

CASE 2287: Application of Astec
Oil & Gas for an exception to
Rule 309 (a), San Juan County.

Cont 6-7-61



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2287

plication, Transcript,
all Exhibits, Etc.

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission



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

LAND COMMISSIONER
E. B. JOHNNY WALKER
MEMBER

P. O. BOX 871
SANTA FE

October 9, 1961

Mr. George Verity
152 Petroleum Center Building
Farmington, New Mexico

Re: Case No. 2287
Order No. R-2073
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

ir/

Carbon copy of order also sent to:

Hobbs OCC _____

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. 2287
Order No. R-2073

APPLICATION OF ARTEC OIL & GAS
COMPANY FOR AN EXCEPTION TO RULE
309 (a), SAN JUAN COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 7, 1961, at Santa Fe, New Mexico, before Daniel S. Watter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 9th day of October, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Watter, and being duly 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, Artec Oil & Gas Company, is the owner of five fee leases covering lot 2 and the S/2 of Section 18, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico.
- (3) That the applicant seeks permission to commingle the ~~total-gelling~~ Pool production from all wells located on the above-described leases.
- (4) That in the proposed commingling installation no provision is made for sampling or treating the production from each lease, and no provision is made to allocate BS&W to its proper lease.
- (5) That in the proposed commingling installation no provision is made for separate gas sales from each lease.
- (6) That the meters to be installed in the proposed commingling installation are not equipped with non-reset totalizers,

-2-

CASE No. 2287
Order No. R-2073

and there was insufficient evidence presented to establish the reliability of the proposed meters for use in lease commingling.

(7) That inasmuch as the design of the proposed commingling installation is deficient in the particulars set forth above and is therefore unsuitable for use as a lease commingling facility, the subject application should be denied.

IT IS THEREFORE ORDERED:

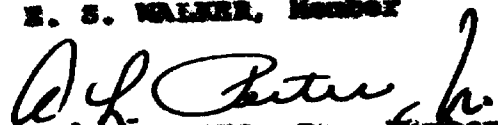
That the application in Case No. 2287 is hereby denied.

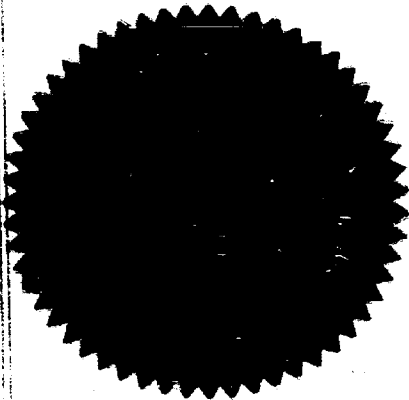
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


EDWIN L. MECHEM, Chairman


E. S. WALKER, Member


A. L. FOSTER, JR., Member & Secretary



est/

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 9/27/61

CASE 2287

Hearing Date 9 am 6/7/61
DEN/© SF

My recommendations for an order in the above numbered cases are as follows:

Enter an order denying the application of Aztec to commingle the production from five separate leases in the Totah-Gallup Pool.

Primary basis for denial:

Does not conform in basic design to ~~the~~ any of the lease commingling policies set forth in Comm. Manual.

Specifically the reasons are as follows:

1. No provision made for sampling of production from each lease
2. No provision made for separate gas sales (It is expected that gas will be marketed in the near future)
3. Insufficient evidence to establish reliability of meters for lease commingling
4. Meters do not have set-stop counters
5. No provision of explanation made of future provisions to treat all separate leases to ea. lease.

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JUNE 7, 1961

EXAMINER HEARING

IN THE MATTER OF:

CASE 2287

Application of Aztec Oil & Gas Company
for an exception to Rule 309 (a), San
Juan County, New Mexico.

TRANSCRIPT OF HEARING

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JUNE 7, 1961

EXAMINER HEARING

IN THE MATTER OF: :
: :
: :

CASE 2287 Application of Aztec Oil & Gas Company for :
an exception to Rule 309 (a), San Juan :
County, New Mexico. Applicant, in the :
above-styled cause, seeks permission to :
commingle the Totah-Gallup Pool production :
from five separate fee leases, all located :
in Section 18, Township 29 North, Range 13 :
West, San Juan County, New Mexico. :
: :

BEFORE:

Daniel S. Nutter, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. NUTTER: We will take next Case 2287.

MR. MORRIS: Case 2287. Application of Aztec Oil & Gas
Company for an exception to Rule 309 (a), San Juan County, New
Mexico.

L. M. STEVENS,

called as a witness, having previously duly sworn, testified as
follows:

DIRECT EXAMINATION

BY MR. VERITY:

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CN 3-6691

ALBUQUERQUE, NEW MEXICO



Q Are you the same person who testified in the preceding application at this hearing?

A Yes.

Q You are an engineer for Aztec Oil & Gas Company in the Farmington area?

A Yes.

Q Are you familiar with recent methods of metering and measuring production?

A Yes, sir.

MR. MORRIS: Let the record show that the witness was sworn in the previous case, please.

(Discussion off the record)

MR. NUTTER: Let the record show that the transcript of record in Case 2286 is incorporated in this case.

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

Q Referring to an Exhibit which the Reporter has marked Exhibit No. 1, will you please tell us what it reflects and shows?

A In this particular case, it shows Section 18 operated by Aztec Oil & Gas Company.

Q Does Aztec Oil & Gas own all of the leases underlying the south half of Section 18?

A Yes, they do.

Q Are there three separate leases there?

A Yes, sir.

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PHONE CN 3-6691

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Q Is there a well on each separate lease?

A There's one completed well.

Q And location on the other two leases?

A Yes.

Q Do you desire to produce all three of these wells into one common tank battery?

A Yes, we do.

Q Referring now to Exhibit 2, will you tell us how you propose to meter and measure the production from the three separate leases so that you will have an accurate calculation of the production from each lease?

A Each individual well will be produced through this oil and gas separator and metering chambers.

Q You propose to separately meter the production from each of the three wells by the same means and method that you proposed to in the case of 2286, which you just testified about?

A Yes.

Q Is Exhibit 2 in this case identical to Exhibit 2 in the previous case?

A Yes, sir, it is.

Q Will this give you an accurate calculation of the production from each of the three wells that you propose to put in the Smith battery "A?"

A Yes.

Q Are all of the leases that you propose to produce into



this, fee leases?

A Yes, sir, they are.

Q You have no Federal or State leases here?

A No, sir.

Q You propose to make the same corrections with regard to water or B&W?

A Yes, sir.

MR. VERITY: I believe that's all.

CROSS-EXAMINATION

BY MR. NUTTER:

Q What is the acreage involved here in Case 2287?

A It's Lots 2, 3 and 4 and the south half of this Section 18.

Q Which are the three leases involved here?

MR. VERITY: Would you like for me to answer that?

MR. NUTTER: Yes, sir. I would like to have a description of the leases.

MR. VERITY: The first lease is Lot 2, 3, 4, the southeast quarter of the southwest quarter.

MR. NUTTER: That would be a 40 something like this?

MR. VERITY: They call it the southeast of the southwest, but it's actually a 40, as I have designated it here. They call that southeast of the southwest as though it were a full 160-acre, which it isn't.

MR. NUTTER: Is there a well on that lease at this time?

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A Yes.

Q Which well is that?

A That's the Smith 1-C.

Q That's on that lease. What's the other lease?

MR. VERITY: Then we have a lease which consists of the northeast quarter of the southeast quarter. Let me say we have two leases that cover the northeast quarter of the southeast quarter, being undivided interests.

MR. NUTTER: That's a 40 right here (indicating).

MR. VERITY: That's correct. Those are the leases described as "B" and "C" on the application.

MR. MORRIS: Northeast of the southwest?

MR. VERITY: No. Excuse me, the northeast of the southeast.

MR. NUTTER: That's the Harris location?

A That's the Harris.

MR. VERITY: Right. Then we also have two leases, being "D" and "E" described as "D" and "E" in the application, which cover the northeast quarter of the southwest quarter, the south half of the southeast quarter, and the northwest quarter of the southeast quarter, being the balance of the acreage in the south half of 18.

MR. NUTTER: That's this northeast of the southwest, that's where the Smith No. 2-C Well is?

MR. VERITY: Where it's proposed.

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A Yes.

MR. VERITY: And cormen with that will be the northeast of the southeast -- excuse me -- will be the northwest of the southeast and the south half of the southeast.

MR. NUTTER: This acreage up to the north, is that another lease altogether?

MR. VERITY: That's not in this application.

MR. NUTTER: Now, the acreage that is under consideration here involves the Harris lease, the Smith lease, it involves the leases over here where the Harris location is?

A Yes.

Q It comprises the lease comprising Lots 2 and 3?

A Yes.

Q And it involves the acreage where the battery "A" is and where the Smith 2-C is?

A Yes.

Q Is that acreage fully developed under the spacing pattern for the pool?

A No, it isn't.

Q How many more locations do you have?

A We have one drilled and two located. That will fully develop the south half. The No. 2 will have additional acreage. It will have more than 80 acres.

MR. NUTTER: We have incorporated the record in Case No. 2286 in this case. Would your answers be the same to questions

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regarding the reset metering, the sampler and other aspects?

A Yes, sir, they would.

Q Including the response to the question as to whether Aztec would be willing to modify the installation if it didn't conform to any standards that the Commission may adopt?

A Yes, sir.

MR. NUTTER: Are there any other questions of Mr. Stevens?

BY MR. MORRIS:

Q I want to make sure I understood you, Mr. Stevens. You are planning to separately meter the production from each of these wells?

A Yes, in the Smith battery "A." That is correct.

Q You don't propose to use the subtraction method anywhere --

A No, sir.

Q -- in this installation?

A Not in this installation.

MR. MORRIS: Thank you.

BY MR. NUTTER:

Q Are any leases with more than one well on it?

A You mean the south half of 13?

Q Any lease that's covered by Case 2287, whether it's fully developed, will it have more than one well?

A It will have three wells. That will fully develop it.

MR. VERITY: Well, each separate lease will only have



one well.

A Separate lease.

Q Each separate lease will only have one well, whether it's fully developed?

A That is correct.

Q And you will measure the production from each of those wells?

A That is correct.

MR. NUTTER: Are there any further questions of Mr. Stevens? He may be excused.

(Witness excused)

MR. NUTTER: Do you wish to offer your Exhibits?

MR. VERITY: I offer Exhibits 1 and 2.

MR. NUTTER: Aztec's Exhibits 1 and 2 in Case 2287 will be admitted in evidence.

(Whereupon, Aztec's Exhibits Nos. 1 and 2 were received in evidence).

MR. NUTTER: Do you have anything further?

MR. VERITY: That's all we have.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 2287? We will take the case under advisement, and the hearing is adjourned.

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



STATE OF NEW MEXICO)
) SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record, to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 13th day of June, 1961, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley
NOTARY PUBLIC

My Commission expires:

June 19, 1963

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DOCKET: EXAMINER HEARING - WEDNESDAY, JUNE 7, 1961

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 Elvis A. Utz, as alternate examiner:

CASE 2297:

Application of Pan American Petroleum Corporation for two non-standard oil proration units and two unorthodox oil well locations, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 46.74-acre non-standard oil proration unit in the Cha Cha-Gallup Oil Pool consisting of the E/2 NE/4 SE/4 of Section 17, Township 29 North, Range 14 West, San Juan County, New Mexico, plus 20.73 acres in Lot 8 of said Section 17 and 6.01 acres lying North of the mid-channel of the San Juan River and along the South boundary of that portion of said Lot 8 included in the unit. Said unit is to be dedicated to the Frank L. Wood Well No. 1 at an unorthodox location 990 feet from the South line and 660 feet from the East line of said Section 17. Applicant further seeks the establishment of a 57.31-acre non-standard oil proration unit in said pool consisting of Lots 3, 4 and 5 of said Section 17 plus the S/2 of that portion of the San Juan River channel lying in the W/2 of said Section 17 and along the North boundary of Lots 3, 4 and 5. Said unit is to be dedicated to the Navajo Tribal "G" Well No. 8 at an unorthodox location 1415 feet from the South line and 335 feet from the West line of said Section 17.

CASE 2298:

Application of Chambers & Kennedy for a gas-oil dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Monument State Well No. 1, located in Unit J, Section 34, Township 19 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of gas from the Eumont Gas Pool and the production of oil from the Eunice-Monument Pool through the 5½-inch by 2½-inch casing-tubing annulus and through 2½-inch tubing respectively.

CASE 2299:

Application of Newmont Oil Company for an amendment of Orders Nos. R-1110 and R-1110-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an amendment of Orders Nos. R-1110 and R-1110-A, which authorized a pilot waterflood

project in the Square Lake Pool, Eddy County, New Mexico, to permit the expansion of said waterflood project to include lands in Sections 27, 28, 32, 33, and 34, all in Township 16 South, Range 31 East, Eddy County, New Mexico, and to further define the horizontal limits of said project. Applicant also seeks the establishment of special rules governing the expansion of said waterflood and providing for capacity allowables therein.

CASE 2300:

Application of Southwest Production Company for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 321-acre non-standard gas proration unit in the Basin-Dakota Gas Pool consisting of the NE/4 NE/4 of Section 27 and all of the E/2 of Section 22, Township 30 North, Range 12 West, San Juan County, New Mexico, excepting from the E/2 of said Section 22 a 13-acre and a 26-acre tract owned by Dwight L. Millett, Gladys L. Millett, Julian Coffey and Pan American Petroleum Corporation. In the alternative, applicant seeks the establishment of a 281-acre non-standard gas proration unit in said pool consisting of all of the E/2 of said Section 22 excepting therefrom the aforesaid 13-acre and 26-acre tracts.

CASE 2301:

Application of the Murphy Corporation for approval of the Northwest Caprock Unit Agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Northwest Caprock Unit Agreement, which unit embraces approximately 1525 acres of State land in Townships 11 and 12 South, Range 32 East, Lea County, New Mexico.

CASE 2302:

Application of Atlantic Refining Company for an oil-oil-oil triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing the triple completion of its Carlson Federal "A" Well No. 1, located in Unit I, Section 23, Township 25 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Paddock formation adjacent to the Justis-Paddock Pool, the production of oil from the Justis-Blinebry Pool and the production of oil from the Justis Tubb-Drinkard Pool, through parallel strings of 2-inch tubing.

CASE 2303:

Application of Redfern & Herd, Inc. for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to locate its

Airport Well No. 1 at an unorthodox gas well location in the Basin-Dakota Gas Pool at a point 200 feet from the North line and 500 feet from the East line of Section 8, Township 29 North, Range 13 West, San Juan County, New Mexico.

CONTINUED CASES

CASE 2286:

Application of Aztec Oil & Gas Company for an exception to Rule 309 (a), San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to commingle the Totah-Gallup Pool production from the following-described leases, all in Township 29 North, Range 13 West, San Juan County, New Mexico.

Federal Lease No. SF 079065 in Sections 19, 20 and 29.

State Lease B-11017-23 comprising in pertinent part the SW/4 NW/4 of Section 20.

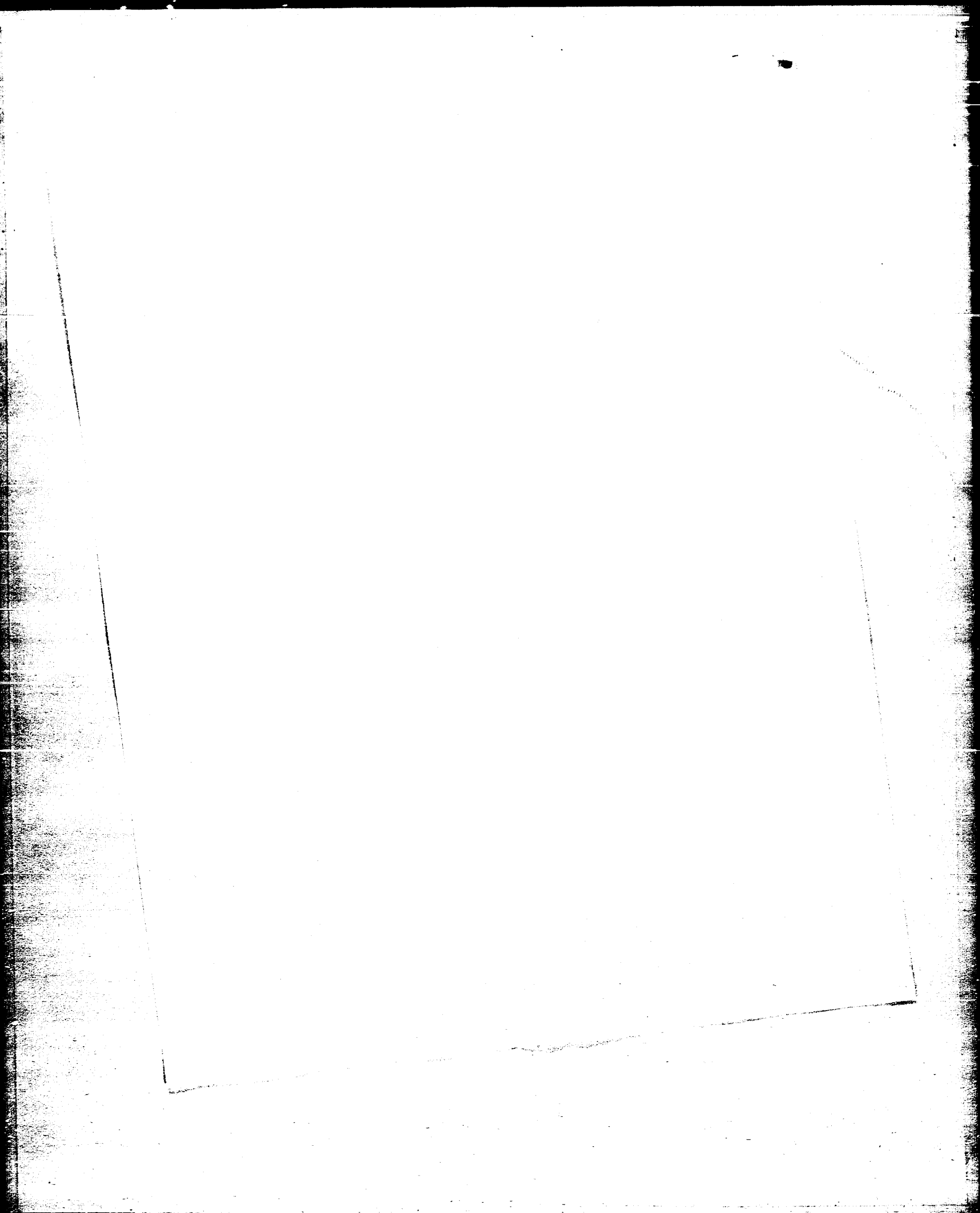
State Lease B-11017-21 comprising in pertinent part the NW/4 NW/4 of Section 20.

Smith-Eaton Lease comprising in pertinent part the NE/4 SE/4, SE/4 NE/4 and the E/2 NW/4 of Section 20.

Applicant proposes to commingle said production in a common tank battery located on the SW/4 of said Section 20 after separately metering the production from the State and fee leases only.

CASE 2287:

Application of Aztec Oil & Gas Company for an exception to Rule 309 (a), San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to commingle the Totah-Gallup Pool production from five separate fee leases, all located in Section 18, Township 29 North, Range 13 West, San Juan County, New Mexico.



BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
May 24, 1961

EXAMINER HEARING

IN THE MATTER OF:

CASE 2287

TRANSCRIPT OF HEARING

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
May 24, 1961

EXAMINER HEARING

IN THE MATTER OF: :

CASE 2287 Application of Aztec Oil & Gas Company for an :
exception to Rule 309 (a), San Juan County, :
New Mexico. Applicant, in the above-styled :
cause, seeks permission to commingle the :
Totah-Gallup Pool production from five sepa- :
rate fee leases, all located in Section 18, :
Township 29 North, Range 13 West, San Juan :
County, New Mexico. :

BEFORE:

Elvis A. Utz, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. UTZ: We will call Case Number 2287.

MR. MORRIS: Application of Aztec Oil & Gas Company for
an exception to Rule 309 (a), San Juan County, New Mexico.

Mr. Examiner, the Applicant in this case has also requested
that it be continued to the June 7 hearing.

MR. UTZ: If there is no objection to Counsel's motion,
the case will be continued to the June 7 Examiner's Hearing.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CN 3-4691

ALBUQUERQUE, NEW MEXICO



STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, THOMAS F. HORNE, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my hand and Seal this, the 12th day of June 1961, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Thomas F. Horne

NOTARY PUBLIC

My Commission expires:
May 4, 1965

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of case No. 7787, heard by me on May 24, 1961.

Thomas F. Horne

Examiner
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CM 3-6691

ALBUQUERQUE, NEW MEXICO



Case
2281

AZTEC OIL & GAS COMPANY
920 MERCANTILE SECURITIES BUILDING
DALLAS 1, TEXAS

May 2, 1961

REGISTERED MAIL
RETURN RECEIPT REQUESTED

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

Re: Application of Aztec Oil & Gas
Company for Permission to Com-
mingle Production from the Total
Gallup Pool from Several Separate
Leases in Section 18, T-29-N,
R-13-W, San Juan County, New Mexico.

Dear Mr. Porter:

Aztec Oil & Gas Company hereby submits its Application, in tripli-
cate, for an exception to Rule 309(a) of Order 850 and for permission
to commingle production from the Total Gallup Pool obtained from several
separate oil and gas leases in a common tank battery.

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

1. Applicant is the present owner of the right to drill to and pro-
duce oil and gas from the Gallup formation under the terms of the fol-
lowing oil and gas leases:

- (a) Fee Lease executed by Bruce M. Bernard, Jr., et al,
Dated October 30, 1959, recorded in Book 498 at
Page 204 of the Records of San Juan County, New
Mexico, covering the following lands:

Township 29 North, Range 13 West, N.M.P.M.

Section 18: Lots 2,3,4, ~~5,6,7,8~~

San Juan County, New Mexico

- (b) Fee Lease executed by Neva Gladys Harris, et al, dated August, 1958, recorded in Book 388 at Page 174 of the Oil and Gas Records of San Juan County, covering the following lands:

Township 29 North, Range 13 West, N.M.P.M.

Section 18: NE $\frac{1}{4}$ SE $\frac{1}{4}$

San Juan County, New Mexico

- (c) Fee Lease executed by Albert A. Harris, et ux, dated October 20, 1960, recorded in Book 465 at Page 162 of the Records of San Juan County, New Mexico, covering the following lands:

Township 29 North, Range 13 West, N.M.P.M.

Section 18: NE $\frac{1}{4}$ SE $\frac{1}{4}$

San Juan County, New Mexico

- (d) Fee Lease executed by Sidney Carter Smith and Agnes C. Eaton, dated November 28, 1958, recorded in Book 397 at Pages 28 and 29 of the Oil and Gas Records of San Juan County, New Mexico, covering the following lands:

Township 29 North, Range 13 West, N.M.P.M.

Section 18: ~~NE $\frac{1}{4}$ SW $\frac{1}{4}$~~ , S $\frac{1}{2}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$

San Juan County, New Mexico

- (e) Fee Lease executed by O. A. Dunn, et ux, dated December 18, 1948, recorded in Book 167 at Page 174 of the Records of San Juan County, New Mexico, covering the following lands:

Township 29 North, Range 13 West, N.M.P.M.

Section 18: S $\frac{1}{2}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$

San Juan County, New Mexico

Mr. A. L. Porter, Jr.

-3-

May 2, 1961

2. Applicant has drilled or plans to drill Gallup wells on each of ~~the above described leases~~ or on pooled units to which all or parts of such leases have been committed and ~~propose to commingle~~ Gallup oil production in a common tank battery.

3. The leases above described are contiguous.

4. All production is from a common source of supply, to-wit, the Totah Gallup Pool.

5. No more than sixteen (16) units will be produced into the common tank battery and adequate facilities will be provided for accurately determining production from each well at reasonable intervals.

6. With respect to the right to drill to and produce oil and gas from the Gallup formation under the lands above described, Applicant is the Operator and sole owner thereof.

Applicant respectfully requests that this Application be promptly set for hearing, that an opportunity be afforded at such hearing for Applicant to present its evidence in support of such Application as may be required or deemed expedient and that the Commission thereafter grant such exception to Rule 309(a) of Order 870 and approve such commingling in a common tank battery.

Yours very truly,

ATLANTIC OIL & GAS COMPANY

By Kenneth A. Swanson
Kenneth A. Swanson
Attorney

KAS/et