

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
June 28, 1955

IN THE MATTER OF:

CASE NO. 916

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 28, 1955

IN THE MATTER OF: }

Application of Aztec Oil and Gas Company for
approval of a 120-acre non-standard gas pro-
ration unit in the Eumont Gas Pool, Lea County,
New Mexico, to consist of E/2 SW/4 and NW/4 SE/4) Case No. 916
of Section 27, Township 19 South, Range 37 East)
and to be dedicated to applicant's Maxwell-)
State No. 1, located 1650' FSL and 2310' FWL of)
Section 27. }

BEFORE:

Honorable John F. Simms
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case No. 916.

Let the record show that Mr. Watts has previously been sworn.

MR. DAVIS: Are the qualifications of Mr. Watts as testified
to in Case 915 acceptable in this case?

MR. MACEY: Yes, sir.

P R E N T I C E R. W A T T S , J R.

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

DIRECT EXAMINATION

By MR. DAVIS:

(Marked Aztec Oil and Gas Company's
Exhibit No. 1, for identification.)

Q I would like to hand you a plat, Mr. Watts, please describe
the non-standard proration unit described on that plat.

A This unit includes the east half of the southwest quarter of Section 27, Township 19 South, Range 37 East, and the northwest quarter of the southeast quarter of Section 27.

MR. MACEY: Pardon me, Mr. Davis. We have some expression of opinion that they think Mr. Watts should be sworn in this case.

(Witness sworn.)

MR. DAVIS: Are the qualifications of this witness as sworn, acceptable to the Commission?

MR. MACEY: They are.

Q You are familiar with the subject matter of this Case 916?

A Yes.

MR. DAVIS: Would it be all right for the record to show that Mr. Watts has described the unit?

MR. MACEY. Yes.

Q Mr. Watts, would you describe that, I lost you there. Did you give the township and Range?

A Yes.

Q Just for the record, it is Township 19 South, Range 37 East?

A That is correct.

Q Where is the well that is on this proposed unit located?

A The Maxwell-State No. 1 is located 1,650 feet from the south line and 2,310 feet from the west line of Section 27.

Q Who owns the working interest in this proposed unit?

A Aztec owns the entire working interest.

Q Are these State lands?

A Yes.

Q Are there any overriding royalty on it?

A Yes.

Q Do you know whether or not a pooling or communitization agreement has been entered into pool -- Let me ask you this. Are the lands under the proposed unit under separate State leases?

A They are all under the same basic lease.

Q How did Aztec acquire its interest in this?

A Stanolind has granted a farm-out, as did J. C. Maxwell.

Q They reserved an over-riding royalty interest?

A Yes.

MR. WATTS: When was this well drilled?

A This well was completed in July of 1951.

Q We are talking about the Maxwell-State No. 1?

A Yes.

Q When was it completed?

A The Maxwell- State --

Q Is that the completion date?

A Yes, that was the completion date.

Q Is it connected to a pipeline?

A It is now connected to Permian Basin Pipeline Company.

Q In other words, we have a well that was drilled and on production prior to the adoption of the order providing for the proration of gas in the Eumont Pool, is that correct?

A Yes.

Q What formation is this well producing from?

A It is producing from the Queen.

Q Did the location of this well conform to the spacing requirements in effect at the time it was drilled?

A Yes.

Q Is it practicable or possible to pool and combine applicant's

leases with adjoining acreage in this Section 27 to form a standard or orthodox unit?

A We have contacted Gulf Oil Company regarding the southwest quarter of the southeast quarter --

Q (Interrupting) Excuse me, Mr. Watts. A standard unit there would, of course, for that well, be the southwest quarter?

A Oh, yes, the southwest quarter of Section 27. However, the west half of the southwest quarter of Section 27 is already in a unit.

Q Previously approved by the Commission?

A Previously approved, yes. Because of that, we have contacted Gulf requesting a waiver, which they granted, concerning the southwest quarter of the southeast quarter of Section 27.

Q **Have** there been any other waivers in connection with this proposed unit?

A Yes. We have waivers from Gulf, Sinclair and the Ohio Oil Company.

Q Mr. Watts, in your opinion, do you think this well will produce gas ~~that~~ will be very close -- I realize we are having to project a little bit here without knowing the allowables -- but, based on the allowables assigned to date in that area, is it your opinion that the well would come close to producing an allowable assigned to 120 acres?

A Yes, over an entire year average, it would approach that allowable.

Q Is it also your opinion that this entire block of 120 acres may reasonably presumed to be productive of gas?

A Yes.

Q Is it also your opinion that the formation of this unit, as far as we can tell now, will protect correlative rights and prevent waste?

A Yes.

Q Do you have anything else that might be of interest in this case, any other information or data that might be helpful to the Commission?

A No, I don't believe so.

MR. DAVIS: If the Commission please, I would like to have introduced in the record, the exhibits that were filed or submitted in connection with the previous hearing on this same well, as we requested in the other case. I think perhaps it was Case 621.

MR. MACEY: Case 619.

MR. DAVIS: Case 619, and also to have incorporated in the record as the plat that Mr. Watts identified incorporated as Exhibit No. 1, and the waivers from the Ohio Oil Company, the Sinclair Oil and Gas Company and Gulf Oil Corporation, waiving any objection to the formation of this proposed unit.

(Marked Aztec Oil and Gas Company's Exhibits Nos. 2, 3 and 4, for identification.)

MR. MACEY: Without objection they will be received.

MR. DAVIS: As Exhibits 1, 2, 3 and 4..... That is all we have.

MR. MACEY: Anyone have any questions?

MR. HINKLE: Clarence Hinkle, representing Humble Oil and Refining Company.

CROSS EXAMINATION

By MR. HINKLE:

Q Mr. Watts, You are aware of the Humble lease which consists

of the southeast quarter of the northwest quarter of Section 27?

A Yes.

Q That is an offset to the gas well which you have just testified to?

A Yes.

Q Did you obtain a waiver from the Humble?

A No.

Q Prior to the formation of this unit?

A No, sir.

Q Have you made any effort to try to get the Humble, or negotiate with the Humble to come into the unit?

A No, sir, they have made no approach to us, for us, nor have we approached them concerning a unit.

Q You say you did approach them?

A Nor have we approached them. We have not concerning the unit, only toward the waiver.

Q Could you see that the Humble acreage is productive of gas?

A Yes.

Q And being drained by this particular well?

A I question that, because I doubt if the well will make enough gas to fulfill a 160 acre allowable.

Q What is the capacity of the well?

A Approximately one million and a half to two million.

Q Has it been on the pipeline connection since completion?

A Yes, that is absolute openflow. I might add that is an old one and an estimate.

Q Has it been making the allowable which has been assigned to it?

A No, sir.

Q It has not?

A At present it is behind. However, on a -- that is because of the higher allowables during the winter months and, of course, they are cut back now. Just for example, I believe our June allowable is approximately 6,000,000, and last month the well produced approximately 10,000,000 feet of gas. We think that on a yearly basis it will approach the allowable of a 120 acre unit.

Q Is it making any oil?

A Yes.

Q What is the oil-gas ratio?

A It has varied from 151,000 down to 41,000.

Q Has there been any consistency, or has that been after shut-in periods?

A It has produced on 85 percent of the time, and consistently it is forty to forty-five thousand.

Q You mean, 85 percent of the time it has been producing --

A (Interrupting) No, I mean it has produced 85 percent of the number of days in each month. It has been shut-in due to mechanical difficulties.

Q It has been below 100,000 during that time?

A For the most part.

Q For the gas ratio?

A It has varied.

Q Would you classify this as a gas well, or oil well, under the rule of the Oil Conservation Commission?

A It would fall under the oil well, under the 100,000 to 1 ratio in the last few months.

Q Do you think that correlative rights can be protected in this

particular instance without taking in the Humble 40?

A Yes, I think, as pointed out before, Humble has reasonable opportunity in the north half of Section 27 to form a unit, if they wish. I do not believe that the well will produce an allowable for a 160-acre unit.

Q Do you think that the entire north half of Section 27 can be reasonably presumed to be productive of gas at the present time?

A That is questionable.

MR. DAVIS: I object to that. I don't think that our witness is going to prove up whether or not Gulf and Humble and Tidewater and other companies acreage is productive of gas up there. I don't believe his study has gone quite that far. I think only drilling will tell him that.

MR. HINKLE: I think that is all.

MR. DAVIS: I would like to ask one or two questions here on re-direct examination.

RE-DIRECT EXAMINATION

By MR. DAVIS:

Q Mr. Watts, The Maxwell-State Well has had some mechanical difficulties?

A Yes.

Q So that the gas-oil ratios that you have been talking about could change when those mechanical difficulties are eliminated, and in each case of these two wells up here, it is quite possible that that gas-oil ratio will continue to climb so that it could be classified as a gas well. What you are saying now, based on the figures for a few producing days, I don't think anyone could deny that it is less than 100,000, so, therefore, it would be an oil well. That

is not a true picture of the area?

A Not necessarily in this case. We certainly could not deny in this case in the last few months that it is below the 100,000 to 1 ratio.

Q That is due to the few producing days?

A That is right.

Q Where the wells have not had an opportunity to produce their maximum capacity?

A That is true.

Q One other thing, Mr. Watts, there seems again to be the question of Aztec Oil and Gas Company approaching Humble for pooling and communitization. I believe that you answered awhile ago to Mr. Hinkle's question, that we had not approached them. Let me go back again and refer you to the letter of 1953, at which time we told **them** of our intentions and raised the question of pooling. Do you have that letter there? Just to make this a part of the record, would you just read this letter and to whom it is addressed?

A It is dated November 13, 1953. It was addressed to Gulf Oil Corporation, Fort Worth, Texas; Humble Oil and Refining Company, Houston, Texas; Anderson-Pritchard Oil Company, Oklahoma City, Oklahoma; Ohio Oil Company, Houston, Texas; Tidewater Associated Oil Company, Houston, Texas. "Re: Gas Proration Units, Eumont Pool, Lea County, New Mexico.

Gentlemen: Aztec Oil and Gas Company owns the following oil and gas leases covering certain lands in Sections 27 and 28 of Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico:

- (a) Oil and gas lease from Samuel T. Burk and his wife, Josey M. Burk, Lessors, covering the W $\frac{1}{2}$ SW $\frac{1}{4}$ and the

SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 27, and the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 28,
Township 19 South, Range 37 East, N.M.P.M.

(b) State of New Mexico Oil and Gas Lease B-9130 insofar as it covers the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 27, Township 19 South, Range 37 East, subject to the terms and conditions of an operating agreement covering such lands with Stanolind Oil and Gas Company.

(c) State of New Mexico Oil and Gas Lease B-9130 insofar as it covers the NE $\frac{1}{4}$ SW $\frac{1}{4}$ and the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 27, Township 19 South, Range 37 East, N.M.P.M., subject to the terms and conditions of an operating agreement with J. C. Maxwell, Inc.

Aztec Oil and Gas Company's predecessor, Southern Union Gas Company, drilled three gas wells on the above leases, all of which are indicated on the plat attached to this letter. Prior to the drilling of these wells, Southern Union Gas Company made every effort to pool its leases with other Lessees in order to form orthodox drilling units, but was prevented from completing the pooling arrangements because of the refusal of Mr. and Mrs. Burk, Lessors under one of the controlling leases, to join in the agreement. Therefore, in order to prevent expiration of or the possibility of jeopardizing its position in the respective leases, permission was obtained from the Oil Conservation Commission to drill the wells as indicated.

Aztec Oil and Gas Company is agreeable at this time to pooling of its leases to form orthodox units for all three of these wells. We are again contacting Mr. Burk concerning this matter, but it is our opinion that his opposition to pooling will be even stronger at

this time since his royalty interest in the Burk 2 and 3 wells would be reduced, and even though he would acquire a royalty interest in the Maxwell-State No. 1 Well, the net result would be less production attributable to his interest.

Inasmuch as it appears certain that proration of gas in the Eumont Pool will commence on January 1, 1954, we have filed applications with the Oil Conservation Commission requesting a hearing on December 17, 1953, for consideration of approval of unorthodox gas proration units for the three wells in question. A copy of each application is enclosed herewith for your consideration. Since the wells and leases involved are on the edge of the Eumont Pool, and due to the fact that the Burk No. 2 and Maxwell No. 1 are marginal wells, we do not believe that any one will be seriously affected by the approval of the unorthodox units or that future drilling in the area will be jeopardized; but since each of you own one or more leases offsetting these units, we would like to have any comments or suggestions which you might have concerning them.

It will be appreciated if you will acknowledge receipt of the attached applications and we, of course, would like to have your consent to the proposed unorthodox units prior to the December 17, 1953 hearing. Yours very truly, Signed: Q. B. Davis."

I might add to this, in 1953 we stated that the Burk 2 and Maxwell 1 are marginal wells. We have since reworked these wells, and, of course, the Burk 2 is no longer a marginal well.

Q Mr. Watts, what was the reply to that letter from Humble?

A Humble's reply was dated November 25, 1953. "Reference to request for waivers, Southern Union Gas and Burk units". It was addressed to Mr. Q. B. Davis, Aztec Oil and Gas Company, 920

Mercantile Building, Dallas, Texas. "We acknowledge receipt of your letter of November 13th, referring to unorthodox proration unit in the Eumont Pool, Lea County. I am sorry to state that Humble Oil and Refining is unwilling to grant the waivers requested."

Q Nothing was said about any pool --

A No mention of any pooling.

Q Back in 1953?

A Yes.

MR. MACEY: Anyone else have a question of the witness? Mr. Rieder?

RE-CROSS EXAMINATION

By MR. RIEDER:

Q Mr. Watts, after Mr. and Mrs. Burk's refusal to join, was any consideration ever given to the possibility of bringing it in to hearing, to force communitization?

A No, I don't believe there was.

Q I believe you mentioned there would be the reduced royalty. You were recognizing the fact you had a marginal well?

A At that time.

Q You don't recognize it now?

A Not in the case of the Burk 2.

Q In the case of the Maxwell-State No. 1, you mentioned a little while back that due to the very few producing days, or very few days of production, that might account for the oil recovered. Just prior to that you mentioned that 85 percent of the time; however, the well was producing?

A Yes.

Q I believe the last month with a six million allowable, you

made ten million?

A Yes.

Q There couldn't have been too many non-productive days and still made ten million.

A Yes, that is true in the case of the Maxwell. When it made the ten million it produced 25 days.

Q That wouldn't, then, account very well for the oil production?

A No, not in that case.

Q Further, you stated, I believe, that the ratio has been decreasing in the last few months. Has there been a recent work-over on the well?

A This well was worked over in October.

Q October of last year?

A Yes.

Q Since that time, the ratio has been decreasing?

A Yes.

Q Producing at about 85 percent of the time?

A Yes.

Q Have you the volume gas figures on the oil that has been produced?

A Yes.

Q Could you give those to us?

A When would you like me to start, November?

Q Yes, please.

A November, '54, 166 barrels; December, 1954, 119 barrels; January, 1955, 332; February, 186; March, 238; April, 329; May, 275.

Q The gravity and the color?

A It is, as I said, approximately 39 gravity and it is dark.

Q Pretty much a true oil?

A Yes.

Q Isn't it a possibility, with the decreasing ratio and the difficulty in making a gas allowable, that there is a strong possibility that this is an oil well rather than a gas well?

A Based on the last few months production, yes.

Q And that as well as the ratio possibly climbing in the next few months it might just as possibly fall or hold what it is?

A That is possible.

Q Maintaining the oil classification?

A That is possible.

MR. RIEDER: That is all.

MR. MACEY: Any questions? Mr. Nutter?

By MR. NUTTER:

Q Our records show, Mr. Watts, that this well was completed in August of 1951, and had an initial potential of 482 MCF per day, with 33 barrels of oil. It also shows that when you worked the well over you had a test on the well of 200 MCF per day and six barrels of oil. What type of a work-over was that that was performed on that well?

A That was a fracture, yes, that was a fracture treatment.

Q Do you know how many gallons of fluid?

A 3,000 gallons.

Q Of sand?

A 3,000 of fluid and 3,000 of sand.

Q What was the test after the work-over?

A It was approximately one million MCF producing into a 450

pound line.

Q Do you know what the GOR was after the work-over?

A Yes, immediately after it was 151,000, but then it dropped down again.

Q Had this well ever accumulated an underage before or after the workover?

A No, sir.

Q Our records show, Mr. Watts, that --

A (Interrupting) Oh, an underage, yes, it has accumulated an underage.

Q Our records show an underage of 55,919 MCF was cancelled, and since the time of the work-over, up through April, we have 10,898 underage accumulated against the well.

A Yes, that fifty-five million that was cancelled was prior to a work-over during 1954. Our work-over was toward the end of the year, in October or November. That would account for the great amount of underage. Since then, at present, we are approximately ten million under, I believe you said.

Q 10,898 MCF.

A Our contention is, for example in June the allowable was approximately six million. Prior to that, we have been making since January, 14,000,000, 12,000,000, 13,000,000 a month, and we think over a yearly basis, it is conceivable that we will make at least more than an eighty acre unit, and possibly as much as 120, maybe not.

Q The fact remains, however, that in the four months immediately following a work-over, you accumulated an underage of 11,000 MCF?

A Yes.

Q Of course, we have to recognize the fact that the underage was accumulated during the high demand period?

A Yes.

Q Through the first four months of the year. Presently 80 acres are assigned to the well, correct?

A That is correct.

Q You want an increase to 120 acres?

A Yes.

Q That is an increase of 150 percent of its present assignment.

A No, just 50 percent.

Q In addition, an increase to 150 percent of its size?

A Yes.

MR. NUTTER: I would like the record to show that the total production for this well, since January, 1954, has been 126,687 MCF. The total underage, including 55,919 cancelled in December, 1954, and 10,898 MCF; underage accumulated from January 1, 1954 through April of this year is 66,817. The underage that has been cancelled and has accumulated up to the present time represents just about 50 percent of the total production that the well has made. This, in view of the 80-acre proration unit, and yet the proposed proration unit would be 120 acres.

MR. MACEY: Mr. Nutter, are you swearing to what you are telling us?

MR. NUTTER: That is according to the Commission records.

MR. MACEY: Mr. Rieder?

MR. RIEDER: I have one further question.

By MR. RIEDER:

Q I would like to have the mechanical description of difficulties that you have been experiencing with the well since the first of the year?

A Yes. Our separator is sanded up, or I should say filled with B. S. on one or two occasions, requiring cleaning. There was some operational difficulties, we ran out of tank rum, as I recall, on one occasion; we had the dump valve on the separator become inoperative on several occasions. Then, too, Permian Basin has been required to shut down on one or two occasions. I don't recall the dates.

Q Your separator has required cleaning for heavy settings?

A Yes.

MR. HINKLE: I would like to ask another question.

By MR. HINKLE:

Q You have read into the record, I believe, a letter which you sent to the Humble, and to the Gulf, which I believe was in the fall of 1953, and the reply which was in 1953, November, 1953. Have you had any recent correspondence with the Humble in regard to this unit?

A Yes, we have some recent correspondence from Humble, dated June 23rd, this year.

Q Is that a letter from you to the Humble?

A No, from Humble to us.

Q Is that in reply to a letter?

A Yes, it is in reply to our letter of June 14th concerning these cases, 915 and 916.

Q That is of this year?

A Yes.

Q Will you read the Humble reply?

A "Mr. Q. B. Davis, Aztec Oil and Gas Company, 920 Mercantile Securities Building, Dallas, Texas. We have reviewed your letter of June 14th, 1955 concerning Cases 915 and 916 covering your applications for non-standard units in the Eumont Gas Pool, Lea County, New Mexico.

While we appreciate the explanation of your reasons for requesting these non-standard gas units, our position has not changed in that we will not support your applications to the extent of furnishing the New Mexico Oil Conservation Commission with a waiver. We prefer to listen to the testimony prior to taking a position in these cases." That was signed Humble Oil and Refining Company, J. W. House, by R. S. Dewey.

MR. HINKLE: If the Commission please, we would like to have introduced in evidence, both of these letters, that is the letter that was written from Aztec to Humble and the reply that was read. We would like to have them in the record.

MR. MACEY: Without objection they will be introduced in the record. Does anyone have anything further? Mr. Kitts?

MR. DAVIS: If agreeable, suppose we could straighten out the letters?

MR. HINKLE: We would like all the correspondence in the record related to this matter.

MR. MACEY: If agreeable with both parties.

MR. DAVIS: We will furnish them.

MR. MACEY: Mr. Kitts?

By MR. KITTS:

Q I want to be sure I understood your testimony. Did you state that this well had been producing for 85 percent of the working days over the past several months?

A Yes, it is an estimate. I did not stop and figure it accurately. Just from glancing at the production data.

MR. MACEY: Anyone else have a question of the witness? If not the witness may be excused.

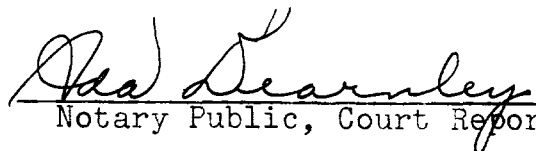
(Witness excused.)

MR. MACEY: Does anyone have anything further? If not we will take the case under advisement. We will take a short recess.

STATE OF NEW MEXICO)
 : SS.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 6th day of July, 1955.


Notary Public, Court Reporter

My Commission Expires:
June 19, 1959

June 14, 1955

Mr. R. S. Dewey
Humble Oil and Refining Company
Midland, Texas

Dear Mr. Dewey:

Referring to our telephone conversation yesterday afternoon concerning applications recently filed by the Company for non-standard gas proration units for its Burk No. 2 Well and Maxwell-State No. 1 Well located in the Eumont Gas Pool of Lea County, New Mexico, I am enclosing a plat showing the units requested by our applications. You will recall that in December, 1953, similar applications were made to the Commission and the only objections were Gulf Oil Corporation and your company. We have now received a waiver of any objections by Gulf to the formation of the proposed non-standard units, as well as waivers from The Ohio Oil Company and Sinclair Oil and Gas Company.

At the time gas proration was commenced in Lea County, Aztec filed application for non-standard units as indicated on the plat on the theory that our Burk and Maxwell wells were on the edge of the field and, therefore, did not warrant the dedication of additional acreage thereto. As I told you over the phone, we made every effort to form a standard 160-acre proration unit for our Burk No. 2 Well prior to the drilling, but was unable to reach a reasonable agreement with our lessor, Mr. Burk. We approached Mr. Burk again on this matter at the time of our initial application for a non-standard unit and were just as unsuccessful as the first contact.

In view of the fact that there have been several odd-shaped non-standard units approved in the Eumont Field, we do not believe that the approval of our proposed units will seriously jeopardize the operations of other companies in this immediate area. It would seem that if your 40 acres in the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 27 was dedicated to either of the wells, then Gulf Oil Corporation, and perhaps Tidewater, should be permitted to commit some of their acreage. I doubt very seriously that either of these wells, particularly the Maxwell-State No. 1, would be an attractive pay

Mr. R. S. Dewey

-2-

June 14, 1955

out proposition should additional acreage be dedicated to them. Moreover, it would appear that if Humble is interested in drilling a well in Section 27 that a proper pooling arrangement would be with Gulf, and perhaps Tidewater, covering the northeast part of the section.

This matter has been set down for hearing at the special meeting to be held on June 28 and it will, therefore, be appreciated if you will discuss these non-standard units with your Exploration Office and let me know of your decision in advance of the hearing, if at all possible. Should you need any additional information, please let me know.

With thanks and best regards, I am

Yours very truly,

QED:ML

cc - Mr. Prentice Watts

Prentice: I talked to Dewey yesterday afternoon and he knew very little about the objection but promised to check into the matter. In any event, it looks like our hearing is set for June 28.

I am leaving for Denver this afternoon and will be at the Brown Palace Hotel through the 18th, in the event you need to get in touch with me. I will let you know the outcome of my discussion with Dewey immediately upon my return to Dallas. Regards.

Q.B.D.

30-2 9/10

AZTEC OIL & GAS COMPANY

920 MERCANTILE SECURITIES BLDG.

DALLAS 1, TEXAS

May 25, 1955

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

Re: Application for Exception to
Rule 5A of Order R-520, as
amended, for Establishment of
a Non-Standard Gas Proration
Unit, Eumont Gas Pool, Lea
County, New Mexico

Gentlemen:

Aztec Oil & Gas Company (hereinafter referred to as "Applicant") hereby submits its application for approval of a non-standard gas proration unit comprising the $E\frac{1}{2}SW\frac{1}{4}$ and $NW\frac{1}{4}SE\frac{1}{4}$ of Section 27, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico, as reflected on the plat attached hereto.

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

1. Applicant's Maxwell-State No. 1 Well, located 1650 feet from the south line and 2310 feet from the west line of Section 27, Township 19 South, Range 37 East, N.M.P.M., Lea County, New Mexico, was completed on July 30, 1951 and thereafter connected to the pipeline system of Southern Union Gas Company. Said well is now connected to the Permian Basin Pipeline Company pipeline.
2. The proposed non-standard gas proration unit consists of 120 acres, more or less, which are contiguous quarter quarter sections.
3. In the opinion of Applicant, the entire non-standard gas proration unit requested herein may reasonably be presumed to be productive of gas from the Queens Formation.
4. Applicant owns the entire working interest in the proposed non-standard gas proration unit.
5. The length or width of the proposed non-standard gas proration unit does not exceed 5280 feet.

May 25, 1955

6. Unless the non-standard gas proration unit as requested herein is approved by the Commission, Applicant will be deprived of the opportunity to recover its just and equitable share of the gas from the reservoir.

Therefore, Applicant respectfully requests that this matter be set down for hearing before the Commission; that notice thereof be given, as required by law and the regulations of the Commission; and that upon final hearing the Commission issue its order approving the non-standard gas proration unit as requested by this application.

Respectfully submitted,

AZTEC OIL & GAS COMPANY

By

Quilman B. Davis
General Attorney

STATE OF TEXAS }
COUNTY OF DALLAS }

Quilman B. Davis, being first duly sworn, hereby states that he is the attorney for Aztec Oil & Gas Company, Applicant in the foregoing application; that he has executed said application on behalf of Aztec Oil & Gas Company; that he has read the application and, to the best of his knowledge, information and belief, all statements of fact therein contained are true and correct; and that a copy of this application was duly deposited on May 25th 1955 in the United States Post Office addressed to the parties listed below as receiving a carbon copy of this application.

Quilman B. Davis
Quilman B. Davis

Sworn to and subscribed before me, the undersigned authority, this 25th day of May, 1955.

My Commission Expires:

June 1, 1955

Charlyne V. Bell
CHARLYNE V. BELL Notary Public in and for
Dallas County, Texas

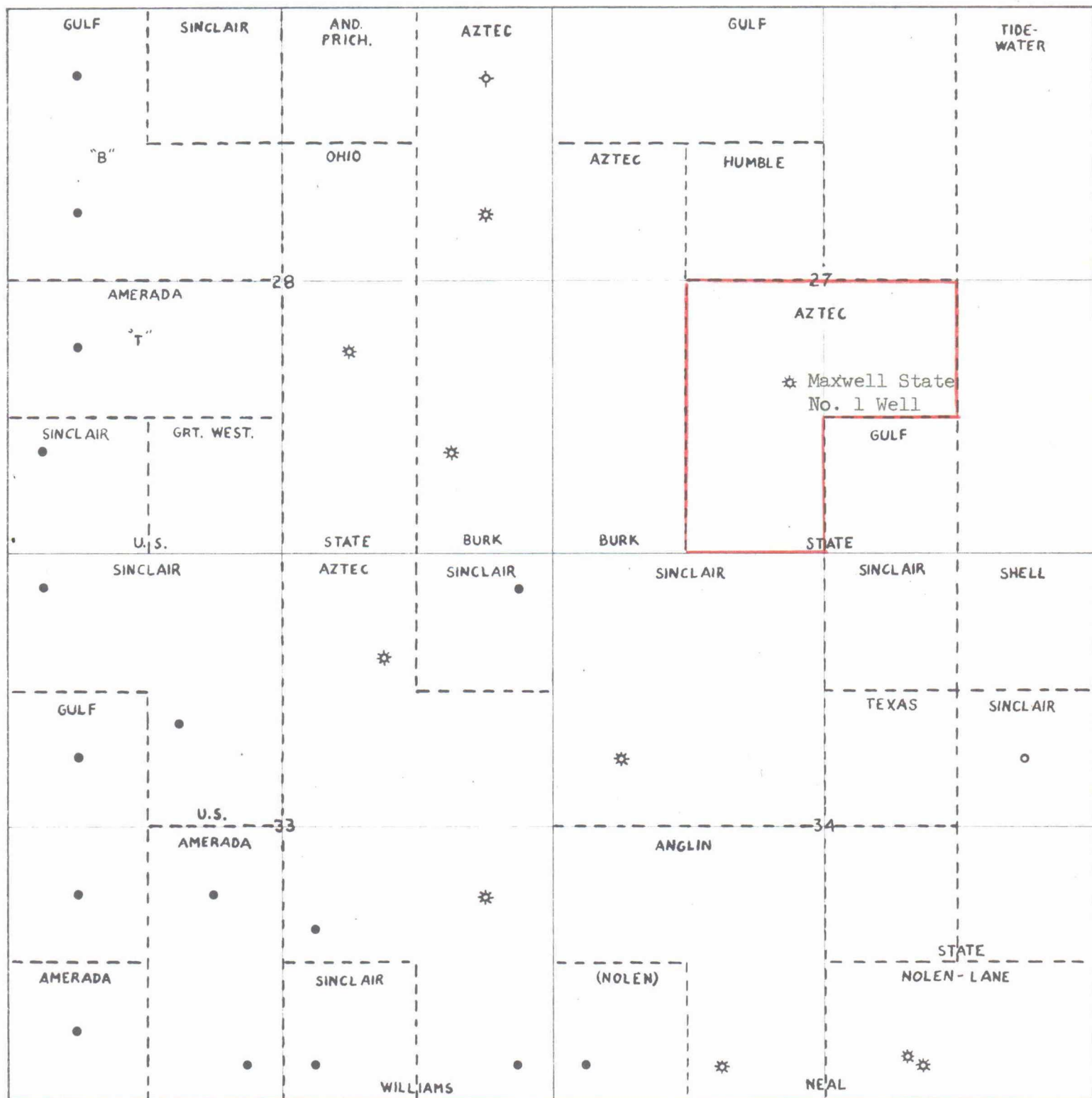
cc: Gulf Oil Corporation
Fort Worth, Texas

Humble Oil & Refining Company
Houston, Texas

Sinclair Oil & Gas Company
Fort Worth, Texas

Tidewater Associated Oil Company
Houston, Texas

SECTION 27, 28, 33, 34 TOWNSHIP 19 South RANGE 37 East COUNTY Lea STATE New Mexico



AZTEC OIL & GAS COMPANY