Yes, sir.

Q You're producing 15 barrels from one well and 35 barrels from the other. That's a total of 50 barrels production you are going to lose each month.

A Right.

Q Wouldn't the installation of at least a testing loop pay out with 50 barrels of production a month?

A We feel that it would not because, at this time, the lifting cost is \$2.00 per barrel in this particular pool because we have to buy sweet gas. The gas produced on the lease is too sour and it's necessary to replace the engines quite often if you use a sour gas. Corrosion inhibitor is quite expensive.

The paraffin solvent we use is expensive, also, and this accounts for this \$2.00 per barrel lifting cost.

Q And it has become completely infeasible to lift with a standard beam pumping equipment?

A This is correct.

Q Now, in the application here, it states that the Applicant has installed a hydraulic pumping system. Has this already been put in?

A Yes, sir. It has already been put in exactly as it's pictured in Exhibit Number 2.

Q How is it being used at the present time?

A At this time, we are producing only Amerada State Number 1.

Q That's the one that makes 35 barrels?

A Right.

Q So your AJ is shut in at the present time?

A We have tested the AJ Number 1 this month of July and we know its capabilities, but it is shut in now.

Q Now, the application further states that the State Land Office has been advised of the application. Have they given their consent to it?

A Whether we've received correspondence from them or not, I do not know.

Q Have you checked it out to be sure that the beneficiary --

A Yes, I checked this --

Q -- is identical?

A -- with the local office in Hobbs and the beneficiary is the same.

Q What is the beneficiary here?

A I don't recall who it is. But I remember they're the same.

Q Now, would you go through those overriding royalties again, please? I didn't take those down when you were reading them on the State AJ Number 1.

A State AJ Number 1, Fort Worth National Bank is the Executor for Roy S. McGrueter, 2%.

Q Okay.

A And Helen McGrueter Colliker, 2%. And Morris R. Antwell, 3-1/2%. The Amerada State Number 1, Amerada Petroleum Corporation, 6-1/4%. Tenneco, 4.71750%. C. R. McVey, .78125%.

Q Point seven --

A Eight, one, two, five. And Carmen J. Stafford also has .78125%.

Q Now, the application, I don't think, states that a copy of the application was sent to them. What contact has been made with these parties?

A Here's a copy of a letter which has been sent to all the royalty owners and it asks for their approval or this approval.

Q Have the parties returned the letter to you approved?

MR. MORRIS: Let me interject, Mr. Examiner, that I'm informed by Mr. Starks who sent this letter out, who is an attorney for Aztec in Dallas, that waivers have been received from Amerada, from C. R. McVey and from Fort Worth National Bank, Executor and Trustee, and that no objections have been received. However, some of the waivers have not been received, either.

May I ask that this form letter that was sent out to all overriding royalty interests be marked as Exhibit 3 in this case?

(Whereupon, Applicant's Exhibit Number 3 was marked for identification.)

MR. MORRIS: We offer this letter which was sent to all of the overriding royalty interests that Mr. Eskew testified to by Aztec on July 11, 1968 informing them of this application and asking for their cooperation.

MR. NUTTER: Well, if it was only sent out July the 11th, there's a chance that additional waivers will be obtained. Would you contact Mr. Starks, Mr. Morris, and request that he

follow up on this and furnish us with waivers as they come in from the interested parties?

MR. MORRIS: Yes, I will.

MR. NUTTER: Also, request that you furnish us with a waiver from the State Land Office to the proposed commingling.

MR. MORRIS: All right, sir.

MR. NUTTER: If the beneficiaries are the same, I don't think they'll have any objection. They may.

Are there any further questions of Mr. Eskew? You may be excused. Do you have anything further, Mr. Morris?

MR. MORRIS: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case 3822? We'll take the case under advisement.

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
JERRY ESKEW	
Direct Examination by Mr. Morris	2
Cross Examination by Mr. Nutter	9


E X H I B I T S

<u>Number</u>	<u>Marked for Identification</u>	<u>Received in Evidence</u>
Applicant's Exhibits Nos. 1 & 2	2	9
Applicant's Exhibit Number 3	12	-

STATE OF NEW MEXICO)
) ss.
 COUNTY OF BERNALILLO)

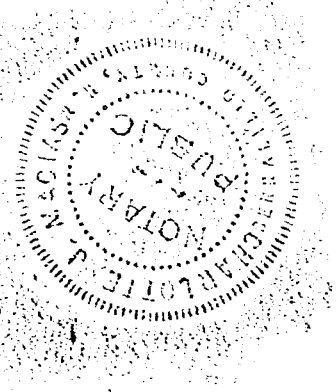
I, CHARLOTTE MACIAS, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.


Witness my Hand and Seal this 20th day of September, 1968.


 Notary Public

My Commission Expires:

February 10, 1971.

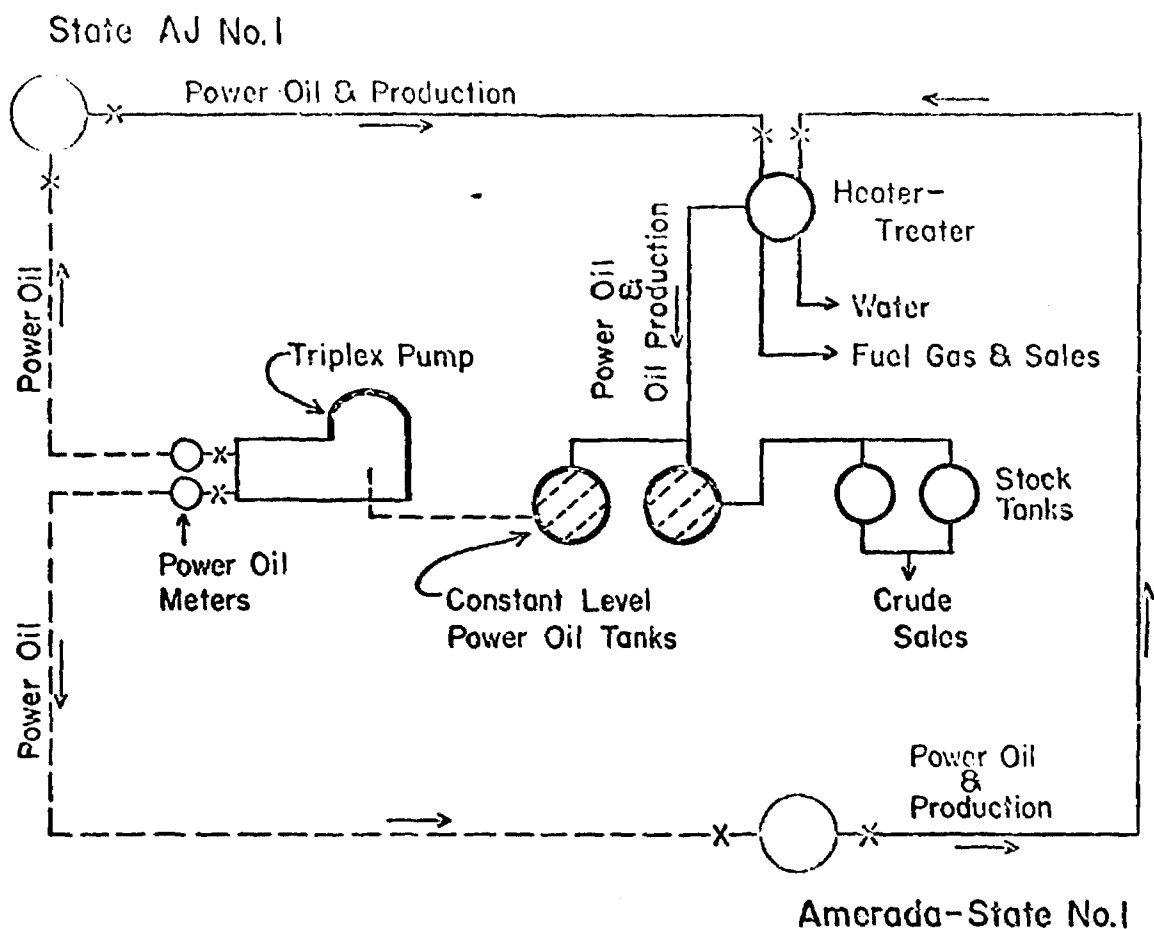


7/24


3822
 68

The map displays the Gulf of Mexico and the surrounding landmasses of North America. It is overlaid with a grid of 24 numbered blocks. State boundaries are clearly delineated with dashed lines. Major cities are marked with dots and labeled. The map is populated with numerous oil field names and symbols, including 'Pool Boundary', 'Salt Water Disposal', 'Amesbury', 'Delia', 'Gulf', 'Nacoley', and 'Nacoley'. Handwritten annotations in the upper right corner provide production rates in BOPD (Barrels of Oil Per Day). A scale bar at the bottom indicates distances in miles and kilometers.

CASE NO. 07-1689



Schematic Diagram

Showing

Hydraulic Pumping Installation

on

AZTEC OIL & GAS COMPANY

Leases in the Arkansas Junction Pool

Lea County, New Mexico

BEFORE EXAMINER NUTTER

OIL CONSERVATION

Sept EXHIBIT NO. 2

CASE NO. 3822

AZTEC OIL & GAS COMPANY

2000 FIRST NATIONAL BANK BUILDING
DALLAS, TEXAS 75202

LAND DEPARTMENT
KENNETH A. SWANSON, MANAGER

July 11, 1968

Re: NM-OCC Case #3822
Aztec State A J Well No. 1
Aztec Amerada State Well No. 1
Township 18 South, Range 36 East
Arkansas Junction-San Andres Pool
Lea County, New Mexico

Dear Sir:

Aztec Oil & Gas Company has on this date filed application with the Oil Conservation Commission of the State of New Mexico for authority to commingle fluids produced from the two captioned wells. You are the owner of an overriding royalty interest under one of these wells and are, therefore, an interested party to this application.

Both of the subject wells produce high water volumes and contain corrosive ingredients which have rendered normal pumping techniques impractical. Therefore, at considerable expense Aztec Oil & Gas Company has installed a hydraulic pumping system which is capable of handling production from both of these wells concurrently. The Rules and Regulations of the Oil Conservation Commission of the State of New Mexico prohibit the commingling of oil from separate leases unless the oil has been separately metered or measured before being commingled. Metering devices of the type which would be required with the equipment which we have installed would be extremely expensive and future production might not justify the expenditure. We are, therefore, requesting permission to commingle oil produced from the subject wells with existing equipment and allocate royalty based upon periodic well tests to be conducted not less than once every calendar month. It is anticipated that the inaccuracy, if any, resulting from this method of royalty accounting would be insignificant.

PTORE EXAMINE NUTTER
EX. NO. 1
CASE NO. 1

July 11, 1968

If the Oil Conservation Commission of the State of New Mexico should see fit to grant our request, we expect that the producing life of this reservoir might be materially extended by the economy which would be thus affected in our operations. If you as an overriding royalty owner have no objections to our proceeding as outlined hereinabove, please evidence your consent thereto and your waiver of objections by signing the attached copy of this letter in the space provided therefor and return same to us at your earliest convenience in the enclosed stamped self-addressed envelope.

We shall appreciate your cooperation in this matter.

Yours truly,

Joe E. Starks

JES:sbb

DATE: _____

Overriding royalty owner

DOCKET IN CASE

~~7-1-19~~

210

Kenneth Swanson

CASE 3822: Application of AZTEC
OIL & GAS COMPANY FOR COMMINGLING,
LEA COUNTY, NEW MEXICO.