

PAN AMERICAN PETROLEUM CORPORATION

MAIL OFFICE 000

Roswell, New Mexico

October 20, 1958

207 11 AM 10 21 19

File: F-677-986.510

Subject: NMOCC Case 1538
Minimum Allowables
Fulcher Kutz Pictured Cliffs Field

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr.

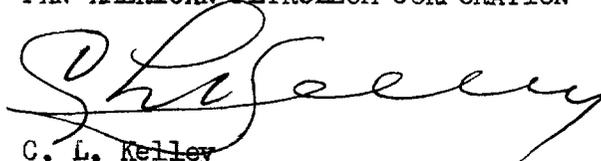
Gentlemen:

Pan American Petroleum Corporation wishes to enter a statement in Case 1538 which is scheduled to be heard at the October 22, 1958 Examiner Hearing. We request that the following statement be read into the record of this case:

Pan American Petroleum Corporation is operator of 44 wells in the Fulcher Kutz Pictured Cliffs Pool. We recognize that under certain circumstances increased allowables may be necessary for economic reasons to prevent premature abandonment of certain wells which were drilled on short spacing prior to June 22, 1948. Pan American is opposed to the granting of any increased allowables for these wells if other wells were drilled after that time in the same immediate vicinity at locations which would preclude the assignment of additional acreage to form standard size units for the previously existing wells. We also oppose the granting of increased allowables if additional acreage can be assigned to these wells and no valid attempt has been made to do so. We further believe that increased allowables should only be granted for wells that would qualify under the provisions of the Statutes after examining the economic factors concerning each individual well and then only in the amount necessary to prevent premature abandonment.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION



C. L. Kelley
District Superintendent

Case 1538

AZTEC OIL & GAS COMPANY

MAIN OFFICE 900 MERCANTILE SECURITIES BLDG.
DALLAS 1, TEXAS

Hearings

SEP 20 PM 1:05

September 26, 1958

REGISTERED MAIL
RETURN RECEIPT REQUESTED

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Re: Application of Aztec Oil & Gas Company for an Examiner Hearing before the Oil Conservation Commission for the Granting of an Exception to Rule 9 of Order No. R-565-C, as amended by Order No. R-967, allowing Applicant a Minimum Allowable for Certain Gas Wells in the Fulcher Kutz-Pictured Cliffs Gas Pool, San Juan County, New Mexico to Permit Production at a Rate Sufficient to Prevent the Premature Abandonment of Such Wells:

Gentlemen:

Aztec Oil & Gas Company, hereinafter referred to as "Applicant" hereby submits, in triplicate, its application for an Examiner Hearing before the Oil Conservation Commission of New Mexico to consider the granting of an exception to Rule 9 of Order No. R-565-C, as amended by Order No. R-967, which rule provides the gas allocation formula for the Fulcher Kutz-Pictured Cliffs Gas Pool, in San Juan County, New Mexico, to provide for and grant to Applicant a Minimum Allowable, as provided for under Article 65-3-14(d) N.M.S.A., for certain wells in said gas pool. In support of this application, Applicant respectfully states and shows the following:

*Docket Mailed
10-8-58 BP*

1.

That Applicant is the owner and Operator of the following described natural gas wells all of which are capable of producing natural gas from the Pictured Cliffs Formation.

<u>Well Name</u>		<u>Designated Unit</u>	<u>No. Acres</u>	<u>Def.</u>	
(1) Cozzens #3	FK	T-29-N, R-11-W Sec. 20: $W\frac{1}{2}NE\frac{1}{4}$	80.00	88	APR. 1167 500 All.
(2) Cozzens #4	FK	T-29-N, R-11-W Sec. 20: $SW\frac{1}{4}NW\frac{1}{4}, E\frac{1}{2}NW\frac{1}{4}$	120.00	132	MAR. 3524
(3) Hart #1	FK	T-29-N, R-12-W Sec. 11: $NW\frac{1}{4}SW\frac{1}{4}$	40.00	82	MAY 458 2500 All.
(4) Holder #1	FK	T-30-N, R-12-W Sec. 29: $SE\frac{1}{4}NW\frac{1}{4}$	40.00	67	APR. 630 2500 All.
(5) Cornell #3	FK	T-29-N, R-12-W Sec. 12: $S\frac{1}{2}SW\frac{1}{4}$	80.00	108	MAY 875 500 All.
(6) Cornell #4	FK	T-29-N, R-12-W Sec. 12: $N\frac{1}{2}SW\frac{1}{4}$	80.00	118	APR. 1543 500 All.

2.

That at the date of this application all of such wells are shut-in for the purpose of making up overproduction previously incurred.

3.

That Commission Order No. 748, dated June 22, 1948, established drilling and spacing units of 160 acres for the area involved in this application.

4.

That all of the above described wells were drilled prior to Order No. 748 at which time it was legal and customary to drill such wells upon 40 acre tracts; therefore, Applicant contends that since Rule 9

of Order No. R-565-C, as amended by Order R-967, does not contain a provision for a minimum allowable to prevent premature abandonment of wells, it is prejudicial to Applicant's interest, and that the Commission cannot and should not penalize Applicant by virtue of the acreage attribution factor in the proration formula since the subject wells were drilled prior to the promulgation of Order No. 748 establishing the present 160 acre spacing.

5.

That under the equitable relief provided in Article 65-3-14 N.M.S.A., Applicant is entitled to an exception to Rule 9 of Order No. R-565-C, as amended by Order No. R-967, by allowing Applicant a Minimum Allowable under said rule for each of the above described wells in order to prevent the premature abandonment thereof.

6.

That attached hereto as Exhibit "A" is, to the best of Applicant's knowledge, a list of the owners of oil and gas leases which offset the above described wells.

WHEREFORE, Aztec Oil & Gas Company respectfully requests that an Examiner Hearing at Santa Fe, New Mexico, be set as early as possible in October, 1958; that due notice thereof be given in accordance with the laws of the State of New Mexico and the Rules and Regulations of the Oil Conservation Commission; and, that upon such hearing, Applicant be granted an exception to Rule 9 of Order No. R-565-C, as amended by Order No. R-967, to provide for and grant to Applicant a Minimum Allowable under said rule for each of the wells hereinabove described.

Respectfully submitted,

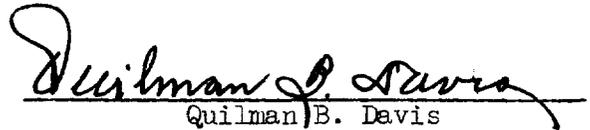
AZTEC OIL & GAS COMPANY

By Quilman B. Davis
Quilman B. Davis
Its Attorney

APPROVED	
Legal	✓
Land	
Acct.	
Eng.	W. J. [Signature]
Geol.	

STATE OF TEXAS)
)
COUNTY OF DALLAS)

Quilman B. Davis, being first duly sworn, hereby states that he is General 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 therein contained are true and correct.


Quilman B. Davis

Sworn to and subscribed before me, the undersigned authority, this 26th day of September, 1958.

My Commission Expires:

June 1, 1959

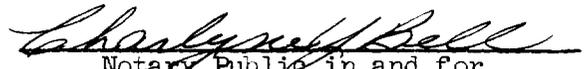

Notary Public in and for
Dallas County, Texas

EXHIBIT "A"

OFFSET OPERATORS:

- (1) B.M.N.S. Company
Attention: L. G. Stearns
Star Route
Farmington, New Mexico
- (2) T. F. Harrigan
3400 Northwestern Street
Oklahoma City, Oklahoma
- (3) El Paso Natural Gas Company
P. O. Box 997
Farmington, New Mexico
- (4) A. E. McClane
1900 Mercantile Dallas Building
Dallas, Texas
- (5) Producing Royalty, Inc.
1401 Great Plains Life Building
Lubbock, Texas
- (6) Summit Oil Company
1104 Burt Building
Dallas, Texas
- (7) Southern Union Gas Company
1104 Burt Building
Dallas, Texas

BEFORE EXAMINER UTZ

OIL CONSERVATION COMMISSION

EXHIBIT NO. A

1538

NO. 1000 CASE

BEFORE THE OIL CONSERVATION COMMISSION OF
STATE OF NEW MEXICO

IN THE MATTER OF A HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO FOR THE
PURPOSE OF CONSIDERING:

CASE NO. 126
ORDER NO. 748

IN THE MATTER OF THE PETITION OF THE
SOUTHERN UNION PRODUCTION COMPANY FOR AN
ORDER FIXING THE SPACING OF WELLS IN THE
KUTZ CANYON-FULCHER BASIN GAS FIELDS OF SAN
JUAN COUNTY (AS THEY MAY BE EXTENDED) ON THE
BASIS OF ONE WELL TO A DRILLING UNIT OF AP-
PROXIMATELY 160 ACRES WITH SUITABLE PROVIS-
IONS FOR ANY RELATED MATTERS, INCLUDING
SPECIAL APPROVAL OF NONCONFORMING WELL LO-
CATIONS WHERE NECESSARY.

ORDER OF THE COMMISSION

BY THE COMMISSION:

WHEREAS, after due notice as required by law the Commission held a public hearing in Santa Fe on February 17, 1943, to consider the petition of Southern Union Production Company for the adoption of an order fixing the spacing of wells hereafter drilled in the Kutz Canyon-Fulcher Basin gas field, San Juan County, New Mexico, and related matters; and

WHEREAS, the Commission having considered the evidence adduced at such hearing, pertinent information otherwise available in the Commission's records, the statements made and viewpoints expressed by interested parties at or in connection with such hearing.

FINDS, from the evidence adduced:

A. That the Kutz Canyon and Fulcher Basin gas pools are productive of natural gas from the Pictured Cliffs sandstone formation, that such pools are contiguous and from all information available to date appear to be one continuous gas producing area or pool in the Pictured Cliffs sandstone;

B. That such pool has produced natural gas for more than 15 years, during which time the average of well-head pressures has declined approximately 200 P.S.I. gauge.

C. That by reason of rules of this Commission previously applicable to the pool, of the general practices of certain operators in the area and of policies of the U. S. Geological Survey, a fairly uniform spacing of one well to 160 acres has heretofore prevailed throughout most of the pool;

D. That one well will, in view of present evidence, economically and effectively drain the recoverable gas from at least 160 acres of the pool, and, accordingly, that more dense spacing in the pool may be conducive to waste and will unnecessarily increase the costs of development and production;

E. That for wells hereafter drilled, a general spacing pattern of one centrally located well on a unit of 160 acres, substantially in the shape of a square, is required to protect the equities of those having interests in wells heretofore drilled on 160-acre tracts, for which general spacing pattern the pooling of properties should be encouraged when necessary;

F. That the proposed spacing of one well to 160 acres is a substantial improvement over the present spacing of one well to 40 acres.

g. That waste will result in the drilling of wells in the pool, unless special rules and regulations are adopted for the prevention thereof; and

h. That, while the Kutz Canyon-Fulcher Basin gas field has been commercially productive for more than 25 years, it has not been subject to cooperative action representative of the interest of all the operators or leaseholders within the area during that period. In addition, properties, holdings and/or leases of an undetermined number of small landowners or leaseholders, whose total acreage is either less than 160 acres or includes portions of 160-acre tracts, still exist within the pool boundaries, as herein defined. The number of such holdings will be likely to increase as the pool boundaries are extended by subsequent drilling.

WHEREFORE, IT IS ORDERED that, effective on the date of this order, the following rules and regulations shall apply to wells hereafter drilled or completed or recompleted to the Pictured Cliff pool in the Kutz Canyon-Fulcher Basin area, defined below, in addition to the Commission's applicable rules, regulations and orders heretofore or hereafter adopted to the extent not in conflict herewith:

Section 1. No well shall be drilled or completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless

- (a) such well be located on a designated drilling unit of not less than one hundred sixty (160) acres of land, more or less, according to legal subdivisions of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool;
- (b) such drilling unit be in the shape of a square except for normal variations in legal subdivisions of the United States Lands Surveys; and
- (c) such well be located on its drilling unit at a distance from the unit boundaries of not less than nine hundred ninety feet (990); provided, if such proposed new well is to be an offset to any then producing gas well completed in the pool, or the drilling of which has authorized prior to the effective date of this order, located on an adjoining unit in which the interests are not identical with those in the unit proposed to be drilled, such proposed well may be located and drilled offsetting the existing well and as close to the common unit boundary line as the well to be so offset.

Section 2. Any provision herein to the contrary notwithstanding, the Commission may, and in proper cases will, on petition or on its own motion, by order entered after notice and hearing to the extent required by law, grant exceptions and permit drilling locations to become effective, thereby authorizing the drilling or completion of wells in the pool not conforming to the requirements of Section 1 above if the Commission shall find that the property sought to be drilled would be deprived of an opportunity to produce gas from the pool in the absence of such exception, and shall also find one or more of the following conditions to exist:

- (a) that consolidation or pooling of the property sought to be drilled with necessary adjoining land, notwithstanding diligent efforts made in good faith, is impossible or impractical;

- (b) that the property sought to be drilled is located within a developed portion of the pool and its drilling conforms to the requirements of the existing developed properties in the pool;
- (c) that because of the nature of the terrain, location of the proposed well is a lesser distance from one of the outer boundaries of its drilling unit should it be drilled;
- (d) that by reason of the location of the property to be drilled along the southwest or northeast flank of the developed portion of the area it appears improbable that gas can be produced in paying quantities if the well conforms to Section 1, in which case the Commission may modify the requirements of Section 1 as to such well to the extent it deems necessary.

Irrespective of such findings, if the Commission shall find that by reason of all circumstances an exception is proper in the prevention of waste, or undue drainage between properties, or otherwise in the exercise by the Commission of its jurisdiction over the spacing of wells or its other powers conferred by law, express or implied.

IT IS FURTHER ORDERED that, in accordance with recommendations of the Northwestern New Mexico Nomenclature Committee approved and adopted by this Commission, the Pictured Cliff gas producing pool in the Kutz Canyon-Fulcher Basin area, to which this order applies, is defined to include the following described land in San Juan County, New Mexico:

Township 27 North, Range 10 West
 Sec. 1 W/2
 Secs. 4 & 5 All

Township 28 North, Range 10 West
 Secs. 7 & 8 All
 Sec. 10 W/2
 Secs. 16, 17, 18, 19
 20, 21 All
 Sec. 22 W/2
 Sec. 27 W/2
 Secs. 28, 29, 30, 31,
 32, 33 All
 Sec. 34 W/2

Township 28 North, Range 11 West
 Secs. 9, 10, 11, 12, 13
 14, 15, 16, 17, 18, 19, 20, 21, 22 All

Township 29 North, Range 11 West
 Secs. 6, 7, 8, 16, 17, 18,
 19, 20, 21, 22, 26, 27, 28,
 29, 30, 31, 32, 33, 34, 35,
 36 All

Township 29 North, Range 12 West
 Secs. 1, 2, 3, 4, 5, 6, 7,
 10, 11, 12, 13, 14, 15, 16,
 17, 18 All

Township 29 North, Range 12 West
 Sec. 1 All

Township 30 North, Range 12 West

Sec. 19 All
Sec. 20 8/2
Secs. 26,27,28,29,
30,31,32,33,34,35,
36 All

Township 30 North, Range 13 West

Secs. 24,25,36 All

All additional lands located within one-half (1/2) mile of any land in the pool as defined or as it may be extended shall conform to these rules and regulations; provided, however, that such pool shall in no event be extended so as to include any lands now or hereafter included by the Commission in some other producing area formally designated as an oil or gas pool in the Pictured Cliffs, provided, further, by order of this Commission the pool may be redesignated from time to time so as to embrace other lands in the vicinity which are believed, on the basis of additional developments, to be capable of producing gas from the Kutz Canyon-Fulcher Basin pool, whether or not such other lands shall have been at one time included in another designated field or pool producing from the Pictured Cliffs.

Entered and adopted by the Oil Conservation Commission this 22 day of June 1948.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

/s/ Thomas J. Mabry
CHAIRMAN

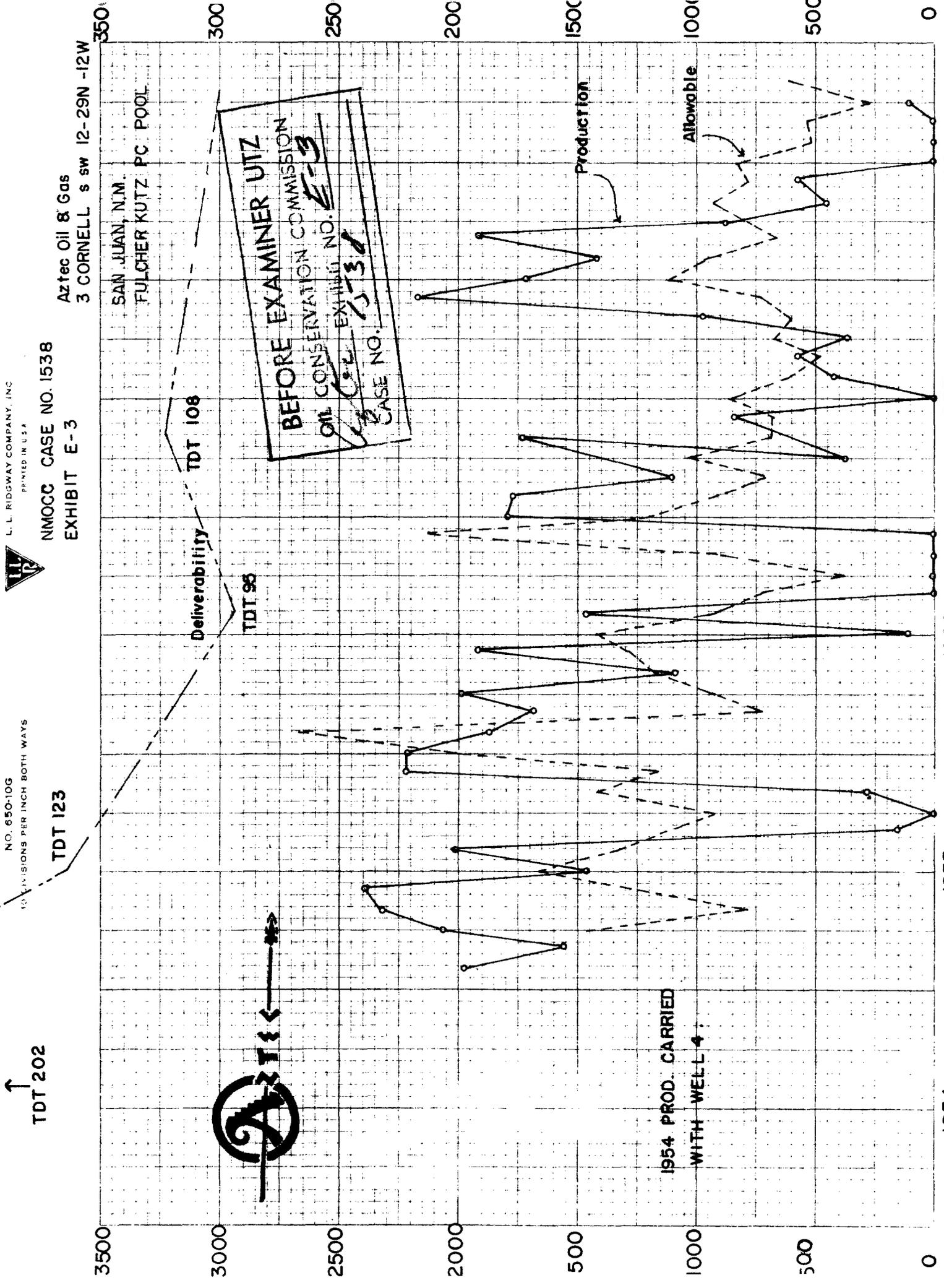
MEMBER

/s/ R. R. Spurrier
SECRETARY

NMCC CASE NO. 1538
EXHIBIT E-3

Aztec Oil & Gas
3 CORNELL s sw 12-29N -12W

SAN JUAN, N.M.
FULCHER KUTZ PC POOL



BEFORE EXAMINER UTZ
 OIL CONSERVATION COMMISSION
 EXHIBIT NO. E-3
 CASE NO. 1538

TDT 108

TDT 95

Deliverability

Production

Allowable

1954 PROD. CARRIED
WITH WELL 4

TDT 202

TDT 123

1954

1955

1956

1957

1958

350

300

250

200

150

100

50

0

3500

3000

2500

2000

1500

1000

500

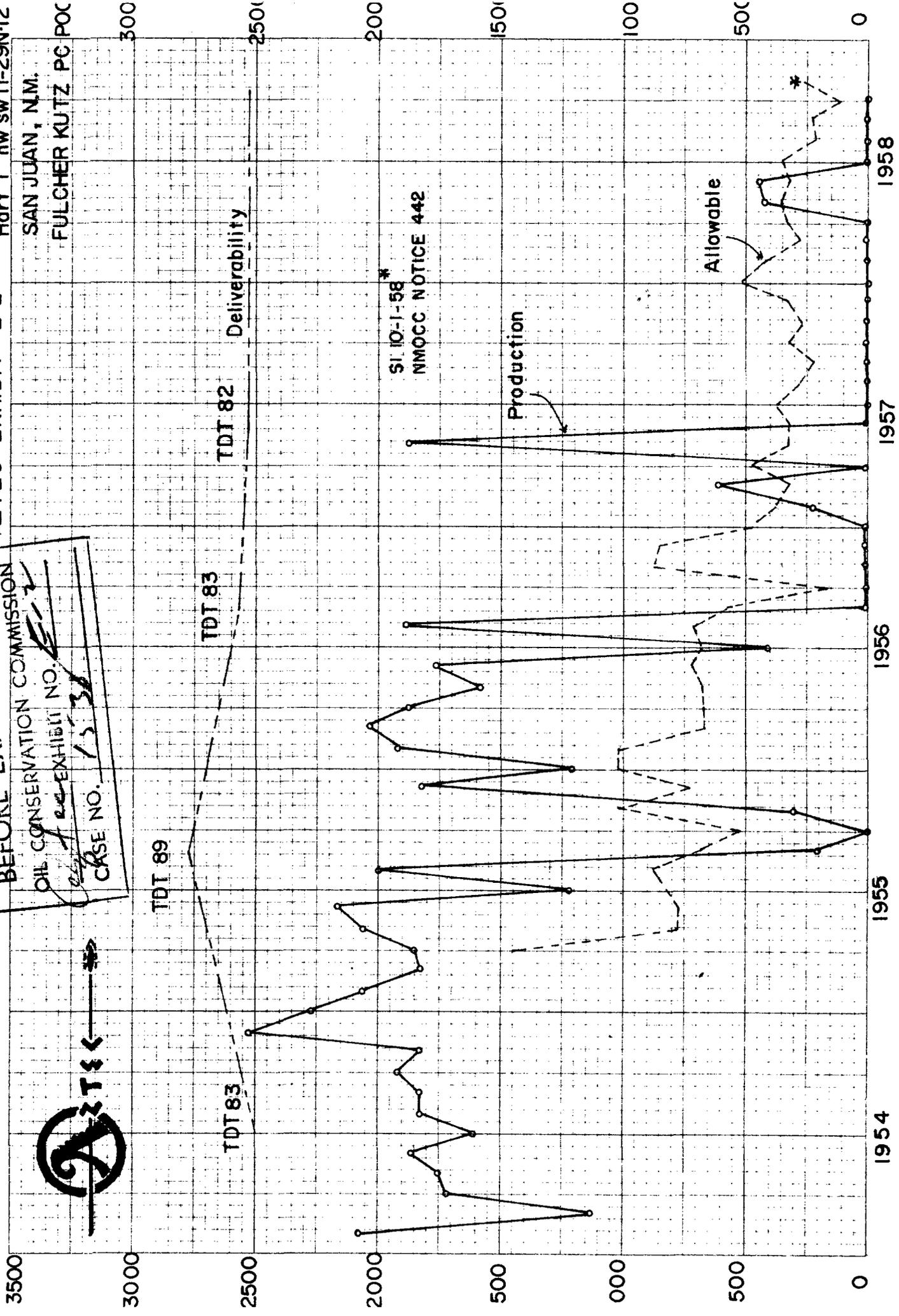
0

NMOCC CASE NO. 1538
AZTEC EXHIBIT E-2

Aztec Oil & Gas
Hart 1 nw sw 11-29N-12

SAN JUAN, N.M.
FULCHER KUTZ PC POC

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. *E-2*
CASE NO. *1538*



TDT 89

TDT 83

TDT 83

TDT 82

Deliverability

ST 10-1-58*
NMOCC NOTICE 442

Production

Allowable

*

1954

1955

1956

1957

1958

3500

3000

2500

2000

1500

1000

500

0



NMOCC CASE NO. 1538
EXHIBIT E-1

Aztec Oil & Gas
I HOLDER se nw 29-30N -12W

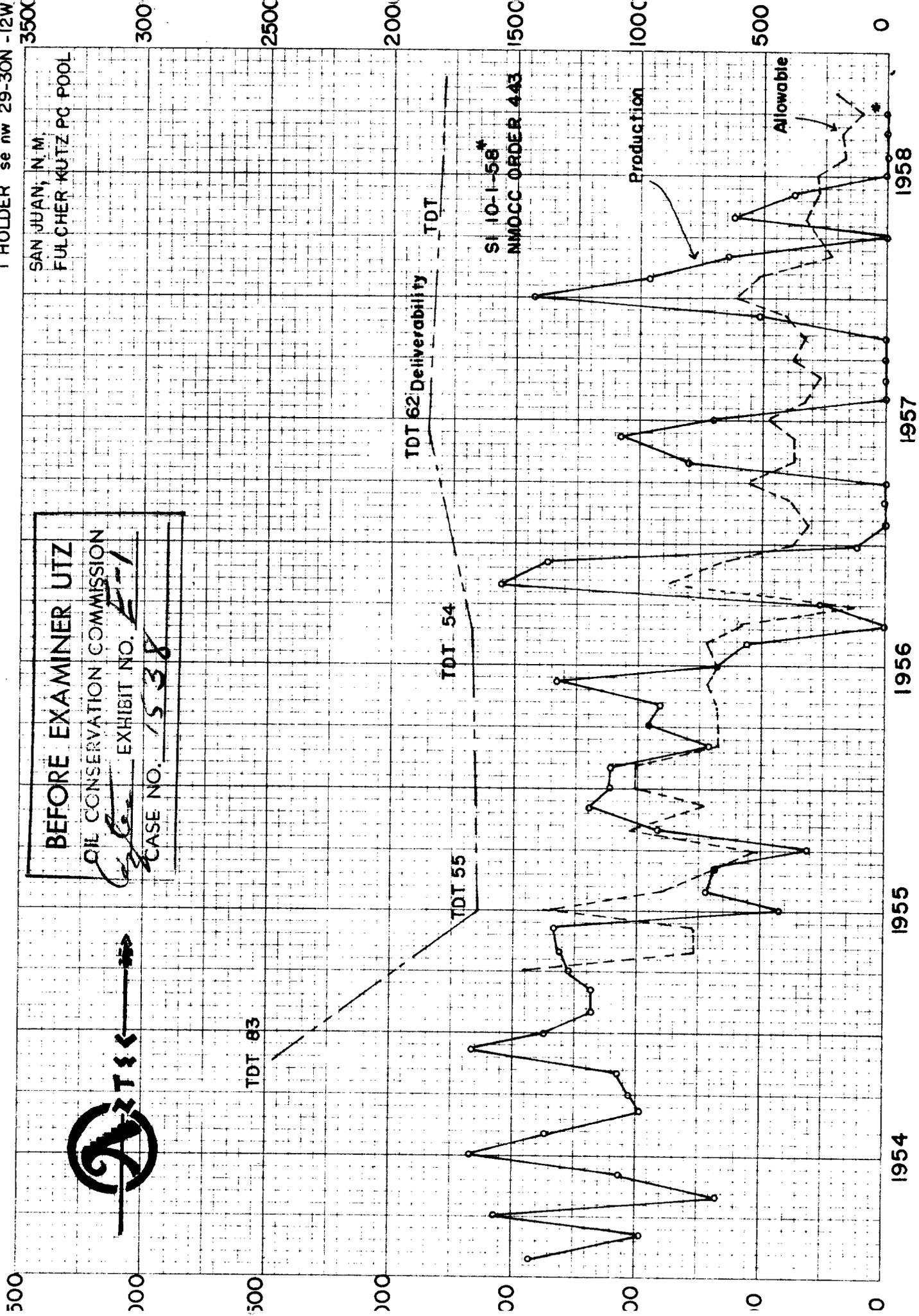
SAN JUAN, N.M.
FULCHER-KUTZ PG POOL

BEFORE EXAMINER UTZ

OIL CONSERVATION COMMISSION

EXHIBIT NO. *E-1*

CASE NO. *1538*



NMOCC CASE NO. 1538
EXHIBIT E-4

Aztec Oil & Gas
4 CORNELL n nw 12-29N-12W

SAN JUAN, N.M.
FULCHER KUTZ POOL
PC

3500
3000
2500
2000
1500
1000
500
0

500
000
500
000
500
000
0

TDT 118

TDT 127

TDT 116

TDT 82

1954

1955

1956

1957

1958

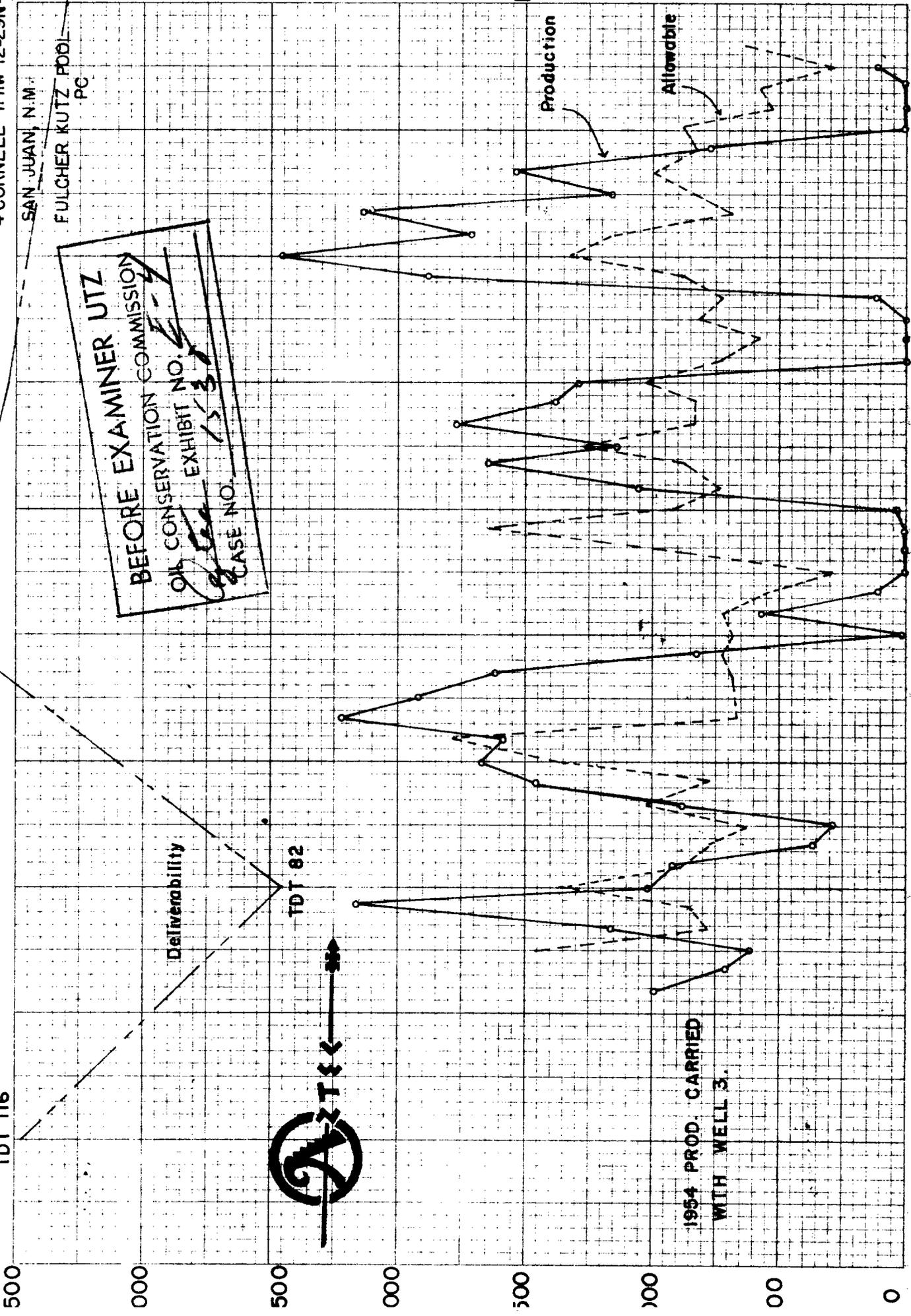
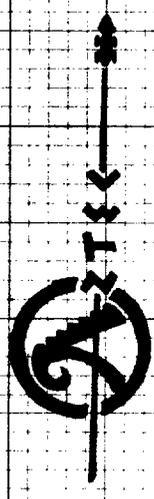
BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1538
CASE NO. 1538

Deliverability

Production

Allowable

1954 PROD. CARRIED
WITH WELL 3.



NMOCC CASE NO. 1538
AZTEC EXHIBIT E-5

Aztec Oil & Gas
3 Cozzenes w ne 20-29N-

SAN JUAN, N.M.

UTZ FULCHER KUTZ PG 1004

BEFORE EXAMINER
CUI CONSERVATION COMMISSION
EXHIBIT NO. 2-5

CASE NO. 1538



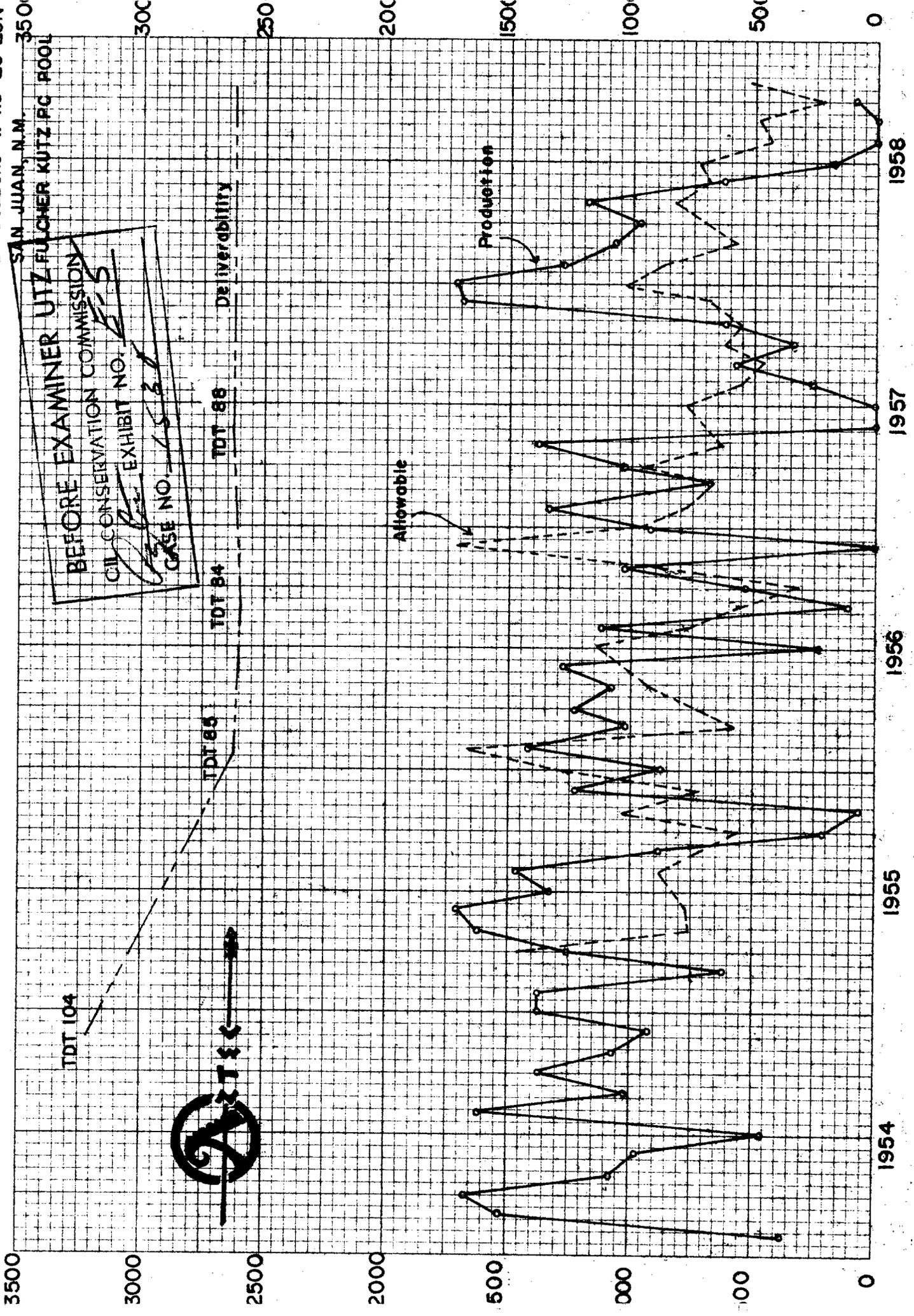
TDT 104

TDT 85

TDT 84

TDT 88

Deliverability



Commission shall include in the proration schedule the gas wells in the Fulcher Kutz-Pictured Cliffs Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of said pool any well which the Commission finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated to said pool each month shall be equal to the sum of the preliminary or supplemental nominations, whichever is applicable, together with any adjustment which the Commission deems advisable.

If, during a proration month, the acreage assigned a well is increased, the operator shall notify the Secretary-Director in writing of such increase. The increased allowable assigned the gas proration unit for the well shall become effective on the first day of the month following receipt of the notification by the Director. All communications shall be mailed to the Director, at Box 871, Santa Fe, New Mexico.

RULE 9: The monthly gas allocation to the Fulcher Kutz-Pictured Cliffs Gas Pool shall be divided and allocated among the wells connected to a gas transportation facility in the following manner:

The product obtained by multiplying each well's acreage factor by the calculated deliverability (expressed as MCF per day) for that well shall be known as the "AD" factor for that well. The acreage factor shall be determined to the nearest hundredth of a unit by dividing the acreage within the proration unit by 160. The "AD" factor shall be computed to the nearest whole unit.

A tentative allocation shall be made by dividing seventy-five percent (75%) of the pool allocation among the wells in the proportion that each well's "AD" factor bears to the sum of the "AD" factors of all wells in the pool.

The remaining twenty-five percent (25%) of the pool allocation shall be divided among wells in the proportion that each well's acreage factor bears to the sum of the acreage factors of all wells in the pool.

When the tentative allowable received by a well is in excess of its known producing ability, the well shall be classed as a marginal well and its allowable limited to its known producing ability. The sum of the difference between the tentative allowables and the limited allowables of all marginal wells on the proration schedule shall be reallocated to the non-marginal wells by application of the same formula. If such reallocation shall result in placing any other well within the marginal classification, the difference between the tentative allowable and the limited allowable of such marginal well shall be redistributed by application of the same formula until no well has received an allowable in excess of its known producing ability.

Any well having a calculated allowable less than that of the largest allowable assigned a marginal well shall be assigned an allowable equal to the largest marginal allowable; provided that the allowable so assigned shall not be greater than the well's ability to produce. If the allowable so assigned is greater than the well's ability to produce, the well shall be limited to its

ability to produce. All wells with allowables so assigned shall be classified as marginal wells.

RULE 10: The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of Order R-333-C.

Balancing of Production:

RULE 11: Underproduction: The hours of 7 o'clock a.m., M.S.T. February 1, and 7 o'clock a.m., M.S.T., August 1, shall be known as balancing dates and the periods of time bound by these dates shall be known as gas proration periods. In order to effectively administer the prorationing of gas in the Fulcher Kutz-Pictured Cliffs Pool, it is advisable to have a portion of each proration period include both summer and winter months. Therefore, the first proration period shall commence on March 1, 1955, and shall continue for a period of eleven months until February 1, 1956. Future proration periods shall commence on the dates set out above. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; provided, however, that whatever amount thereof is not made up within the first succeeding proration period shall be cancelled.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the level of the well's ability to produce.

If, at the end of a proration period a marginal well has produced more than the total allowable assigned a non-marginal unit of corresponding size and deliverability, such marginal well shall be reclassified as a non-marginal well and its allowable prorated accordingly.

If, during a proration period a marginal well is reworked or recompleted in such a manner that its productive capacity is increased to an extent that said well should be reclassified as a non-marginal well, the reclassification shall be effective on the first day of the proration month following the date of recompletion.

The Secretary-Director may reclassify a well at any time if production data or deliverability tests reflect the need for such reclassification.

RULE 12: Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at any time, a well is overproduced an amount equivalent to six times its current monthly allowable, said well shall be shut-in during the current month.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut-in if, upon public hearing after due notice, it is shown that complete shut-in of the well would result in material damage to said well.

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
J. L. C. EXHIBIT NO. *B-2*
CASE NO. *1538*

A well which has been reworked or recompleted shall be classified as a non-marginal well as of the day of reconnection to a pipeline until such time as production data, deliverability data or other evidence as to the well's producing ability indicates that the well is improperly classified.

If during a proration month the acreage assigned to a well is increased the operator shall notify the Director in writing (Box 871, Santa Fe, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Director. The Commission may assign maximum allowables in order to prevent the premature abandonment of wells.

If at the end of a proration period a marginal well has produced more than the total allowable for the period as if it were a non-marginal well of like deliverability and acreage, the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly.

All wells not classified as marginal wells shall be classified as non-marginal wells.

RULE 9 - R-565-C, R-566-E, and R-846

The product obtained by multiplying each well's acreage factor by the calculated deliverability (expressed as MCF per day) for that well shall be known as the AD factor for that well. The acreage factor shall be determined to the nearest hundredth of a unit by dividing the acreage within the proration unit by 160. The "AD Factor" shall be computed to the nearest whole unit.

The allowable to be produced by each marginal well shall be equal to the maximum product resulting any month of the preceding gas proration period.

The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the following manner:

- (1) Seventy-five percent (75%) of the pool allowable remaining to be allocated to non-marginal wells shall be allocated among such wells in the proportion that each well's "AD Factor" bears to the total "AD factor" for all non-marginal wells in the pool.
- (2) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal wells shall be allocated among such wells in the proportion that each well's acreage factor bears to the total acreage factor for all non-marginal wells in the pool.

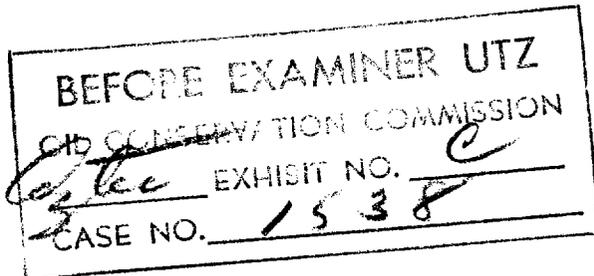
RULE 10 - R-565-C, R-566-D and R-846

The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of Order R-333-C and D.

The Secretary of the Commission shall have authority to allow exceptions to the annual deliverability test requirement for marginal wells in those instances where

Aztec Oil & Gas Company's Wells

<u>Well Name</u>	<u>Designated Unit</u>	<u>Acres</u>	<u>Well Status</u>
1 Holder No. 1	T-30-N, R-12-W Sec. 29: SE $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	Due to over production, produced only 9 months out of last 21 months. Probably be shut in another 6 months due to low allowables and NMOCC SI notice.
2 Hart No. 1	T-29-N, R-12-W Sec. 11: NW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	Due to over production, produced only 5 months out of last 26 months. Probably be shut in another 11 months due to NMOCC SI notice.
3 Cornell No. 3	T-29-N, R-12-W Sec. 12: S/2SW $\frac{1}{4}$	80.00	Due to over production, produced only token amounts of gas in 4 months of last 7 months. Well almost in balance.
4 Cornell No. 4	T-29-N, R-12-W Sec. 12: N/2 SW $\frac{1}{4}$	80.00	Due to over production, produced only token amounts of gas in 2 months of the last 5 months. Will be shut in about another month due to low allowables.
5 Cozzens No. 3	T-29-N, R-11-W Sec. 20: W/2 NE $\frac{1}{4}$	80.00	Due to overproduction, shut in July and August, 1958 and almost shut in in September, 1958. Well now in balance due to being shut in.



*1. ...
2. ...*

NMOCC Case #1538
Aztec Exhibit "C"