

Case No.

367

Application, Transcript,
Small Exhibits, Etc.

OIL CONSERVATION COMMISSION
MAY 7 1952

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

In the matter of the application of Southern Union Gas Company for an order approving an onorthodox location in the NE $\frac{1}{4}$ of Sec. 18, T. 31N., R. 10W, NMPM; such proposed location being 1910 ft. south and 1650 east of the northwest corner of the NE $\frac{1}{4}$ of said Sec. 18; and, further, for approval of an exception to Order No. 799, as amended by Order No. R-110, to permit the drilling of a well to test the Mesa-verde formation on a unit comprising 267.76 acres, more or less.

367
No. 376-

TRANSCRIPT OF HEARING
April 28, 1952

E. E. GREEBON
ADA DEARNLEY
COURT REPORTERS
BOX 1303
PHONES 5-9422 AND 5-9546
ALBUQUERQUE, NEW MEXICO

SPECIAL HEARING, April 28, 1952

BEFORE: Hon. Ed. Mechem, Governor
Hon. Guy Shepard, Commissioner of Public Lands
Hon. R. R. Spurrier, Member and Secretary

R E G I S T E R

Quilman B. Davis, Southern Union Gas Co., Dallas, Texas.

Truett Helms ditto Farmington , N. M.

Van Thompson ditto Dallas, Texas.

Critchell Parsons, Beaver Lodge Corporation, Dallas, Texas.

W. O. Macey, Oil Conservation Commission, Santa Fe, N. M.

L. C. White, Oil Conservation Commission, Santa Fe., N. M.

J. O. Seth, self, Santa Fe, N. M.

Clarence E. Hinkle, Richardson & Bass, Roswell, N. M.

J. B. Lovejoy, ditto Fort Worth, Texas.

E. E. Unger, Unger Exploration Co., Midland, Texas.

Perry R. Bass, Richardson & Bass, Fort Worth, Texas.

Howard W. Jennings, self, (address not given).

MR. SPURRIER: Will you read the advertisement, Mr. White?

(Mr. White reads the notice of publication.)

MR. SPURRIER: Mr. Davis.

MR. DAVIS: Will you swear Mr. Parsons, please.

(Mr. Parsons sworn.)

MR. DAVIS: Quilman B. Davis, representing Southern Union Gas Company.

CRITCHELL PARSONS, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. DAVIS:

Q Will you please state your name, please, sir?

A My name is Critchell Parsons.

Q Who are you with, Mr. Parsons?

A Beaver Lodge Corporation, Dallas, Texas.

Q Mr. Parsons, give us a brief description of your background and education.

A I graduated from the University of New Mexico in 1932 in economics and geology. I was then at Oxford University for four years studying economics, and in the last year international petroleum operations. I was then connected with the Socony-Vacuum Oil Company in their Headquarters in Cairo with responsibilities in the marketing and distribution of petroleum in the Middle Eastern countries. From 1940 and 1941 I was with the Socony-Vacuum Oil Company in New York. From 1942 until 1946 I was deputy director of the petroleum division, Foreign Economic Administration, Washington. And since 1946 I have been an independent oil operator in Dallas, Texas. And a short time ago organized the Beaver Lodge Corporation, of which I am President.

Q Are Mr. Parsons' qualifications acceptable?

MR. SPURRIER: They are.

Q Mr. Parsons, are you interested in the proposed unit, comprising part of the N $\frac{1}{2}$ of Sec. 18, T. 31N., R. 10W, San Juan County, N. M.?

A Yes. The Beaver Lodge Corporation has entered into the communitization arrangement with Southern Union and others for communitization of the N $\frac{1}{2}$ of Sec. 18.

Q I hand you a plat of that area and ask you to identify the N $\frac{1}{2}$, and particularly the proposed location of our McCoy Unit No. 1 well. Please state the location of the well.

A This is the N $\frac{1}{2}$ of Sec. 18. And the location of the well designated as the Southern Union Gas Company-Beaver Lodge Corporation McCoy Unit No. 1 is here right next to the highway from Aztec to Durango. Slightly to the west of the highway.

Q Will you give the distance from the north and east lines of the section?

A The location is 990 feet from the east line of Sec. 18 and -- is that 1,910 feet?

MR. SPURRIER: Yes.

A From the north line.

Q In the application for approval of an unorthodox location, would it be true if the well were located in compliance with

the spacing regulations of the Commission's order, it would be here in the river or so close to the river it would be impossible to conduct drilling operations?

A Yes. I visited the location Saturday, this last Saturday afternoon, and again yesterday morning, and surveyed it informally on the spot. The only location available for the well is on this small triangle site bounded by the highway to the East and the river to the North and West. And there is only really one location where the well can be placed. If it were placed in accordance with the regular spacing, the spacing rules, of the State of New Mexico, it would I believe be almost in the middle of the Animas River.

Q Now, Mr. Parsons, considering the size of the unit we are asking for an exception for to Rule 799, which is the Blanco spacing order, would you please tell the Commission what knowledge you have of the efforts of both Beaver Lodge and Southern Union to obtain a lease from Basilio Larcher?

A In January, I think approximately the middle of January, we completed our deal with a Midland, Texas operator, Mr. Wayne Moore, with an acquisition of certain acreage in the Cedar Hill area, including acreage under Flatherty and McCoy leases which is going into the communitization of the N $\frac{1}{2}$ of Sec. 18. We were informed at that time Mr. Larcher's acreage wasn't under lease. And beginning in the early part of February we made attempts to negotiate with Mr. Larcher to bring his lease -- to secure an oil and gas lease from him --

so that the acreage could be included in our unit. We, on February 6, after preliminary negotiations with Southern Union Gas Company relating to this communitization project, wrote a letter to Mr. Larcher advising him of our intentions, of our intention to communitize. We addressed the letter to Mr. Larcher, Rural Route, Aztec, N. M., registered mail, return receipt requested. And it was returned to us unclaimed. Mr. Davis has the letter if you would like to enter it as an exhibit.

Q Mr. Parsons, let me ask you one other thing. Whether, without obtaining an exception to rule 799, it would prevent the drilling of a well and the operation of the remaining lands in the N $\frac{1}{2}$ of Sec. 18 for the production of oil and gas. Wouldn't it?

A Yes, sir.

MR. DAVIS: I would like to introduce in evidence as Southern Union Gas Company's Exhibit 1 the plat.

A I might say we made other attempts to approach Mr. Larcher directly and indirectly and were unsuccessful in securing any lease from him one way or the other.

MR. WHITE: At the present time you don't know his whereabouts?

A No. I presume he is in the environs of Aztec.

MR. DAVIS: The next witness will show he is still up there in that area.

Q For the purpose of identification, is this the letter you

referred to a minute ago where you notified Mr. Larcher of your intention to pool the N $\frac{1}{2}$, and asking him to come into the unit?

A It is. At that time -- although Beaver Lodge Corporation was a party and participant in the communitization, this letter was written by Tioqa Petroleum Corporation, a sister company domiciled in the same office in Dallas.

MR. DAVIS: I would like to submit this as Exhibit No. 2.

MR. SPURRIER: Without objection, these exhibits will be received.

MR. DAVIS: That is all the questions I have of Mr. Parsons.

MR. SPURRIER: Does anyone have a question of this witness. If not, the witness may be excused.

TRUETT HELMS, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. DAVIS:

Q Please state your name.

A Truett Helms.

Q Mr. Helms, what company are you with?

A Southern Union Gas Company

Q In what capacity are you employed by Southern Union?

A District land man.

Q Where?

A Farmington, N. M.

Q Farmington, N. M. How long have you been district land man for Southern Union Gas Company?

A Approximately six months.

Q Have you been in Farmington for most of that period?

A Yes, sir.

Q Are Mr. Helms' qualifications acceptable?

MR. SPURRIER: They are.

Q Mr. Helms, as district land man, you have had occasion to contact Mr. Basilio Larcher in connection with the -- either the leasing or pooling or getting him to pool a working interest in the proposed unit of the N $\frac{1}{2}$ of Sec. 18, have you not?

A I have.

Q What were the results of your many discussions with Mr. Larcher?

A They were all unsuccessful.

Q Did you make more than one visit out at Mr. Larcher's farm?

A I made numerous visits, about fifteen or twenty.

Q Does Mr. Larcher live on this 55 acres up in the NE $\frac{1}{4}$ of the N $\frac{1}{2}$ of Sec. 18?

A He lives on Sec. 18, yes.

Q Have you made an offer to Mr. Larcher to participate in

the drilling of the well as well as proposing a lease to Southern Union Gas Company?

A I have.

Q And have been refused on all of those -- refused on all counts.

A Yes.

MR. DAVIS: That is all the questions I have of this witness.

MR. SPURRIER: Can you tell us any more about what is reason is for not participating in this --

A I think I can. I have been to see him, like I said, 15 or 20 times. And I have pitched his hay for him, and fed his cattle and drained his radiator of his tractor, and other chores around the farm. And he thinks everybody is trying to get to him. And he won't believe anybody. We have offered him all his rights and a fair price for his lease and offered a working interest.

MR. SPURRIER: You have offered what is probably the going rate in the area for the lease?

A Yes, sir.

MR. SPURRIER: And have offered to carry him for his share of the well and to let him pay out of his share after the well is producing?

MR. DAVIS: We haven't offered to let him participate in

the drilling of the well without putting up any money. We don't feel like we should drill the well and then let Mr. Larcher set back. And if we get a dry hole, he doesn't pay anything. And if we get a good producer, in 5 or 10 years come in for a 55/320 of the gas produced. We don't want to set a precedent like that. We are afraid a lot of these 40 acres where we have never been able to get an assignment or purchase a lease would want the same.

Q Mr. Helms, just one other thing. In addition to the going price, I believe we have offered Mr. Larcher the top price for that type of acreage in the area. Have other people in the area not associated with the Southern Union Gas Company attempted to get a lease from Mr. Larcher?

A Yes, sir, they have.

Q Have we not also solicited the assistance of friends of Mr. Larcher to see if they couldn't explain the reason for it?

A Yes, sir.

Q Attempting to get a lease from him. Did he not give one reason for not leasing, that he wanted an oil well and nothing else?

A That's right. When he moved into the place, somebody told him there was oil under it. Which is no difference from any other land owner. But he is firmly convinced there is.

Q In other words, he would give you a lease if you would guarantee an oil well?

A That's right.

MR. WHITE: Why don't you take him up on that?

(Off the record.)

MR. SPURRIER: Any further questions of this witness?

MR. MACEY: Mr. Helms, as I understand it, you are not asking to have Mr. Larcher forced into the unitizing, or are you?

MR. DAVIS: No, Mr. Macey, we are not asking the Commission to force unitization of the $N\frac{1}{2}$. We feel like if we get an exception from Rule 799 or R-110 to permit drilling of this Mesaverde well on 267.76 acres, that if and when proration does come into effect, it will be reduced to $267.76/320$ of the allowable. What we would ask is if Mr. Larcher would like to come in and drill a well on this 55 acres, that he would be permitted to do so, but would receive only $55/320$ of the allowable.

MR. SPURRIER: Have you got a witness to explain how the Commission would prorate the allowable? We don't have any proration in that country. In the meantime, how do you propose to set it up so that drainage doesn't occur?

MR. DAVIS: I don't know. We can't set it up unless we cut the well back. And, incidentally, Mr. Larcher has had every opportunity to participate in it. And if he wants to come in and drill a well to offset the drainage, it will be perfectly all right.

A He has told me he don't want any part of that, don't care about it.

MR. WHITE: Suppose at a later date he would like to come in and form an agreement and get his prorata share. Are you agreeable to that?

MR. DAVIS: Yes. Because we would be interested, if and when proration does come in, be interested in getting a full allowable from the unit. But the thing that is bothering me is not the taking in or prorating production. Now we are aware, and I feel sure everyone else is aware, of these small 40-acre tracts that would give us considerable difficulty down the line in trying to prorate, leaving those 40 acres out or carrying those 40-acre tracts.

MR. WHITE: Why is it you can't drill a well in the middle of the Animas river?

(Off the record.)

MR. DAVIS: Any other questions of Mr. Helms?

MR. SPURRIER: You may be excused, Mr. Helms.

(Witness excused.)

VAN THOMPSON, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. DAVIS:

Q Will you state your name, please?

A Van Thompson.

Q You have testified before the Commission before, Mr. Thompson?

A Several times, yes, sir.

MR. DAVIS: Are his qualifications acceptable?

MR. SPURRIER: They are.

Q Mr. Thompson, a question was asked why the well could not be drilled, I presume on an orthodox location rather than unorthodox, which would be at in the approximate center of the Animas River.

A At the present time the water is about 10 to 15 feet deep out there. It would be just impossible to get the equipment in and drill in the river bed. And furthermore, after it was drilled we couldn't operate it. Couldn't take care of it.

Q Actually is the present proposed location only about 50 to 60 feet outside the 200 foot tolerance permitted by the Blanco rules?

A It is only 60 feet out of the permitted location. The only country it could drain would be the land to the south, which is the gas company's acreage. And we intend to unitize the S $\frac{1}{2}$, and there will be another well drilled in the SE $\frac{1}{4}$. So that the two wells in the overall will drain the section as they are supposed to do.

MR. SPURRIER: You mean SW $\frac{1}{4}$, don't you?

A Southwest, yes, sir. You see, it isn't unorthodox to the east from the east line. It is just 60 feet further south than the rules allow.

MR. SPURRIER: Perhaps Mr. Thompson can answer my question. Without gas proration or any allowable out there, how can the Commission allocate the gas so that so that it isn't gas in Mr. Larcher's 55 acres?

MR. DAVIS: Mr. Spurrier, does not the rule of the Blanco field contemplate there can be exceptions notwithstanding proration?

MR. SPURRIER: If you cannot get your entire unit together.

MR. DAVIS: That leads to forced pooling. You can't ask for forced pooling.

MR. SPURRIER: If the Commission were allocating gas, yes. But we are not. How do you propose to do it in the meantime? You are asking the Commission to allocate to that 267.76/320.

A We think until you have measurements set up the well will be produced just like any other well as a full unit. We have done everything we can to get this land in and we just can't help it. When you do set up proration, which I am sure we will have in the next two or three years, then it will be allocated on that basis. I do not believe that man will suffer any drainage in the meantime.

MR. SPURRIER: Of course, if he takes upon himself to pursue that drainage amount, that is between you and Mr. Larcher.

A That's right.

MR. SPURRIER: But I am just trying to clear the record.

Q Mr. Thompson, to complete the record, do we not have a

drilling commitment for this N $\frac{1}{2}$ of Sec. 18?

A That's right. We have to have a well started by April 30 or Beaver Lodge Corporation will lose the lease on the McCoy tract.

Q The McCoy as well as the Flatherty tract?

A That's right.

Q In other words, both leases have a commitment to commence drilling a well on the N $\frac{1}{2}$ of Sec. 18 before April 18 or May 3?

MR. SPURRIER: Any other questions of this witness?

A I would like to make one other statement. We have had some similar conditions like that down in the Kutz-Canyon area. And the way it was handled finally, in one case El Paso Natural acquired the lease, in the other case Stanolind acquired them; so we sold the interest in the well that was already producing based upon its value at the time we sold it to them. And not upon the cost of drilling it, but what the well was actually worth. So if some day in the future somebody did acquire that lease or wanted to buy into the well, I know as far as our company is concerned, they would not have any objection.

MR. SPURRIER: Any further questions? If not, the witness may be excused.

MR. PARSONS resumed the stand for further direct examination.

BY MR. DAVIS:

A About the Flatherty and McCoy lease, I would like to make

one statement about our leases in the Cedar Hill area. The terms of the agreement.

MR. SPURRIER: All right.

A We acquired approximately 2,000 acres of lease by assignment from E. J. Moore of Midland, Texas, and there is included a lease from Flatherty and McCoy in Sec. 18. The McCoy lease is the site for the proposed well. The overall deal depended upon a drilling commitment, predicated upon a drilling commitment, in either the Flatherty or McCoy leases to commence March 1. We got a sixty day extension from Flatherty and McCoy. And it is therefore necessary that Beaver Lodge and Southern Union be actually drilling a well on the agreed site by May 1.

Q Or otherwise the leases will --

A Or otherwise do not only the Flatherty and McCoy leases terminate, but all the leases on approximately 1,800 acres.

Q In other words, the contract governing the remaining acreage will also terminate?

A That is correct.

Q We are primarily interested in the provisions of the lease here which provide that the lease will terminate unless a well is commenced on the N $\frac{1}{2}$ of 18 by May 1?

A There was a provision also that the well be drilled on the Flatherty lease. We finally got a waiver on that because it would be impossible under the pattern rule to drill in the

NW $\frac{1}{4}$. The other question I wanted to ask. When a proration allowable is set for Mesaverde gas along the line, is it correct in this case if the Larcher acreage has not been included to make a full 320-acre unit? That in all probability if the production allowable is a million feet a day, we will say, it would be cut proportionately to the acreage in the unit?

MR. SPURRIER: I think so.

A Is that correct? That is all I have.

MR. DAVIS: Any questions of the witness?

MR. SPURRIER: Any further questions of this witness. If not, the witness may be excused. Do you have any more witnesses?

MR. DAVIS: That is all the witnesses we have.

MR. SPURRIER: If there are no further witnesses, that completes Case 367, which we will take under advisement for this morning. The next case on the docket is 365.

STATE OF NEW MEXICO

SS

COUNTY OF BERNALILLO

I HEREBY CERTIFY That the foregoing is a true record of the matters therein contained.

DONE at Albuquerque, N . M., May 2, 1952.


Notary Public

My Commission Expires: 8-4-52

OIL CONSERVATION COMMISSION

P. O. BOX 871
SANTA FE, NEW MEXICO

September 5, 1952

C
O
P
Y

Mr. Guilman Davis
Southern Union Gas Company
Burt Building
Dallas, Texas

Dear Sir:

RE: OOO Case 367

We attach a signed copy of Order R-65 which was signed on
June 19, 1952, in Case 367.

Very truly yours,

W. B. Macey
Chief Engineer

WBM:nr

F

Company Southern Union Gas Company

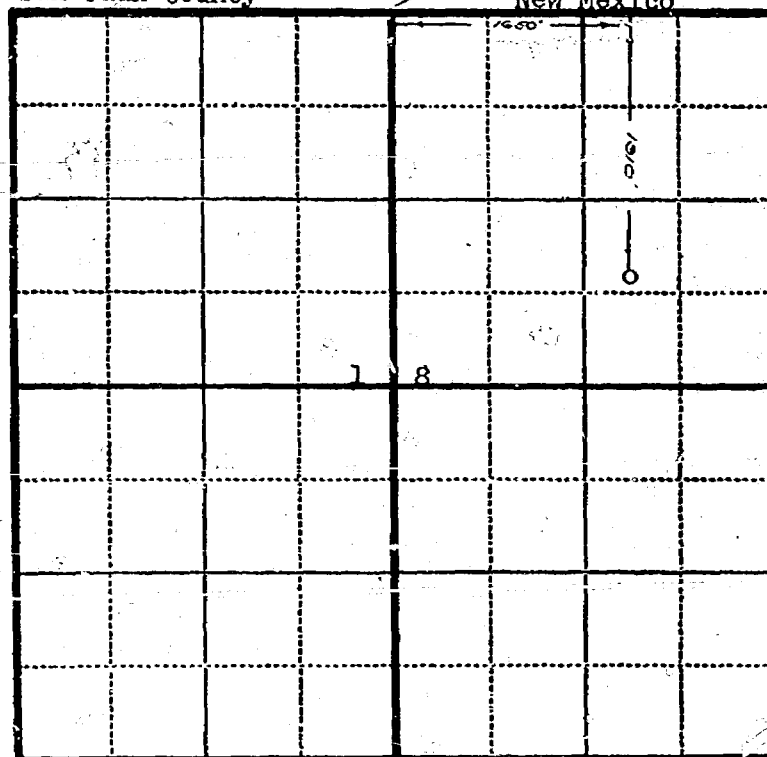
Lease Beaver Lodge Corp.-McKay Unit Well No. 2

Sec. 18 T. 31 N., R. 10 W., N.M.P.M.

Location 1910' South and 1650' East of the NW corner
of the NE $\frac{1}{4}$ of section 18 and being in the SE
of the NE $\frac{1}{4}$.

San Juan County

New Mexico



Scale—4 inches equals 1 mile.

This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

Seal:

Registered Professional
Engineer and Land Surveyor.

Charles J. Finklea
N. Mex. Reg. No. 1302

Surveyed February 26, 1952.

Company Southern Union Gas Company

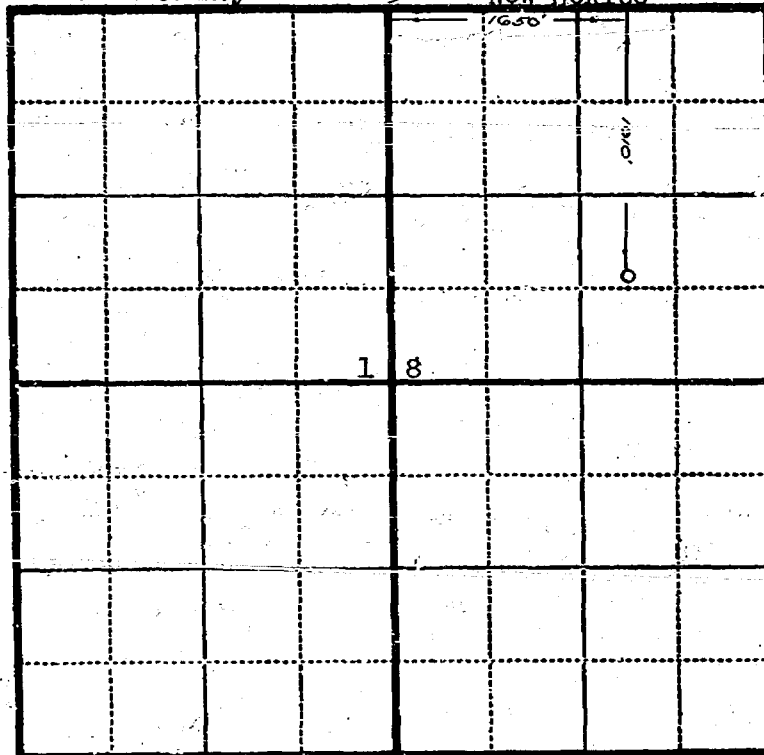
Lease Beaver Lodge Corp. - McCoy Unit Well No. 1

Sec. 18 T. 31 N., R. 10 W., N.M.P.M.

Location 1910' South and 1650' East of the NW corner
of the NE $\frac{1}{4}$ of section 18 and being in the SE
of the NE $\frac{1}{4}$.

San Juan County

State New Mexico



1910/N
990/E

Scale—4 inches equals 1 mile.

This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

Charles J. Finklea

Seal:

Registered Professional Charles J. Finklea
Engineer and Land Surveyor. N. Mex. Reg. No. 1302

Surveyed February 26, 1952

EXPLORATION DEPARTMENT
VAN THOMPSON
MANAGER

SOUTHERN UNION GAS COMPANY
BURT BUILDING
DALLAS 1, TEXAS

April 3, 1952

Re: Southern Union Gas Company-
Beaver Lodge Corp., ' No. 1
McCoy Unit well (SE 1/4 18-31N-10W.)

Mr. R. R. Spurrier
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Dick:

Attached are five copies each of surveyor's plat and "notice of intention to drill" Southern Union Gas Company- Beaver Lodge Corp., 's McCoy Unit No. 1 well, located 1910' south and 1650' east of the NW corner of the NE 1/4 of section 18, T-31-N., R-10-W., N.M.P.M., Blanco-Llano field, San Juan County, New Mexico. (Doc)

You will note that the well location is unorthodox for the reason that if spotted in the usual location it would be in the river as indicated by the attached sketch prepared by the surveyor. It is my understanding that this location was discussed with Mr. Greer and has his approval as being the only possible location under the circumstances.

The well is located on a pooled unit of fee lands embracing all of the N 1/2 of section 18, (except those lands owned by Basilio Larcher) containing 267.76 acres more or less. Southern Union Gas Company made every possible effort to lease the property owned by Basilio Larcher and failing to lease endeavored to persuade him to join the pooling agreement as a working interest owner. He refused to do either. We are enclosing an affidavit signed by William R. Clark and H. C. Montgomery, employees of Southern Union Gas Company, and Al Greer of the New Mexico Oil Conservation Commission staff, stating their contacts with Mr. Larcher with reference to the formation of the pooled unit.

We trust that the foregoing explanation will permit the early approval of this drilling location as one of the leases involved carries a May 1, 1952 drilling commitment.

Please wire us collect when the location has been approved.

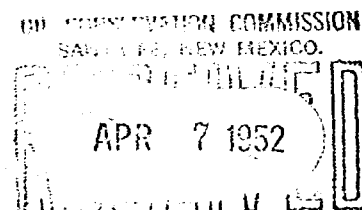
Yours very truly,

Van Thompson
Van Thompson

VT/ba

Attachments - 11

cc: Al Greer
N.M.Oil Conservation Commission
Aztec, N.M.



OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

April 7, 1952

C
O
P
Y

Mr. Van Thompson
Southern Union Gas Company
Dallas, Texas

Re: Southern Union Gas Company -
Beaver Lodge Corp. ' No. 1
McCoy Unit (SE NE 18-31N-10W)

Dear Van:

I have just sent you a telegram to explain that you cannot locate your No. 1 McCoy, SE NE 18-31N-10W until I have knowledge of the offset operators and their written consent, i. e., if offset operators are other than Southern Union.

Secondedly, you cannot be granted administrative permission to drill on less than 320 acres without proper notice and open hearing. You could, of course, make the location after you have complied with the requirements of Rule 104 and hold your lease by spudding in. However, it would be Southern Union's responsibility to apply for the hearing to force unitization, and it would be your risk in rigging up and spudding in without an order to force pooling.

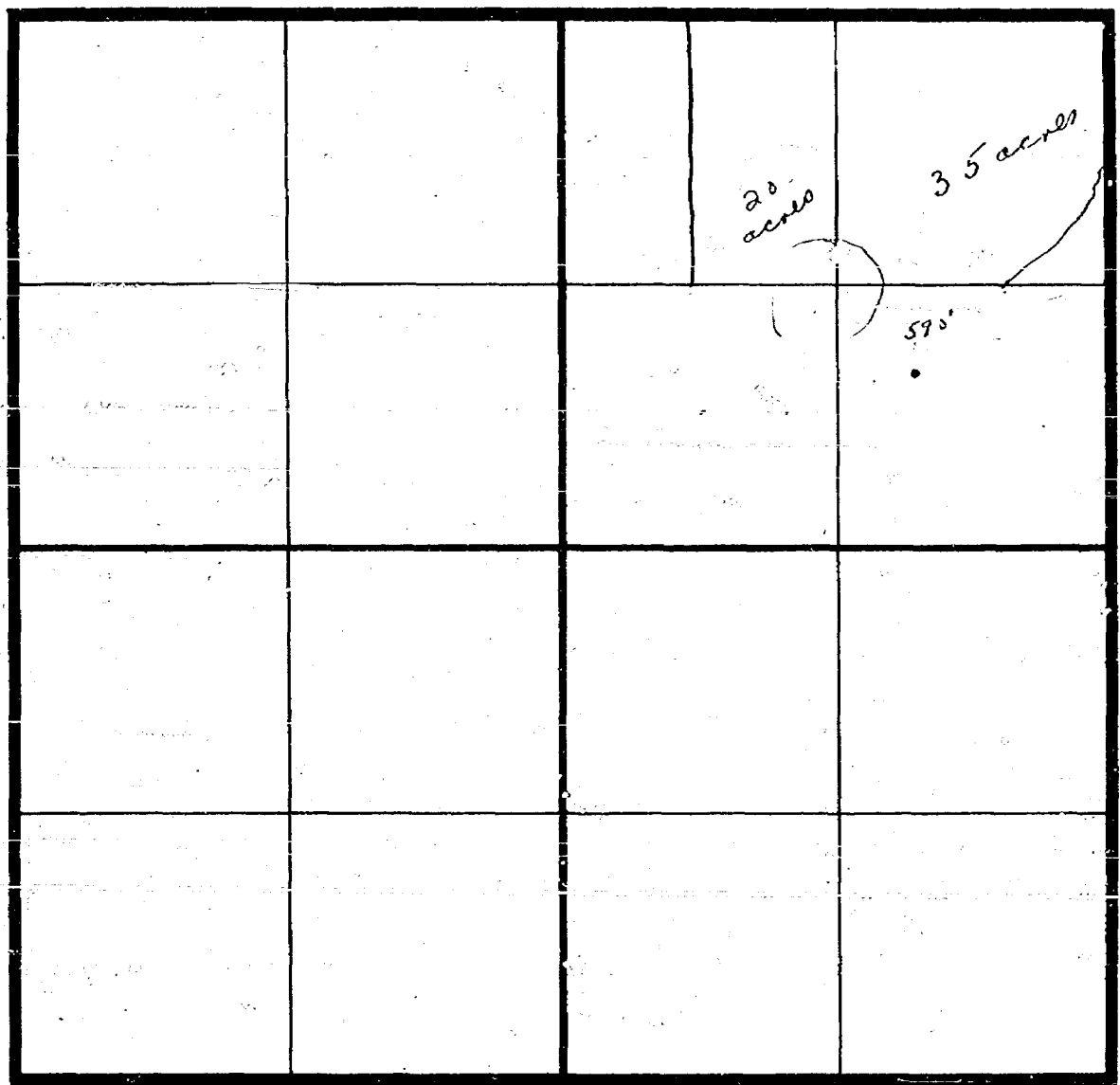
Incidentally, Mr. Greer acted completely without jurisdiction in attempting to cause the Larchers to communitize with Southern Union. The matter is strictly between Southern Union and Mr. Larcher until it is brought before the Commission by proper application for hearing.

Very truly yours,

RRS:W

Secretary and Director

cc: Al Greer



Section.....Township.....Range.....

Section..... Township..... Range.....

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF SOUTHERN
UNION GAS COMPANY FOR APPROVAL OF AN UNORTHODOX
WELL LOCATION AND FOR AN EXCEPTION TO ORDER
NO. 799, AS AMENDED BY ORDER NO. R-110, OF THE
NEW MEXICO OIL CONSERVATION COMMISSION.

CASE NO. _____

APPLICATION

Comes now Southern Union Gas Company and respectfully petitions the Commission for the issuance of an order:

1. Approving an unorthodox well location in the Northeast Quarter of Section 18, Township 31 North, Range 10 West, N.M.P.M., such proposed location being 1910' South and 1650' East of the Northwest corner of the Northeast Quarter of said Section 18, and
2. Granting an exception to the spacing order for the Blanco-La Plata gas field, designated as Order No. 799, as amended by Order No. R-110, to permit the drilling of a well to test the Mesa Verde formation on a unit embracing 267.76 acres, more or less.

In support of the above, Applicant alleges and states:

1. That due to topographical conditions of the NE $\frac{1}{4}$ of Section 18, Township 31 North, Range 10 West, N.M.P.M., it is imperative that the well be drilled at the location proposed above and any other location would make the drilling of such well unduly burdensome. There is attached hereto as Exhibit "A" a plat indicating the proposed location of Applicant's well, as well as indicating the owners of oil and gas leases within a radius of 660' thereof. It is Applicant's belief that Basilio Larcher's mailing address is Aztec, New Mexico.

2. That Applicant, Beaver Lodge Corporation and Stanolind Oil and Gas Company have entered into a pooling agreement providing for the pooling of their respective oil and gas leases embracing lands in the North One-half of Section 18, Township 31 North, Range 10 West, N.M.P.M., San Juan County, New Mexico, for the purpose of forming a drilling unit embracing approximately 267.76 acres to drill a well thereon testing the Mesa Verde formation.

3. That Applicant has been designated as operator of the aforesaid drilling unit.

4. That in the Northeast Quarter of said Section 18 are approximately 55 acres of land owned by Basilio Larcher which, to the best of Applicant's knowledge and belief, are not under an oil and gas lease.

5. That representatives of Applicant and Beaver Lodge Corporation have made repeated efforts within the last sixty days to obtain an oil and gas lease from Basilio Larcher for the purpose of including said 55-acre tract in the drilling unit and that Basilio Larcher has refused to lease said land or join with the parties to the pooling agreement as a working interest owner.

6. That unless Applicant is permitted to drill on a unit embracing less than 320 acres, property of Applicant and the other parties holding oil and gas leases in the NE $\frac{1}{4}$ of Section 18 will be deprived of an opportunity to produce gas from the pool.

Wherefore, Applicant prays that this matter be set down for hearing; that notice thereof be given as required by law and the regulations of the Commission; and that upon final hearing this Commission enter an order approving the proposed unorthodox well location in the Southeast Quarter of the Northeast Quarter of Section 18 and granting Applicant an exception to Order No. 799, as amended by Order No. R-110.

Respectfully submitted,

SOUTHERN UNION GAS COMPANY

By Quilman B. Davis
Its Attorney

STATE OF TEXAS)
) SS
COUNTY OF DALLAS)

Subscribed and sworn to before me by Quilman B. Davis, Attorney of Southern Union Gas Company, the above named applicant, this 12th day of April, 1952.

Naomi D. Langman
Notary Public in and for
Dallas County, Texas

My Commission Expires:

June 1, 1953

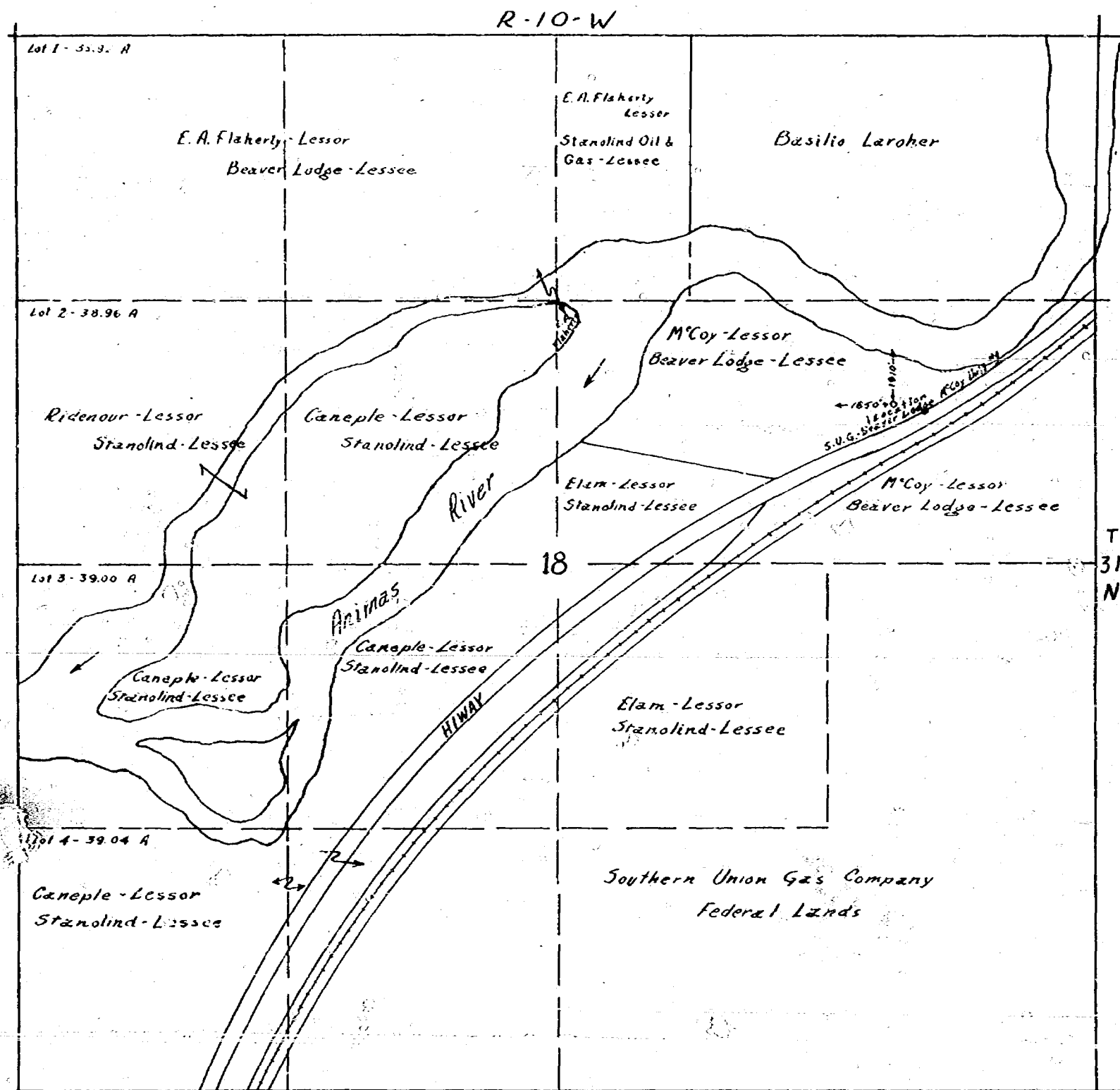


Exhibit "A"

DOMESTIC SERVICE			
Check the class of service desired: otherwise this message will be sent as a full-rate telegram			
FULL RATE TELEGRAM	SERIAL		
DAY LETTER	NIGHT LETTER		

WESTERN UNION

1206

INTERNATIONAL SERVICE			
Check the class of service desired: otherwise this message will be sent at the full rate			
FULL RATE VICTORY LETTER	LETTER TELEGRAM SHIP RADIOGRAM		

NO. WDS.-CL. OF SVC.	PD. OR COLL.	CASH NO.	W. P. MARSHALL, PRESIDENT	CHARGE TO THE ACCOUNT OF	TIME FILED
				Oil Conservation Commission	

Send the following message, subject to the terms on back hereof, which are hereby agreed to

SANTA FE, N. M. APRIL 7, 1952

VAN THOMPSON
SOUTHERN UNION GAS COMPANY
BURT BUILDING
DALLAS, TEXAS

RE NO. 1 MCCOY SENE 18-31N-10W CANNOT APPROVE UNORTHODOX
LOCATION FOR TWO REASONS. YOU MUST HAVE HEARING TO
UNITIZE (SEE ORDER R-110) AND YOU DO NOT INDICATE OFFSET
ACREAGE OWNERSHIP.

R. R. SPURRIER

ALL MESSAGES TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

To guard against mistakes or delays, the sender of a message should order it repeated, that is, telegraphed back to the originating office for comparison. For this, one-half the unreported message rate is charged in addition. Unless otherwise indicated on its face, this is an unreported message and paid for as such, in consideration whereof it is agreed between the sender of the message and this Company as follows:

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the unreported message rate beyond the sum of five hundred dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the repeated message rate beyond the sum of five thousand dollars, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of its lines.

2. In any event the Company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, and the actual loss, not exceeding in any event the sum of five thousand dollars, at which amount the sender of each message represents that the message is valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeated message rate is paid or agreed to be paid, and an additional charge equal to one-tenth of one percent of the amount by which such valuation shall exceed five thousand dollars.

3. The Company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other company when necessary to reach its destination.

4. Except as otherwise indicated in connection with the listing of individual places in the filed tariffs of the Company, the amount paid for the transmission of a domestic telegram or an incoming cable or radio message covers its delivery within the following limits: In cities or towns of 5,000 or more inhabitants where the Company has an office which, as shown by the filed tariffs of the Company, is not operated through the agency of a railroad company, within two miles of any open main or branch office of the Company; in cities or towns of 5,000 or more inhabitants where, as shown by the filed tariffs of the Company, the telegraph service is performed through the agency of a railroad company, within one mile of the telegraph office; in cities or towns of less than 5,000 inhabitants in which an office of the Company is located, within one-half mile of the telegraph office. Beyond the limits above specified the Company does not undertake to make delivery, but will endeavor to arrange for delivery as the agent of the sender, with the understanding that the sender authorizes the collection of any additional charge from the addressee and agrees to pay such additional charge if it is not collected from the addressee. There will be no additional charge for deliveries made by telephone within the corporate limits of any city or town in which an office of the Company is located.

5. No responsibility attaches to this Company concerning messages until the same are accepted at one of its transmitting offices; and if a message is sent to such office by one of the Company's messengers, he acts for that purpose as the agent of the sender.

6. The Company will not be liable for damages or statutory penalties when the claim is not presented in writing to the Company, (a) within sixty days after the message is filed with the Company for transmission in the case of a message between points within the United States (except in the case of an intrastate message in Texas) or between a point in the United States on the one hand and a point in Alaska, Canada, Labrador, Mexico, Newfoundland and St. Pierre & Miquelon Islands on the other hand, or between a point in the United States and a ship at sea or in the air, (b) within 95 days after the cause of action, if any, shall have accrued in the case of an intrastate message in Texas, and (c) within 180 days after the message is filed with the Company for transmission in the case of a message between a point in the United States and a foreign or overseas point other than the points specified above in this paragraph; provided, however, that this condition shall not apply to claims for damages or overcharges within the purview of Section 415 of the Communications Act of 1934.

7. It is agreed that in any action by the Company to recover the tolls for any message or messages the prompt and correct transmission and delivery thereof shall be presumed, subject to rebuttal by competent evidence.

8. Special terms governing the transmission of messages according to their classes, as enumerated below, shall apply to messages in each of such respective classes in addition to all the foregoing terms.

9. No employee of the Company is authorized to vary the foregoing.

1-40

CLASSES OF SERVICE

DOMESTIC SERVICES

FULL RATE TELEGRAM

A full rate expedited service.

DAY LETTER (DL)

A deferred service at lower than the full rate.

SERIAL (SER)

Messages sent in sections during the same day.

NIGHT LETTER (NL)

Accepted up to 2 A. M. for delivery not earlier than the following morning at rates substantially lower than the full rate telegram or day letter rate.

INTERNATIONAL SERVICES

FULL RATE (FR)

The standard fast service at full rates. May be written in any language that can be expressed in Roman letters, or in secret language. A minimum charge for 5 words applies.

LETTER TELEGRAM (LT)

Overnight plain language messages. Minimum charge for 22 words applies.

VICTORY LETTER TELEGRAM (VLT)

Overnight plain language messages to armed forces overseas. Minimum charge for 10 words applies.

SHIP RADIOGRAM

A service to and from ships at sea. Plain or secret language may be used. Minimum charge for 5 words applies.

TIOGA PETROLEUM CORPORATION

310 MERCANTILE COMMERCE BUILDING

CRITCHELL PARSONS
PRESIDENT

PROSPECT-7332

DALLAS 1, TEXAS

February
6th
1952

E #2
Case 367

REGISTERED
RETURN RECEIPT REQUESTED
AIR MAIL

Mr. Basilio Larcher
Rural Route
Aztec, New Mexico

Dear Sir:

We have recently agreed, through negotiation with Mr. Wayne Moore of Midland, Texas, to commence a well before March 1st, located in the North Half of Section 18, Township 31 North, Range 10 West, San Juan County, New Mexico. We propose to drill this well to test the Mesa Verde at approximately 5500 feet. Furthermore, we have contacted Stan-olind Oil and Gas Company, who own leases in the North Half of Section 18, Township 31 North, Range 10 West, with reference to unitization which will comprise a 320-acre unit as set out by the State of New Mexico for the drilling of gas wells in this area.

It is our understanding that within this unit you own a 59-acre tract of land, which is unleased. The purpose of this letter is to ascertain whether or not you desire to participate in an unitization agreement for the drilling of this well.

Will you please let us hear from you at your earliest convenience.

Yours very truly,

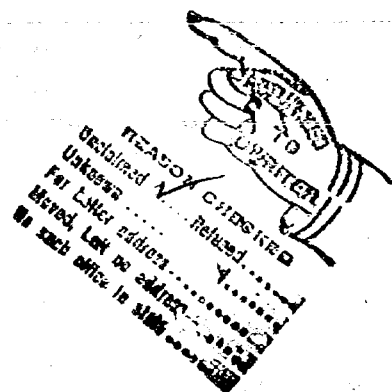
TIOGA PETROLEUM CORPORATION

Oscar E. Walton

Oscar E. Walton

OEW/rhg

O. E. Walton
310 MERCANTILE COMMERCE BUILDING
DALLAS 1, TEXAS



REGISTERED-AIR MAIL
RETURN RECEIPT REQUESTED

30977

Mr. Basilio Larcher
Rural Route
Aztec, New Mexico

MAR 10 1948

VIA AIR MAIL

VIA AIR MAIL



DALLAS
FEB 8 1952

FEB 8 1952

TEXAS
MAR 1 1952
DALLAS, TEX.

DALLAS, TEX.
FEB 8 1952

71

2

New Mexico
OIL CONSERVATION COMMISSION

GOVERNOR EDWIN L. MECHEM
CHAIRMAN
LAND COMMISSIONER GUY SHEPARD
MEMBER
STATE GEOLOGIST R. R. SPURRIER
SECRETARY AND DIRECTOR



P. O. BOX 871
SANTA FE, NEW MEXICO

April 14, 1952

Mr. Basilio Larcher
AZTEC, NEW MEXICO

Dear Sir:

We attach a copy of the legal notice which has been issued today for publication in relation to Case 367, set to be heard April 28, 1952, at 9 a.m., before the Oil Conservation Commission.

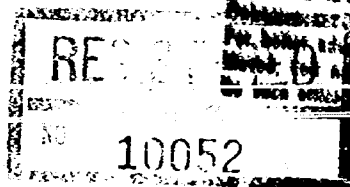
We believe that the notice will be self-explanatory, and this copy may be considered your proper notice as required by rules and regulations of the Commission.

Very truly yours,

W. B. Macey
W. B. Macey, Chief Engineer

WBM:nr

After 15 days, return to
OIL CONSERVATION COMMISSION,
Box 871,
SANTA FE, NEW MEXICO.



~~Mr. Basilio Larcher~~
~~AZTEC, NEW MEXICO~~



RETURN RECEIPT REQUESTED

VIA AIR MAIL

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
SANTA FE - NEW MEXICO

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the rules and regulations of said Commission of the following special hearing to be held at 9 a.m. April 28, 1952, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

STATE OF NEW MEXICO TO:

Basilio Larcher, Asteo, N. M., and
all other persons or parties having
an interest in the matter herein set
forth.

CASE 367:

In the matter of the application of Southern Union Gas Company for an order approving an unorthodox location in NE/4 of Section 18, Twp. 31 North, Rge. 10 West, NMPH, such proposed location being 1910 feet south and 1650 feet east of the northwest corner of the northeast quarter of said Section 18; and, further, for approval of an exception to Order No. 799, as amended by Order No. R-110, to permit the drilling of a well to test the Mesaverde formation on a unit embracing 267.76 acres, more or less.

GIVEN under the seal of the Oil Conservation Commission this 14th day of April, 1952.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. Spurrier
R. R. Spurrier, Secretary

S E A L

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

April 14, 1952

C
O
P
Y

Mr. Basilio Larcher
AZTEC, NEW MEXICO

Dear Sir:

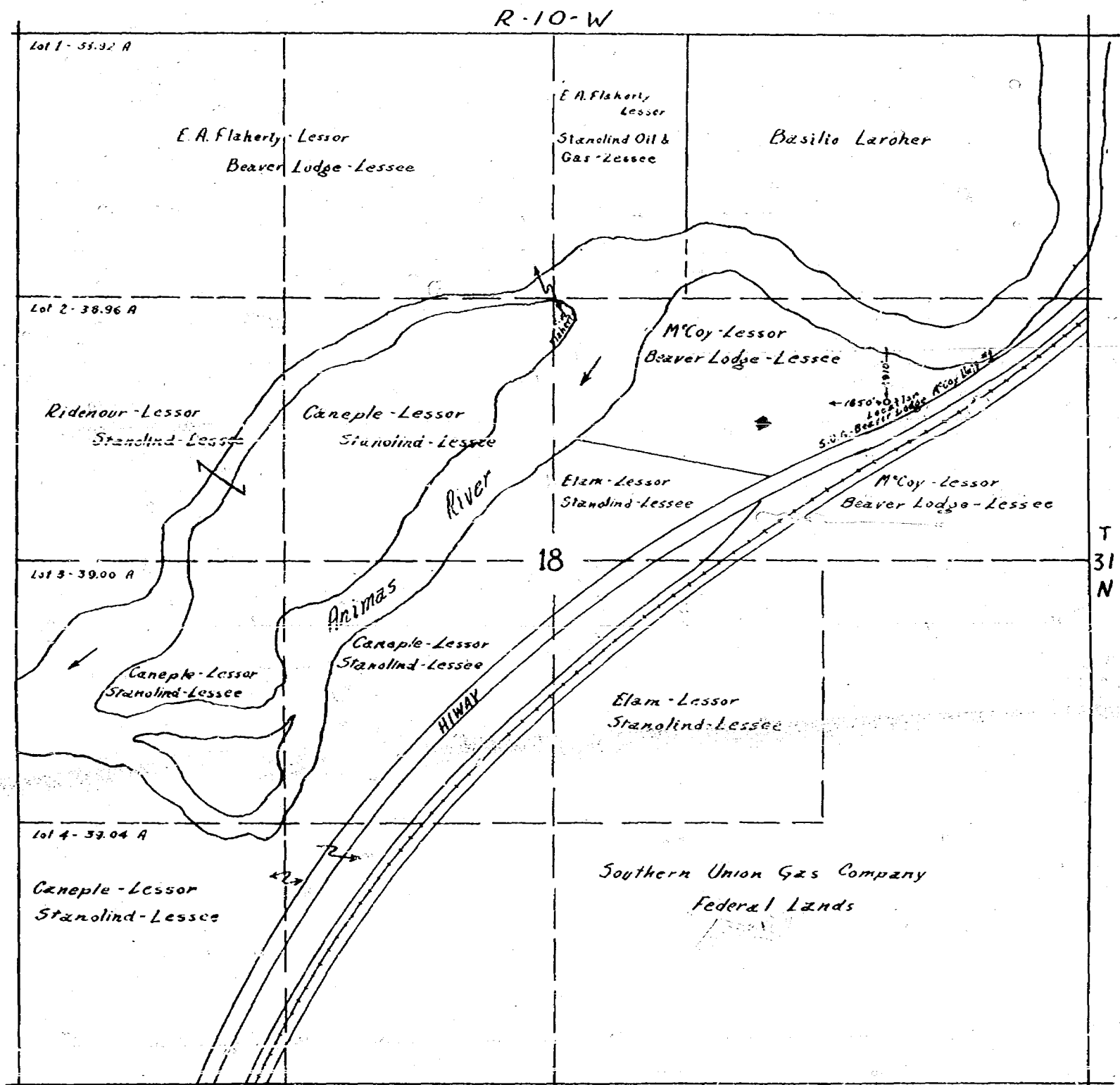
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We believe that the notice will be self-explanatory, and this copy may be considered your proper notice as required by rules and regulations of the Commission.

Very truly yours,

W. B. Macey, Chief Engineer

WBM:mr



Case 367

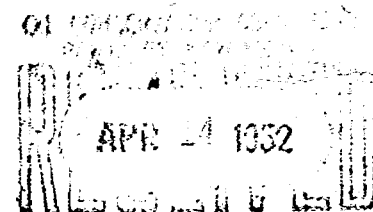
LEGAL DEPARTMENT
WILLIS L. LEA, JR.
GENERAL ATTORNEY

SOUTHERN UNION GAS COMPANY
BURT BUILDING
DALLAS 1, TEXAS

A. S. GRENIER
QUILMAN B. DAVIS
R. M. MARTIN, JR.
MILLARD F. CARR

April 12, 1952

AIR MAIL
SPECIAL DELIVERY



Mr. William Macey
Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Macey:

In accordance with our telephone conversation yesterday, I am enclosing two copies of our application for a hearing on the unorthodox well location in the $N\frac{1}{2}$ of Section 18, Township 31 North, Range 10 West, N.M.P.M. and our request for an exception to the Blanco-La Plata field spacing order to permit the drilling of a Mesa Verde well on a unit containing less than 320 acres.

This application has been prepared rather hurriedly and it may be that we will want to make some minor changes after I discuss the matter with you on Monday. Of course, what I am interested in is that if we are permitted to drill on the 267.76 acres leased to Southern Union, Beaver Lodge and Stanolind it will mean that Larcher would, if permitted to drill on his 55-acre tract, receive only 55/320ths of the gas producible therefrom.

I greatly appreciate your assistance in this matter and the setting of this hearing for April 28, since it is imperative that we proceed with the well on or about such date to prevent lapse of one or more oil and gas leases in the $N\frac{1}{2}$. I am hopeful that the Pioneer will be on schedule, and I will give you a ring as soon as I arrive at the hotel, which will probably be about 1:30.

Again with thanks and best personal regards, I am

Yours very truly,

QBD:nl
Encs.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 367
ORDER NO. R-65

THE APPLICATION OF SOUTHERN
UNION GAS COMPANY FOR APPROVAL
OF AN UNORTHODOX WELL LOCATION
AND FOR AN EXCEPTION TO ORDER NO.
799, AS AMENDED BY ORDER NO. R-110,
OF THE NEW MEXICO OIL CONSERVATION
COMMISSION.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. April 28, 1952, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 19th day of June 1952, the Commission, having considered the testimony adduced and exhibits received at said hearing, and being fully 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 due to topographical conditions of the northeast quarter of Section 18, Township 31 north, Range 10 west, NMPM, it would be impossible to drill a well on the north half of Section 18 at an orthodox location, without being within the boundaries of the Animas River.

(3) That Southern Union Gas Company is the owner of the oil and gas lease in the south half of Section 18, which is immediately south of the proposed well location.

(4) That a well is proposed to be drilled in the southwest quarter of Section 18, and that the correlative rights of the adjoining lessees will not be impaired or infringed.

(5) That Southern Union Gas Company, Beaver Lodge Corporation and Stanolind Oil and Gas Company have entered into a pooling agreement, providing for the pooling of their respective oil and gas leases embracing lands in the north half of Section 18 for the purpose of forming a drilling unit embracing approximately 267.76 acres more or less, to drill a well thereon testing the Mesaverde formation.

(6) That in the northeast quarter of said Section 18 are approximately 55 acres of land owned by Basilio Larcher which, to the best of

Applicant's knowledge and belief, are not under an oil and gas lease.

(7) That representatives of Southern Union Gas Company and Beaver Lodge Corporation have made every effort to obtain an oil and gas lease from Basilio Larcher for the purpose of including said 55-acre tract within the drilling unit and that Basilio Larcher has refused to lease said land or join with Southern Union Gas Company, Beaver Lodge Corporation and Stanolind Oil and Gas Company as a working interest owner in the pooled unit.

(8) That unless Southern Union Gas Company, Beaver Lodge Corporation and Stanolind Oil and Gas Company are permitted to drill on a unit embracing less than 320 acres, they will be deprived of their right to produce gas from the pool.

There appearing no objection thereto,

IT IS THEREFORE ORDERED:

That the location of Southern Union Gas Company -- Beaver Lodge Corporation McCoy Unit Well #1, 1910 feet from the north line and 990 feet from the east line of Section 18, Township 31 north, Range 10 west, NMPM, San Juan County, New Mexico, be, and the same is hereby approved.

IT IS FURTHER ORDERED:

That Southern Union Gas Company, Beaver Lodge Corporation and Stanolind Oil and Gas Company be granted an exception to order No. 799, as amended by order No. R-110, to permit the formation of drilling unit to embrace 267.76 acres, more or less, in the north half of Section 18, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico, and that upon allocation of gas producible in the Blanco-Mesaverde Pool, said 267.76 acres shall be considered a single unit. If more than one well be drilled on the north half of Section 18, aforesaid, after permission from the Commission is first had and obtained, the allowable shall be in direct proportion to the acreage assigned to each well.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Edwin L. Mechem
EDWIN L. MECHEM, Chairman

Guy Shepard
GUY SHEPARD, Member

R. R. Spurrer
R. R. SPURRIER, Secretary

S E A L

STATE OF NEW MEXICO, }
COUNTY OF SAN JUAN. } ss.

A F F I D A V I T.

We, the undersigned, each being first duly sworn separately upon his oath deposes and says:

That he is of lawful age and a resident of the State of New Mexico.

That as to Wm. R. Clark and H. C. Montgomery they and each of them are employees of Southern Union Gas Co., in the drilling and exploration department of said company, at 211½ West Main St., Farmington, New Mexico.

That as to Al Greer he is the local inspector for the Oil Conservation Commission of the State of New Mexico.

That each of them, separately or in the company of one or the other of the others, have contacted Basilio Larcher and/or his wife Clara Larcher, relative to pooling, and designating as a drilling unit, the N½ of Section 18, T31N, R10W, N.M.P.M.

That the said Basilio and Clara Larcher are the purported owners of 55 acres of land in the NE¼ of said section, township and range described as follows, to-wit:

The East One-Half of the Northwest Quarter of the Northeast Quarter (E½NW¼NE¼) of Section Eighteen (18), in Township Thirty-One (31) North of Range Ten (10) West, N.M.P.M., containing 20 acres, and being the same land conveyed to Basilio Larcher and Clara Larcher by Warranty Deed dated February 26, 1926, recorded in Book 75, page 379, of the Records of said County;

35 acres, more or less, and being all that part of the Northeast Quarter of the Northeast Quarter (NE¼NE¼) of Section Eighteen (18), in Township Thirty-One (31) North of Range Ten (10) West, N.M.P.M., lying West of the Animas River, and being the same land conveyed by Lillian E. Walters et vir to Basilio Larcher and Clara Larcher by Quitclaim Deed dated January 2, 1934, recorded in Book 79, page 395, of the Records of said County;

and that they and each of them have refused to pool said lands with the lands of the other owners and leaseholders of said N½ of Section 18 aforesaid or to join any plan proposed by the said

Southern Union Gas Company for the development of said N $\frac{1}{2}$ of
Section 18.

That it is impossible to form a complete unit for the
drilling of a well on the N $\frac{1}{2}$ of said Section because of and by
reason of the refusal of said Basilio Larcher, et ux, to join
said unit and make available the said 55 acres aforesaid.

That it is to the best interests of the other owners and
operators in said unit to proceed under the further orders of
the Oil Conservation Commission without any further delay in
forming said pool or unit.

Further affiants saith not.

William R. Clark
William R. Clark

H. C. Montgomery
H. C. Montgomery

Al Greer
Al Greer

Subscribed and sworn to before me this 27th day of March,
1952.

Laurie A. De Weerd
Notary Public

My Commission Expires Sept. 15, 1953

Company Southern Union Gas Company

Lease Beaver Lodge Corp.-McCoy Unit Well No. 1

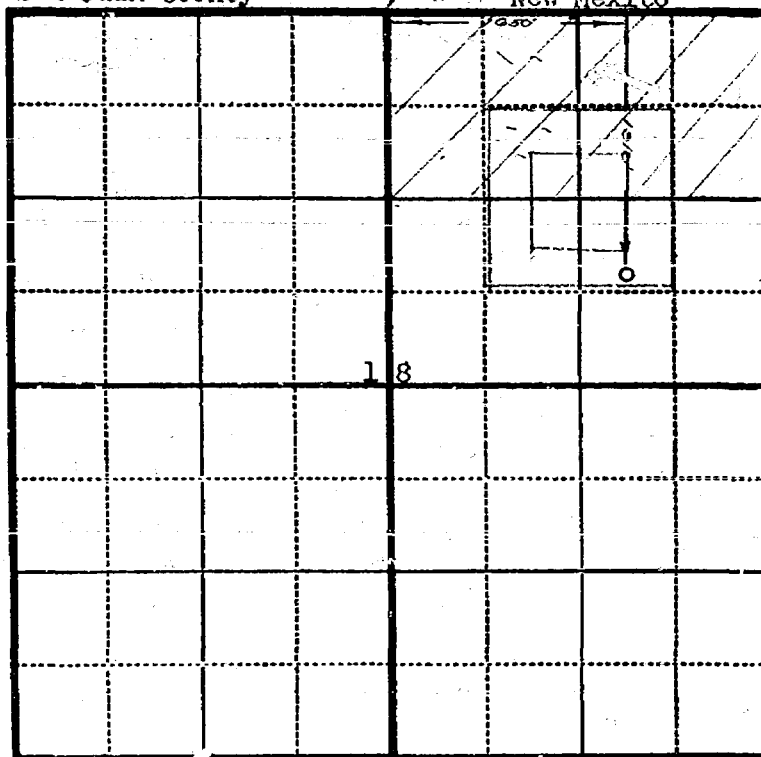
Sec. 18 T. 31 N., R. 10 W., N.M.P.M.

Location 1910' South and 1650' East of the NW corner
of the NE $\frac{1}{4}$ of section 18 and being in the SE
of the NE $\frac{1}{4}$.

San Juan County

State

New Mexico



Scale—4 inches equals 1 mile.

This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

Charles J. Finklea

Seal:

Registered Professional
Engineer and Land Surveyor.

Charles J. Finklea
N. Mex. Reg. No. 1302

Surveyed

February 26

19 52