

# AZTEC OIL & GAS COMPANY

920 MERCANTILE SECURITIES BLDG.

DALLAS 1, TEXAS

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*78P-5583  
NWU-406*

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

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 Rule 2 of Order  
R-1882 Approving Non-Standard Proration  
Units in the Totah-Gallup Oil Pool,  
San Juan County, New Mexico

Dear Mr. Porter:

Aztec Oil & Gas Company hereby submits its Application, in triplicate, for an exception to Rule 2 of Order R-1882 and approval of the non-standard proration unit listed below:

T-29-N, R-13-W, N.M.P.M., San Juan County, New Mexico

Section 18: Lot 4, SE $\frac{1}{4}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$

(containing 85.52 acres, more or less)

In support of this Application, Applicant respectfully states and shows the following:

1. Applicant, as lessee under various oil and gas leases, owns the rights to drill to and produce oil and gas from the Gallup formation underlying all of Sections 18 and 19, T-29-N, R-13-W, N.M.P.M., with the exception of the NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 19, which is operated by Texaco, Inc. Both of these sections, because of variance in the United States Public Lands Survey, contain less than the customary 640 acres. The Cadastral Survey shows that Section 18 contains 501 acres, and Section 19 contains 503.6 acres. This discrepancy has been adjusted by designating four lots along the west line of both sections, each containing approximately five acres. In each section the remaining quarter-quarter sections, comprising the E $\frac{1}{2}$ W $\frac{1}{2}$  and E $\frac{1}{2}$ , contain the customary 40 acres.

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In an effort to develop production from the Gallup formation under Sections 18 and 19 in a manner consistent with previous drilling in the Totah-Gallup Oil Pool, varying as little as possible from the normal 80-acre proration unit and providing a spacing pattern which will efficiently and realistically drain such units, Applicant proposes to designate proration units comprised of the  $E\frac{1}{2}$  of the  $NE\frac{1}{4}$  and  $E\frac{1}{2}$  of the  $SE\frac{1}{4}$  of each section. A tier of proration units having their longitudinal axis oriented east and west consisting of two normal quarter-quarter sections and the adjoining Lot will constitute the basis for reasonable acreage allocation to the wells necessary for completing the development of each section. This Application, along with the seven other applications filed concurrently herewith, request approval of the non-standard proration units constituting such tier.

2. Rule 4 of Order R-1882 provides authority for the Secretary-Director to grant approval of non-standard proration units "...without notice and hearing where an Application has been filed in due form, and where the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey..."

Applicant therefore respectfully requests that this Application be promptly considered, that approval be administratively granted pursuant to Rule 4 of Order R-1882 for the non-standard proration unit above described and that an allowable be designated therefor as prescribed by Rule 6 of Order R-1882.

In the alternative, should administrative approval, as above requested, not be granted, Applicant respectfully further states and shows the following:

3. Exhibit "A", attached hereto and made a part hereof, is a plat of Sections 18 and 19 showing the proposed non-standard proration units, the operator, other than Applicant, within Section 19 and the offsetting operators, all of whom have been furnished copies of this Application and have been requested to waive notice and hearing by consenting in writing to the approval thereof.

4. The entire non-standard unit described above may be presumed to be productive of oil from said pool.

Alternatively, Applicant respectfully requests that this Application be set for early hearing and promptly considered, that approval be granted for the non-standard proration unit above described and

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that an allowable be designated therefor as prescribed by Rule 6 of Order R-1882.

Yours very truly,

AZTEC OIL & GAS COMPANY

By Kenneth A. Swanson  
Kenneth A. Swanson  
Attorney

KAS/et

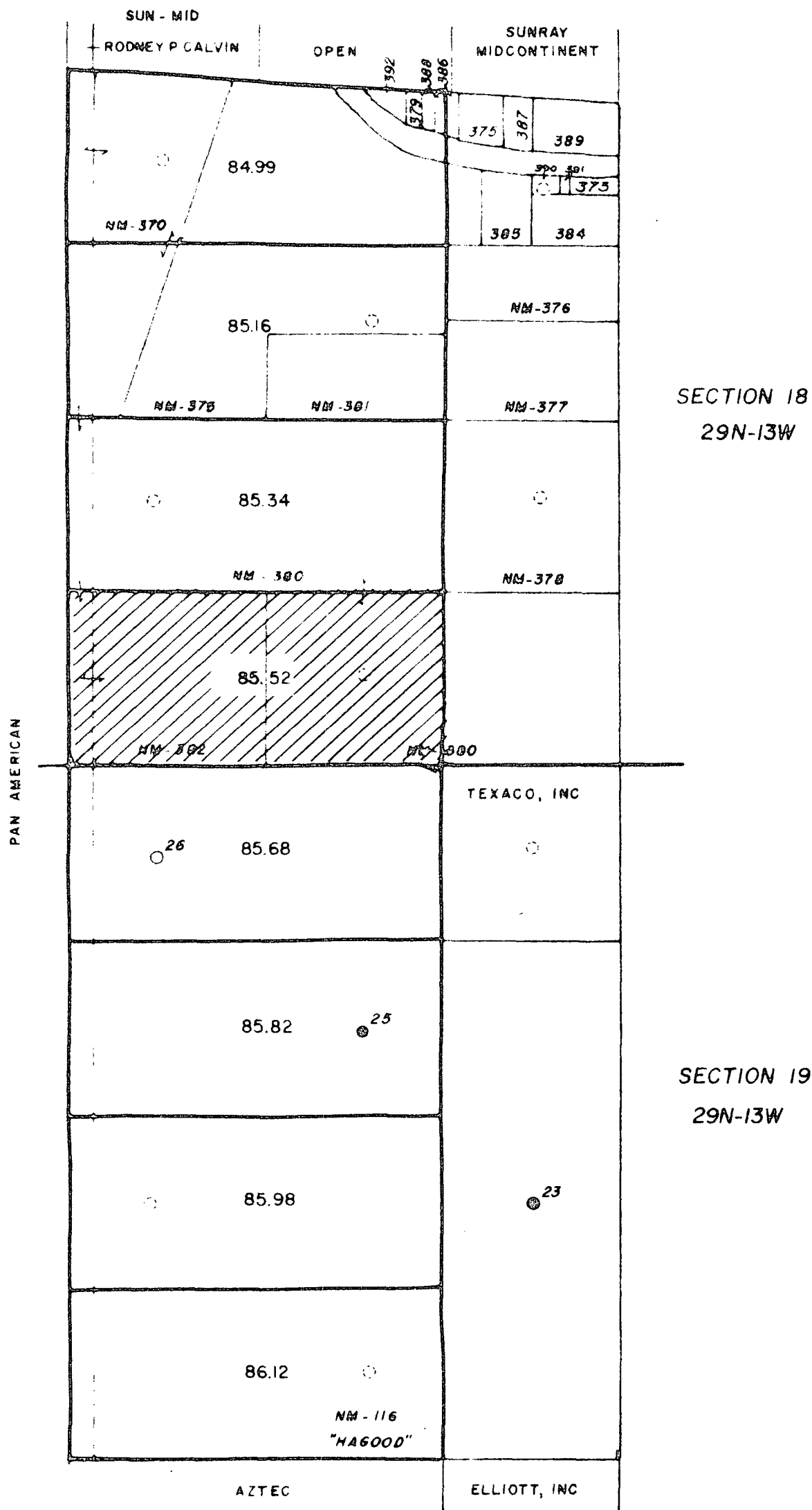


EXHIBIT A