

BEFORE THE COMMISSIONER OF PUBLIC LANDS

STATE OF NEW MEXICO

APPLICATION OF AZTEC OIL & GAS
COMPANY FOR PERMISSION TO COM-
MINGLE HYDROCARBONS ON STATE
OWNED LANDS, ARKANSAS JUNCTION
SAN ANDRES POOL, LEA COUNTY,
NEW MEXICO.

APPLICATION

Comes now Aztec Oil & Gas Company by its attorneys and makes application to the Commissioner of Public Lands for the State of New Mexico pursuant to Rule 53 of the rules relating to oil and gas leases, promulgated by the State Land Office, and in support of its application states

1. Applicant is the owner and operator of the SW $\frac{1}{4}$ of Section 1, and the N $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 12, Township 18 South, Range 36 East, Lea County, New Mexico. The SW $\frac{1}{4}$ of Section 1, and the N $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 12 are covered by different State leases, but the beneficiary under each lease is the Common Schools Fund.

2. The State A J Well No. 1, located in the SW $\frac{1}{4}$ of Section 1, is presently capable of producing approximately 15 barrels of oil per day from the Arkansas Junction - San Andres Pool. The Amerada State Well No. 1 located in the N $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 12, presently is capable of producing approximately 35 barrels of oil per day from the Arkansas Junction - San Andres Pool. The combined total production of these two wells is less than a single normal unit allowable for this pool which presently is 77 barrels per day.

3. A plat showing the location of the subject acreage and of the wells located thereon is attached to this application.

4. Applicant proposes to commingle the production from the

two aforesaid wells and leases into a common tank battery and to allocate production between the subject wells and leases on the basis of monthly production tests on each of the said wells. Further description of the status of the subject wells and the manner in which production therefrom would be commingled is set forth in the application by Aztec Oil & Gas Company to the Oil Conservation Commission in Case No. 3822, a copy of which application is attached hereto and incorporated herein by reference. Also attached to this application is a schematic diagram showing the hydraulic pumping installation that will be utilized if this application is approved.

5. The estimated cost of providing separate heater treaters and meters is an additional \$7000, which expenditure is not reasonably justifiable in view of the extremely high lifting and operating costs that already are being experienced on the subject wells. Accordingly, unless this application is approved, applicant may have to abandon the State A J Well No. 1, with resultant loss in revenue to it and the State of New Mexico.

6. The overriding royalty interests in each of the subject leases have been notified of the applicant's proposal to commingle the production from these two leases and no objection has been received. Waivers of objection have been received from all but one of the overriding royalty interests.

WHEREFORE, Aztec Oil & Gas Company requests that the Commission of Public Lands approve this application for commingling. Applicant further requests that the Commissioner of Public Lands communicate its approval of this application to the New Mexico Oil Conservation Commission so that the said Commission can proceed to act with respect to the application pending in Case 3822.

Respectfully submitted,
MONTGOMERY, FEDERICI, ANDREWS, HAMMAHS & MORRIS

By Richard J. Morris
P.O. Box 2307
Santa Fe, New Mexico 87501
Attorneys for Aztec Oil & Gas Co.

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Legend: (•) San Andres Wells
(•) Queen Wells

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
AZTEC OIL & GAS COMPANY FOR AN ORDER
APPROVING THE COMMINGLING OF HYDRO-
CARBONS PRODUCED FROM THE AZTEC STATE
A J #1 WELL AND THE AZTEC AMERADA STATE
#1 WELL IN THE ARKANSAS JUNCTION-SAN
ANDRES POOL, LEA COUNTY, NEW MEXICO AS
AN EXCEPTION TO RULE 309-A

CASE NO. 3822

APPLICATION

Aztec Oil & Gas Company (herein referred to as "Applicant") hereby makes application to the Commission for authority to commingle hydrocarbons produced by means of hydraulic lift from the Aztec State A J Well No. 1 and the Aztec Amerada State Well No. 1, which wells are located in Sections 1 and 12 respectively in Township 18 South, Range 36 East, Lea County, New Mexico, as an exception to Rule 309-A of the Oil Conservation Commission. In support of such application, Applicant respectfully submits the following:

1. Both of the subject wells, which produce from a common reservoir, are limited capacity wells which produce high water volumes and contain highly corrosive elements which have rendered normal lift pumping techniques impractical and Applicant has installed a hydraulic pumping system at considerable expense in an effort to economically produce the recoverable hydrocarbons underlying the lands in question.

2. Separate metering equipment adequate to assure compliance with Rule 309-A would, in this instance, be prohibitively expensive and would impose an unjustifiable economic burden upon Applicant. Economies effected by the procedures herein recommended are expected to prolong the producing life of these wells, thus preventing reservoir waste.

3. The ownership of the land owners' royalty is common under both of the subject leases and the only diversity of ownership which exists is with respect to a portion of the overriding royalty interest created under such leases.

4. Applicant proposes, subject to the approval of the Commission, to allocate production from the two wells based upon periodic production tests of such wells to be conducted at least once each calendar month thereby protecting the correlative rights of the overriding royalty interest owners.

5. Attached hereto and made a part of this application is a plat showing the location of the subject wells and the location of all other wells within a radius of two miles from the subject wells.

6. Attached hereto and made a part of this application is a schematic drawing showing thereon the plan of pumping facilities, flow lines and tankage as well as other surface facilities which will be utilized in producing fluids from the subject wells if the Commission grants Applicant's request as herein made.

7. A copy of this application together with all the attachments has been mailed to the State Land Office, P. O. Box 1148, Santa Fe, New Mexico with all necessary postage duly prepaid, on this 11th day of July, 1968.

Wherefore, Applicant respectfully requests that this matter be set down for hearing before an Examiner at the earliest practicable date, that notice thereof be given according to the laws and the rules and regulations of the Commission, and upon hearing of this application, an order be issued authorizing and approving the commingling of hydrocarbons produced from the Aztec State A J Well No. 1 and the Aztec Amerada State Well No. 1 from

the Arkansas Junction-San Andres Pool and that royalties to be allocated to each of the respective wells shall be determined by periodic production tests to be conducted at least once each calendar month on each such well.

Respectfully submitted this 11th day of July, 1968.

AZTEC OIL & GAS COMPANY

By Joe E. Starks
Joe E. Starks
Attorney

LIST OF OFFSET OPERATORS

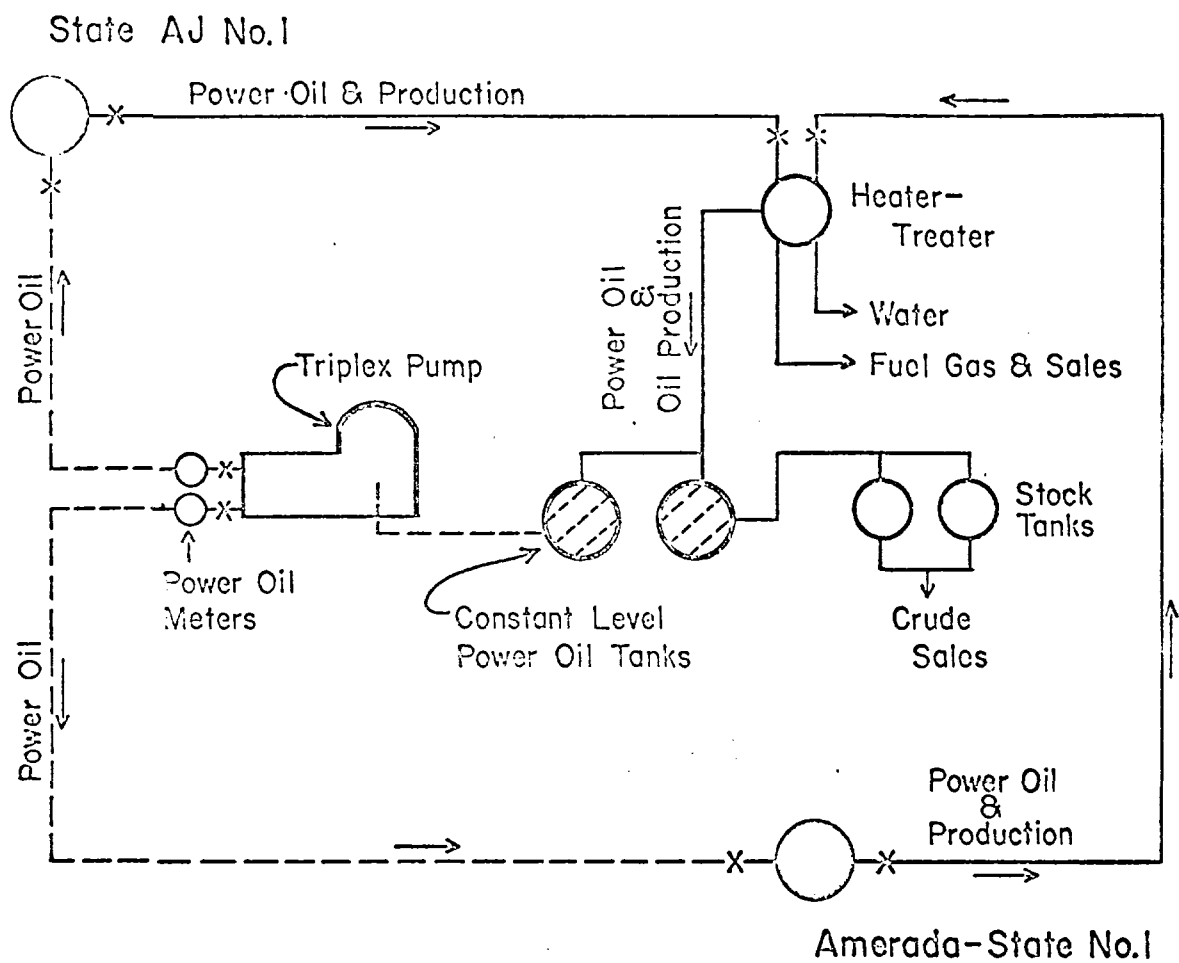
Morris R. Antwell
P. O. Box 2010
Hobbs, New Mexico

Estate of Ralph Lowe
P. O. Box 832
Midland, Texas 79701

Tenneco Oil Company
P. O. Box 1301
Midland, Texas 79701

Amo Dalby
c/o Bill Ranck
1504 Main Street
Lubbock, Texas

Cactus Drilling Company
P. O. Box 1826
Hobbs, New Mexico



Schematic Diagram

Showing

Hydraulic Pumping Installation

on

AZTEC OIL & GAS COMPANY

Leases in the Arkansas Junction Pool

Lea County, New Mexico