

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

NSP-431

(on waiver)

IN THE MATTER OF THE APPLICATION OF
STANDARD OIL COMPANY OF TEXAS FOR
ADMINISTRATIVE APPROVAL OF A NON-
STANDARD GAS PRORATION UNIT COMPRISING
THE E/2 OF THE E/2 OF SECTION 19,
T-21-S, R-36-E, LEA COUNTY, NEW MEXICO,
TO BE FORMED IN THE EUMONT POOL UNDER
RULE 5(b) OF ORDER R-520, AND FOR
PERMISSION TO PRODUCE GAS FROM THE
BRADENHEAD OF THE MEREDITH NO. 1 WELL
IN SAID UNIT UNDER PROVISIONS OF RULE
112-B(c).

Cross reference to
DC-609

A P P L I C A T I O N

In support of the application, the Applicant, Standard Oil Company of Texas, submits the following facts:

1. That Standard Oil Company of Texas' Meredith No. 1 well was completed in March, 1931, at a location 335 feet from East Line and 2,313 feet from North Line of Section 19, T-21-S, R-36-E, Lea County, New Mexico.
2. That oil is being produced from the Meredith No. 1 well through tubing from the Queen Sand and that gas was produced from the Yates formation through bradenhead connection until January, 1954, effective date of gas prorationing in New Mexico.
3. That Standard Oil Company of Texas, owner of a lease comprising the SE/4 of NE/4, and E/2 of SE/4, Section 19, T-21-S, R-36-E, Lea County, New Mexico, and Getty Oil Company, owner of a lease comprising NE/4 of NE/4, Section 19, T-21-S, R-36-E, Lea County, New Mexico, have pooled the above-described leases to form a 160-acre communitized area including all zones from the base of the Evaporites down to the top of, but not including, the Seven Rivers formation for production of gas from the Eumont Pool.
4. That the above-mentioned communitized area on which the Meredith No. 1 well is located will be operated by Standard Oil Company of Texas as provided for by agreement between Standard Oil Company of Texas and Getty Oil Company.
5. That the 160-acre unit lies wholly within a governmental section and may reasonably be presumed to be productive of gas.

6. That the length of the non-standard gas proration unit does not exceed 5,280 feet.
7. That prior to the adoption of Order R-520 applicable to the Eumont Gas Pool, the Meredith No. 1 well was completed at a regular location with 13-3/8" casing cemented at 291 feet, 9-5/8" intermediate casing cemented at 3,000 feet, 7" production casing cemented at 3,700 feet, and 2-1/2" tubing. Oil production is through tubing and gas production will be through 9-5/8" x 7" casing annulus.
8. That in order to prevent waste and to protect correlative rights, Applicant desires to produce gas from the upper zone, the Yates formation, through bradenhead connection while continuing to produce oil from the lower zone, the Queen Sand, through tubing.

In support of the application for administrative approval for a non-standard gas proration unit and for bradenhead gas production, the following exhibits are enclosed herewith:

1. Communitization Agreement which provides for pooling the interests of Standard Oil Company of Texas and Getty Oil Company to form a 160-acre unit consisting of the E/2 of E/2, Section 19, T-21-S, R-36-E, Lea County, New Mexico.
2. Operating Agreement executed by Standard Oil Company of Texas and Getty Oil Company to include the communitized area.
3. Map of the area of the Meredith Lease showing offset leases, offset lease owners, and completion status of wells.
4. Diagrammatic sketch of the Meredith No. 1 completion with formation tops and casing points with calculated cement tops shown.
5. Waivers executed by offset operators, Continental Oil Company, Shell Oil Company and Sinclair Oil Company, and by Drilling and Exploration Company, Inc., an operator in Section 19, T-21-S, R-36-E, Lea County, New Mexico.

STANDARD OIL COMPANY OF TEXAS


C. N. Segnar, Chief Engineer

AFFIDAVIT

STATE OF TEXAS |
COUNTY OF HARRIS |

Before me, the undersigned authority, on this date personally appeared C. N. Segnar, known to me to be the Chief Engineer of the Standard Oil Company of Texas, who after being by me duly sworn on oath states that he is the person who executed the foregoing Application of Standard Oil Company of Texas for administrative approval of a non-standard gas proration unit and for permission to produce gas from the bradenhead of the Meredith No. 1 well, Eumont Pool, and that he has knowledge of all the facts stated herein, and that said Application contains no misstatements or inaccuracy, and that said report is a correct statement of the facts therein recited.

STANDARD OIL COMPANY OF TEXAS .

By C. N. Segnar

Subscribed and Sworn to before me this the 2nd day of May, 1958.

O. S. Mc Clure
Notary Public in and for Harris
County, Texas

Registered Carbon Copy to:

Drilling and Exploration Company, Inc.
P. O. Box 35366
Airlong Station
Dallas 35, Texas

Shell Oil Company
Box 1957
Hobbs, New Mexico

Sinclair Oil and Gas Company
Box 1470
Hobbs, New Mexico

Continental Oil Company
Box 427
Hobbs, New Mexico

COMMUNITIZATION AGREEMENT

This agreement made and entered into this 14th day of January, 1958, by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto",

W I T N E S S E T H :

WHEREAS, in order to be consistent with existing rules and regulations covering well spacing and production allowables, the parties hereto desire to communitize, pool, and operate the lands subject to this agreement for the purpose and intention of developing and producing dry gas and associated liquid hydrocarbons from all zones from the base of the Evaporites down to the top of but not including the Seven Rivers Formation as an entirety in accordance with the terms and provisions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages offered by this agreement, it is mutually covenanted and agreed by and between the parties hereto, as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 21 South, Range 36 East, N. M. P. M.
Section 19: $E\frac{1}{2}E\frac{1}{2}$
Located in Lea County, New Mexico
Containing 160 acres, more or less

but this agreement shall extend to and include only all zones from the base of the Evaporites down to the top of but not including the Seven Rivers Formation underlying said lands and the dry gas and associated liquid hydrocarbons producible from such zones. Attached hereto and made a part of this agreement for all purposes is Exhibit "A", describing the oil and gas leases comprising the communitized area and showing the ownership of oil and gas interests in said area.

2. The communitized area shall be developed and operated for dry gas and associated liquid hydrocarbons producible from all zones from the base of the Evaporites down to the top of but not including the Seven Rivers Formation as an entirety with the understanding and agreement that the dry gas and associated liquid hydrocarbons so produced from the communitized area shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed hereto.

For the purpose of calculating royalty with respect to each leasehold within the communitized area, the amount of dry gas and associated hydrocarbons so allocated to each leasehold shall be considered as the amount of such substances produced from such leasehold, and the royalties payable under the respective leases and other contracts covering such leasehold shall be calculated upon such allocated portion of such substances, in accordance with the applicable provisions of such leases or contracts, just as if such allocated portion of such substances were the actual production of such substances from such leaseholds. Payment of rentals under the terms of leases subject to this agreement shall not be affected by this agreement, except as provided for under the terms and provisions of said leases or as may herein be otherwise provided.

3. Standard Oil Company of Texas shall be the unit operator of said communitized area, and all matters of operation and adjustments between the working interest owners and payment of royalties, overriding royalties, and rentals shall be governed by the provisions of the unit operating agreement executed by the working interest owners in connection with the execution of this agreement. There shall be no obligation on the parties hereto to offset any dry gas well or wells on separate component tracts into which said communitized area is now or may hereafter be divided, nor shall Standard Oil Company of Texas be required to separately measure said dry gas and associated liquid hydrocarbons by reason of the diverse interests in the dry gas in and under said tracts, but the parties hereto shall not be released from any obligation to protect said communitized area from dry gas well or wells which may be drilled offsetting said area.

4. Except as herein modified and changed, the oil and gas leases described in said Exhibit "A" shall remain in full force and effect as originally made and issued. It is further agreed that the commencement, completion, continued operation, or production of a well or wells for dry gas and associated liquid hydrocarbons on the communitized area from any zone from the base of the Evaporites down to the top of but not including the Seven Rivers Formation shall be construed and considered as the commencement, completion, continued operation, or production as to each lease committed hereto.

5. All production of dry gas and disposal thereof shall be in conformity with allocations, allotments, and quotas made and fixed by any duly authorized person or regulatory body under applicable federal or state statutes. The

provisions of this agreement shall be subject to all applicable federal or state statutes or executive orders, rules, and regulations which affect performance of any of the provisions of this agreement, and Standard Oil Company of Texas shall not suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by or if such failure results from compliance with any such law, rule, or regulation.

6. This agreement, upon execution by the necessary parties (notwithstanding the date of execution) and upon approval by the Commissioner of Public Lands of the State of New Mexico or his duly authorized representative, shall be effective as of the date hereof and shall remain in force and effect for a period of two years and so long thereafter as dry gas and associated liquid hydrocarbons are capable of being produced in paying quantities from any zone from the base of the Evaporites down to the top of but not including the Seven Rivers Formation under the communitized area.

7. The covenants herein shall be construed to be running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement is terminated, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest. This agreement shall be binding upon the parties hereto, their respective heirs, executors, administrators, successors, and assigns.

8. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such counterpart, ratification, or consent hereto with the same force and effect as if all parties had signed the same document.

9. This agreement is executed in lieu of and in substitution for the communitization agreement covering certain zones under the same lands signed

by all of the parties hereto and dated February 6, 1957, said communitization agreement of February 6, 1957 being hereby rendered completely null and void for all purposes.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

ATTEST:

[Signature]
Assistant Secretary

ATTEST:

Assistant Secretary

STANDARD OIL COMPANY OF TEXAS

By *[Signature]*
Vice President

Address: P. O. Box 1249
Houston 1, Texas

GETTY OIL COMPANY

By _____
Vice President

Address: Pennsylvania Building
Wilmington 1, Delaware

[Signature]
Isabel Meredith Eusden

[Signature]
Ralph B. Eusden

Address: 4360 Myrtle Street
Long Beach 7, California

Nathan Gainsley

Address:

Rahle Gainsley
also known as Rahle Gainsley Hornwood

Address: 6400 Hayes Drive
Los Angeles 48,
California

[Signature]
Lee R. Meredith

[Signature]
Owen Meredith

Address: 1029 Tyler Street
Glendale, California

[Signature]
Jean Meredith Overfelt

[Signature]
Eugene Overfelt

Address: P. O. Box 322
Gunnison, Utah

STATE OF TEXAS

COUNTY OF HARRIS

On this 27th day of January, 1958, before me personally appeared C. D. Mims, to me personally known, who, being by me duly sworn, did say that he is Vice President of Standard Oil Company of Texas, and that the seal affixed to said instrument is the Corporate Seal of said Corporation and that said instrument was signed and sealed in behalf of said Corporation by authority of its Board of Directors, and said C. D. Mims acknowledged said instrument to be the free act and deed of said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

Helena Viola
Notary Public, Harris County, Texas.

My Commission Expires 6/59.

HELEN VIOLA
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1959

STATE OF _____
COUNTY OF _____

On this _____ day of _____, 1958, before me personally appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ of Getty Oil Company, and that the seal affixed to said instrument is the Corporate Seal of said Corporation and that said instrument was signed and sealed in behalf of said Corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

Notary Public, _____ County,

STATE OF California
COUNTY OF Los Angeles

On this 11th day of April, 1958, before me personally appeared Ralph B. Eusden and wife, Isabel Meredith Eusden, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

Miriam B. Lovv
Notary Public, Los Angeles County,
California

My Commission Expires Feb. 6, 1960

STATE OF California
COUNTY OF Los Angeles

On this 4th day of April, 1958, before me personally appeared Owen Meredith and wife, Lee R. Meredith, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

Miriam B. Lovel
Notary Public, Los Angeles County,
California

My Commission Expires Feb. 6, 1960

STATE OF Utah
COUNTY OF Sanpete

On this 21st day of March, 1958, before me personally appeared Eugene Overfelt and wife, Jean Meredith Overfelt, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

Keith Anderson
Notary Public, Sanpete County,
Utah

My Commission Expires August 3, 1959

STATE OF _____)
COUNTY OF _____) SS.

The foregoing instrument was acknowledged before me this _____ day of _____, 1958, by Rahle Gainsley, also known as Rahle Gainsley Hornwood.

Notary Public

My Commission Expires:

STATE OF _____)
COUNTY OF _____) SS.

The foregoing instrument was acknowledged before me this _____ day of _____, 1958, by Nathan Gainsley.

Notary Public

My Commission Expires:

EXHIBIT "A" TO COMMUNITIZATION AGREEMENT
 DATED THE 14TH DAY OF JANUARY, 1958
 EMBRACING THE E $\frac{1}{2}$ E $\frac{1}{2}$ OF SECTION 19
 T-21-S, R-36-E, N. M. P. M.
 LEA COUNTY, NEW MEXICO

DESCRIPTION OF OWNERSHIP OF LEASES
 AND OVERRIDING ROYALTY INTERESTS COMMITTED

TRACT NUMBER 1.

Oil and gas lease dated December 7, 1933 bearing No. B-2276, between the State of New Mexico, as Lessor, and The California Company, As Lessee, covering the NE $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$, and SE $\frac{1}{4}$ SE $\frac{1}{4}$, Section 19, T-21-S, R-36-E, N. M. P. M., Lea County, New Mexico, containing 120 acres, more or less.

Working Interest Ownership of Above Lease:

Standard Oil Company of Texas 100%

Overriding Royalties:

25% of the net profits from production under said lease owned by the following parties in the following proportions:

Undivided 1/4 interest	-	Isabel Meredith Eusden
Undivided 1/2 interest	-	Lee R. Meredith
Undivided 1/4 interest	-	Jean Meredith Overfelt

TRACT NUMBER 2

Oil and gas lease dated August 19, 1929 bearing No. A-2742 between the State of New Mexico, as Lessor, and Nathan Ginsburg and Rahle Ginsburg, as Lessee, covering the NE $\frac{1}{4}$ NE $\frac{1}{4}$, Section 19, T-21-S, R-36-E, N. M. P. M., Lea County, New Mexico, containing 40 acres, more or less, and other lands not covered by this agreement.

Working Interest Ownership of Above Lease:

Getty Oil Company 100%

Overriding Royalties:

12 1/2% of the net profits under said lease owned by Nathan Gainsley and 12 1/2% of the net profits under said lease owned by Rahle Gainsley.

RECAPITULATION

<u>Tract No.</u>	<u>Number of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	120	75%
2	40	25%

CERTIFICATE OF APPROVAL BY

COMMISSIONER OF PUBLIC LANDS OF THE STATE OF NEW MEXICO

THAT, I, _____, Commissioner of Public Lands of the State of New Mexico, certify that the foregoing Communitization Agreement was filed in my office on the _____ day of _____, 1958 and I have carefully considered the same and find:

- (a) That said Agreement is necessary in order to form a drilling, spacing or proration unit under the rules and regulations of the New Mexico Oil Conservation Commission;
- (b) That under the operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its land in the area affected;
- (c) That the Agreement is in other respects for the best interest of the State.

NOW, THEREFORE, by virtue of the authority conferred upon me by the Laws of the State of New Mexico, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the above referred to Communitization Agreement, and the oil and gas leases embracing lands of the State of New Mexico committed to said Agreement shall be and the same are hereby amended so that the provisions thereof will conform to the provisions of said Communitization Agreement so that the term of said leases shall conform with the provisions of said Agreement.

IN WITNESS WHEREOF, this Certificate of Approval is executed as of this the _____ day of _____, 1958.

Commissioner of Public Lands of the
State of New Mexico