

CASE 2603: Application of PAN AM.
for compulsory pooling, Basin-
Nabata

Please
send Robert to
handbook parties
represented in
association. J.
M. Chisholm

-asa / No.

2603

plication, Transcript,
and Exhibits, Etc.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 2603
Order No. R-2294

APPLICATION OF PAN AMERICAN PETROLEUM
CORPORATION FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 26, 1962, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 27th day of July, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, 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 the applicant, Pan American Petroleum Corporation, seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool in the S/2 of Section 30, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico.
- (3) That the applicant has made diligent effort to identify and to locate all owners of interest in the proposed proration unit.
- (4) That the applicant has made fair and reasonable offers to lease with respect to each non-consenting interest owner whose identity and address is known.
- (5) That although the applicant has made fair and reasonable offers and has been diligent in its efforts to form the proposed proration unit, there remain non-consenting interest owners in the subject proration unit who have not agreed to the pooling of their interests.

-2-
CASE 2603
Order R-2294

(6) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the Basin-Dakota Gas Pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(7) That the applicant proposes to dedicate the subject proration unit to its Abrams Gas Unit "E" Well No. 1, located 1790 feet from the South line and 890 feet from the East line of said Section 30.

(8) That the applicant seeks permission to withhold the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of the costs of said well has been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

(9) That \$75.00 per month should be fixed as the cost of operating the subject well and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production.

(10) That the applicant should furnish the Commission and each known non-consenting working interest owner in the subject unit an itemized schedule of well costs within 30 days following the date of this order.

(11) That any non-consenting working interest owner should be afforded the opportunity to pay his share of well costs within 30 days from the date the schedule of well costs is furnished him by the applicant in lieu of paying his share of costs out of production.

(12) That any non-consenting working interest owner not electing to pay his share of well costs within 30 days from the date the schedule is furnished him should have his share of the well costs withheld from production plus 25 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(13) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership.

(14) That Pan American Petroleum Corporation should be designated the operator of the subject well and unit.

-3-
CASE 2603
Order R-2294

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool in the S/2 of Section 30, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 320-acre gas proration unit. Said unit shall be dedicated to the Abrams Gas Unit "E" Well No. 1, located 1790 feet from the South line and 890 feet from the East line of said Section 30.

(2) That Pan American Petroleum Corporation is hereby designated the operator of said well and unit.

(3) That Pan American Petroleum Corporation is hereby authorized to collect the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of well costs has been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

(4) That \$75.00 per month is fixed as the cost of operating the subject well, and Pan American Petroleum Corporation is hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

(5) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(6) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(7) That the applicant shall furnish the Commission and each known non-consenting working interest owner in the subject unit an itemized schedule of well costs within 30 days following the date of this order.

(8) That any non-consenting working interest owner shall have the right to pay his share of well costs to Pan American Petroleum Corporation within 30 days from the date the schedule of well costs is furnished him by Pan American Petroleum Corporation, in lieu of paying his share of well costs out of production. In the event any such owner elects to pay his share of well costs as provided for in this paragraph, he shall remain liable for operating costs but shall not be liable for risk charges.

(9) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow

-4-

(ASE 2603
Order R-2294

in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The Commission shall be notified as to the name and address of said escrow agent.

(10) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



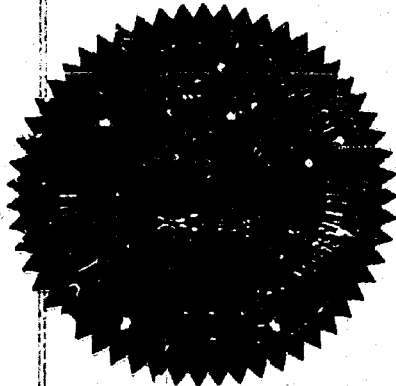
EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



A. L. PORTER, Jr., Member & Secretary



esr/

- CASE 2607: Application of Newmont Oil Company for special rules for its Square Lake Pool Waterflood Project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an amendment of Orders Nos. R-1110, R-1110-A, R-1110-B and R-1110-C defining the horizontal limits of its Square Lake Pool Waterflood Project in Eddy County, New Mexico, establishing rules for the expansion of said waterflood project, and providing for capacity allowables in said project area.
- CASE 2608: Application of Southwest Production Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in a gas proration unit comprising the S/2 of Section 5, Township 30 North, Range 11 West, Basin-Dakota Gas Pool, San Juan County, New Mexico.
- CASE 2609: Application of Southwest Production Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in a gas proration unit comprising the E/2 of Section 8, Township 30 North, Range 11 West, Basin-Dakota Gas Pool, San Juan County, New Mexico.
- CASE 2610: Application of Southwest Production Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in a gas proration unit comprising the E/2 of Section 9, Township 30 North, Range 11 West, Basin-Dakota Gas Pool, San Juan County, New Mexico.
- CASE 2611: Application of Southwest Production Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in a gas proration unit comprising the W/2 of Section 9, Township 30 North, Range 11 West, Basin-Dakota Gas Pool, San Juan County, New Mexico.

DOCKET: EXAMINER HEARING - THURSDAY, JULY 26, 1962

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, as alternate examiner:

CASE 2603:

Application of Pan American Petroleum Corporation for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in a gas proration unit comprising the S/2 of Section 30, Township 29 North, Range 10 West, Basin-Dakota Gas Pool, San Juan County, New Mexico.

CASE 2604:

Application of Sunray DX Oil Company for permission to dispose of salt water, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks permission to dispose of salt water into the San Andres formation through its Nancy Watson Well No. 2, located 1980 feet from the South line and 660 feet from the West line of Section 31, Township 8 South, Range 34 East, Roosevelt County, New Mexico.

CASE 2605:

Application of Amerada Petroleum Corporation for approval of a quadruple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its L. G. Warlick "A" Well No. 2 located in Unit J of Section 19, Township 21 South, Range 37 East, Lea County, New Mexico, as a quadruple completion (tubingless) in the Penrose-Skelly, Padlock, Blinebry, and Drinkard Pools, with the production of oil from all zones to be through parallel strings of 2 7/8-inch casing cemented in a common well bore.

CASE 2606:

Application of Texas Crude Oil Company for permission to directionally drill, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to directionally drill its Ohio State Well No. 1-22. Said well has a surface location 1980 feet from the North line and 1980 feet from the West line of Section 22, Township 10 South, Range 36 East, Lea County; the proposed bottom-hole location of said well will be in the South Crossroads-Devonian Pool at a point 1650 feet from the North line and 1980 feet from the West line of said Section 22.

Case 2603
PAN AMERICAN PETROLEUM CORPORATION

MAIN OFFICE
1962 JUL 12 AM 8:15

P.O. Box 480, Farmington, New Mexico
June 28, 1962

File: N-579-986.510.1

Subject: Application to Force Pool
Dakota Rights Under
Abrams Gas Unit "E"
S/2 Section 30, T-29N, R-10W
San Juan County, New Mexico

Mr. A. L. Porter, Jr. (3)
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Sir:

It is respectfully requested that a hearing be set at the earliest possible date to consider Pan American Petroleum Corporation's application to force pool the S/2 of Section 30, T-29-N, R-10-W, San Juan County, New Mexico, as to the Basin Dakota Pool.

Attached herewith is a list of all interest owners in the Dakota rights underlying the S/2 of Section 30, T-29-N, R-10-W, San Juan County, New Mexico. This list includes all parties to a dispute over the ownership of the NW/4 SW/4 of Section 30.

The S/2 of Section 30, T-29-N, R-10-W, San Juan County, New Mexico, will be dedicated to the Abrams Gas Unit "E" No. 1, located 1790 feet from the south line and 890 feet from the east line of Section 30.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION

T. M. Curtis

T. M. Curtis
District Superintendent

DJR:en

Attach.

*Boichels
mailed
7/13/62*

INTEREST OWNERS
DAKOTA RIGHTS
S/2 SECTION 30, T29N, R10W
SAN JUAN COUNTY, NEW MEXICO

Pan American Petroleum Corporation
P. O. Box 480
Farmington, New Mexico

Skelly Oil Company
P. O. Box 4115
Station "A"
Albuquerque, New Mexico

Redfern & Herd, Inc.
P. O. Box 1747
Midland, Texas

Mr. R. B. Sullivan
P. O. Box 1178
Durango, Colorado

Mr. John P. Wiedemer
Empire States Drilling Corporation
1020 Simms Building
Albuquerque, New Mexico

Estate of Alfred E. McLane
Mr. Lewis Chandler
Turner, White, Atwood, Meier and Francis
1900 Mercantile Dallas Building
Dallas 1, Texas

Mrs. Dixie McLane
3116 Southwestern
Dallas 1, Texas

*Dakota
Mailed
7/13/62*

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER



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

P. O. BOX 871
SANTA FE

July 27, 1962

Mr. Guy Buell
Pan American Petroleum Corporation
Box 1410
Fort Worth, Texas

Re: Case No. 2603
Order No. R-2294
Applicant:

Pan American Petroleum Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC

Astec OCC x

OTHER Mr. Jason Kellahin

4m A

REDFERN & HERD, INC.

WILCO BUILDING
MIDLAND, TEXAS

POST OFFICE BOX 1747

TELEPHONE MUTUAL ~~XXXX~~

35184

July 23, 1962

IN REPLY REFER TO

FILE: San Juan
10/139 L

AIRMAIL

Re: Case No. 2603

Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

We are the holders of sixty (60) acres of the leasehold under the S/2 of Section 30, T-29-N, R-10-W, San Juan County, New Mexico, which interest is subject to the above case, wherein Pan American is requesting a forced pooling order.

We understand that Pan American has an early expiring lease and they have been delayed in working out a voluntary pooling because of a title question on one tract in this proposed unit. We have no objection to being included in this application, however, we wish to advise that we have agreed to join in this unit, subject to satisfactory operating agreement.

Very truly yours,

REDFERN & HERD, INC.

John J. Redfern, Jr.
John J. Redfern, Jr.

JJR:lk



SKELLY OIL COMPANY

P. O. Box 1650

TULSA 2, OKLAHOMA

July 23, 1962

PRODUCTION DEPARTMENT

C. L. BLACKSHER, VICE PRESIDENT

W. P. WHITMORE, MGR. PRODUCTION

W. D. CARSON, MGR. TECHNICAL SERVICES

ROBERT G. HILTZ, MGR. JOINT OPERATIONS

GEORGE W. SELINGER, MGR. CONSERVATION

VIA AIR MAIL

Re: Case No. 2603

Hearing Thursday, July 26, 1962

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

Gentlemen:

Application of Pan American Petroleum Corporation for compulsory pooling, San Juan County, New Mexico, is to be heard by the Commission on Thursday, July 26, 1962, in Case No. 2603. Pan American seeks an order force-pooling all mineral interests in a gas proration unit comprising the S/2 of Section 30, Township 29 North, Range 10 West, Basin-Dakota Gas Pool, San Juan County, New Mexico.

Skelly Oil Company has an 80-acre lease described as the SE SW and SW SE of Section 30, Township 29 North, Range 10 West and insofar as the Basin-Dakota Gas Pool is concerned Skelly has no objection to the formation of such gas unit.

Undoubtedly Skelly and Pan American can amicably form the unit and, therefore, joins with applicant seeking the order for the force-pooling of all mineral interests in a Basin-Dakota Gas Proration Unit comprising the S/2 of Section 30, Township 29 North, Range 10 West, San Juan County, New Mexico.

Yours very truly,

George W. Selinger

GWS:br

cc-Pan American Petroleum Corp.

Oil & Gas Building

P. O. Box 1410

Fort Worth 1, Texas

Attn: Mr. Guy Buell

ATWOOD & MALONE
LAWYERS

P. O. DRAWER 700
TELEPHONE 505 622-6221
SECURITY NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO

JEFF D. ATWOOD (1883-1960)
ROSS L. MALONE
CHARLES F. MALONE
RUSSELL D. MANN
PAUL A. COOTER
BOB F. TURNER
ROBERT A. JOHNSON

JULY
20th
1962

Oil Conservation Commission
Post Office Box 871
Santa Fe, New Mexico

Re: Case No. 2603

Gentlemen:

We enclose our Entry of Appearance in
behalf of Pan American Petroleum Corporation in the
above numbered cause.

Very truly yours,

ATWOOD & MALONE

By: 

P
C

*

v

Encls.

Cc: J. K. Smith, Esquire

15
BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
PAN AMERICAN PETROLEUM CORPORATION
FOR FORCE-POOLING OF ALL MINERAL
INTERESTS IN A GAS PRORATION UNIT
COMPRISING THE S/2 OF SECTION 30,
TOWNSHIP 29 NORTH, RANGE 10 WEST,
N.M.P.M., SAN JUAN COUNTY, NEW MEXICO,
WITHIN THE BASIN-DAKOTA GAS POOL.

No. 2603

ENTRY OF APPEARANCE

The undersigned, Atwood & Malone of Roswell, New Mexico, a firm of attorneys, all of whose members are duly licensed to practice law in the State of New Mexico, hereby enters its appearance in the above styled and numbered cause as co-counsel with Guy Buell, Esquire, of Fort Worth, Texas, for Pan American Petroleum Corporation, Petitioner.

DATED at Roswell, New Mexico, this 20th day of July, 1962.

ATWOOD & MALONE

By 

Post Office Drawer 700
Roswell, New Mexico

FORM 6 8-48

DATE

TO: New Mexico Oil Conservation Commission
Santa Fe, New Mexico

FLOOR NO.

REMARKS

FROM

Case 2603.

Heard. 7-25-62

Rec. 7-25-62

1. Grant Compulsory pooling of Pan Am's
Abrams Gas Unit "E" ^{1/4}, being 8/2 sec.

30-29N10W

2. Use manual Pooling order & give.
125% risk & 75% Mo. operating.

Thur. A. R.

PAN AMERICAN PETROLEUM CORPORATION

P. O. Box 480, Farmington, New Mexico
August 3, 1962

File: N-677-400.1

Subject: NMOCG Order No. 2294
Abrams Gas Unit "E" No. 1
San Juan County, New Mexico

Oil Conservation Commission
State of New Mexico
Capitol Annex Building
Santa Fe, New Mexico

Owners of Interest
Dakota Spacing Unit
S/2 Sec. 30-T29N-R10W
(See Attached Addressee List)

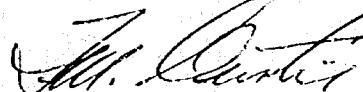
Gentlemen:

In compliance with Paragraph 10 of Order No. R-2294, Case No. 2603, Pan American Petroleum Corporation respectfully submits an itemized schedule of estimated well costs pertaining to the drilling of the Abrams Gas Unit "E" No. 1 at a location in the S/2 of Section 30, T-29-N, R-10-W, San Juan County, New Mexico.

Inasmuch as the above well has not been drilled, these well costs represent estimated expenditures only. At such time as the well is completed and costs are finalized, a supplemental schedule will be furnished each of the addressees, itemizing all expenditures applicable.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION



T. M. Curtis
District Superintendent

*File to
Case No.
2603*

GKD:ep
Attachment

ABRAMS GAS UNIT "E" NO. 1
S/2 SECTION 30-T29N-R10W

OWNERS DAKOTA RIGHTS

Skelly Oil Company
P. O. Box 4115
Station A
Albuquerque, New Mexico

Redfern and Herd, Inc.
P. O. Box 1747
Midland, Texas

Mr. R. B. Sullivan
P. O. Box 1178
Durango, Colorado

Mr. John P. Wiedemer
Empire States Drilling Corporation
1020 Simms Building
Albuquerque, New Mexico

Estate of Alfred E. McLane
Mr. Lewis Chandler
Turner, White, Atwood, Meer and Francis
1900 Mercantile Dallas Building
Dallas 1, Texas

Mrs. Dixie McLane
3116 Southwestern
Dallas 1, Texas

PAN AMERICAN PETROLEUM CORPORATION

WELL AUTHORIZATION

OPERATOR **Pan American Petroleum Corporation**

BUDGET ITEM NUMBER

☒ DEVELOPMENT WELL

☐ EXPLORATORY WELL

LEASE NAME **Abrams Gas Unit "E"**

COUNTY **San Juan**

STATE

New Mexico

WELL NO **1**

FIELD

Basin Dakota

LOCATION **1790' FSL and 890' FEL, Section 30, T-29-N, R-10-W**

AREA

Farmington

DEPTH **6600'**

FORMATION

Dakota

P.L. OUTLET

EXAMINATION MEETS

☒ STATE REGULATIONS

☐ FIELD RULES

☐ EXCEPTION REQUIRED

ESTIMATED ALLOW. PROD. DAY

☒ PRORATED

☐ NONPRORATED

SPACING PATTERN ACRES/WELL **320**

PAN AMERICAN'S INTEREST BEFORE ROYALTY

AFTER ROYALTY

OTHER WORKING INTERESTS

LEASE EXP. DATE

MUST COMMENCE

☐ OPERATIONS

☐ DRILLING

BY

19

QUARTER TO START

QUARTER TO COMPLETE

TIME REQ'D TO MEET LAND DEPT. REQUIREMENTS

DATA ON OFFSET OR NEARBY WELLS

COMPANY LEASE AND WELL

PAY THICKNESS AND PROD. INTERVAL

Tenneco Oil Co.

Sullivan Frame Gas Unit "A" #1

Dakota 6088-6278

Tenneco Oil Co.

M. G. Eaton Gas Unit "A" #1

Dakota 6173 6355

DATE

ALLOWABLE ☐ BRLS

☒ MCF

PROD. OIL WATER GAS

HOURS CHOKER GAS OIL RATIO

PRODUCING METHOD AND PRESSURES

COMPLETION

☒ OIL-BRLS

☒ GAS-MMCF

POTENTIAL

LATEST TEST

POTENTIAL

LATEST TEST

5-27-61

Dec. 1961

12-3-59

Dec. 1961

Prorated

Produced 2030

Prorated

Produced 2220

4821 MCFD

MCFD & 18

4791 MCFD

MCFD & 26

3 hrs 3/4" ch.

BCPD for 21

3 hrs 3/4" ch.

BCPD for

AOF 6058

days

AOF 6350

11 days

To 1-1-62: 1101 BC & 117,669 MMCF To 1-1-62: 4578 BC & 522,739MMCF

DRILLING INTANGIBLES

DRILLING COST

FEET @

Turnkey

PER FOOT

EST. AMOUNT

DAY WORK

3 at \$800

CRG. EQPT.

SURVEYS

MUD

STIMULATION

4,500

PERF.

1,000

ROADS AND BRIDGES

DREDGING AND GRADING

OTHER

7,300

DRY HOLE

PRODUCER

TOTAL DRILLING INTANGIBLES

\$ 49,000

48,100

WELL EQUIPMENT -- TANGIBLES

CASING AND TUBING: 500' - 8-5/8"; 6600' - 4-1/2" (10.5#/ft.); 6600' - 2-3/8"

8,000

14,700

WELLHEAD ETC

8,000

3,000

TOTAL WELL EQUIPMENT TANGIBLES

8,000

17,700

TOTAL THIS AUTHORIZATION

NET - DRY HOLE

NET - PRODUCER

\$ 57,000

65,800

BUDGET ESTIMATE

PREVIOUSLY AUTHORIZED

TOTAL PREVIOUSLY AUTHORIZED PLUS THIS SUPPLEMENT

REMARKS

☐ AUTHORIZED

☐ RECOMMENDED

FIELD SUPERINTENDENT

DATE

☐ AUTHORIZED

☐ RECOMMENDED

☐ REJECTED

SUPERVISOR IN CHARGE OF DISTRICT

DATE

DIVISION APPROVALS

PRODUCING

GEOLOGICAL

LAND

ACTION BY DIVISION MANAGER (THROUGH DIVISION COMMITTEE)

☐ AUTHORIZED

☐ RECOMMENDED

☐ REJECTED

DATE

ACTION IN GENERAL OFFICE

FOR PRODUCING DEPT
FOR EXPLORATION DEPT

DATE

EST. ULT. RECOVERY

BRLS

MMCF

MONTHS TO PAY OUT

ROI

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

July 26, 1962

EXAMINER HEARING

IN THE MATTER OF:

Application of Pan American Petroleum Corporation for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in a gas proration unit comprising the S/2 of Section 30, Township 29 North, Range 10 West, Basin-Dakota Gas Pool, San Juan County, New Mexico.

CASE NO.
2603

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 2603.

MR. DURRETT: Application of Pan American Petroleum Corporation for compulsory pooling, San Juan County, New Mexico.

MR. BUELL: For Pan American Petroleum Corporation, Guy Buell. We have one witness, Mr. Rundell.

MR. UTZ: Will you swear the witness, please?

(Witness sworn.)

MR. UTZ: Any other appearances in this case?

MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, appearing for the estate of Alfred E. McClain.



NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING - ELVIS A. UTZ

SANTA FE, NEW MEXICO

REGISTERHEARING DATE JULY 26, 1962 TIME: 9 A.M.

NAME:	REPRESENTING:	LOCATION:
Guy BUELL	PAN AMERICAN	FORT COCKER
Jerry Rundlell	" "	Farmington
D. E. Berry, Jr	Sunray DX	Hobbs
A. P. White	" "	Santa Fe
Andy Smy, Jr	Amerade	Monument, N.M.
Jason Kellahi	Kellahi & Fox	Santa Fe
John D. Russell	Campbell & Russell	Roswell
C. W. STUMHOFFER	NEW MONT OIL CO.	FT. WORTH
Geo. L. Hurty	SW Prod	Farmington
Jack D. Jones	SW Prod.	Farmington

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING - ELVIS A. UTZ

SANTA FE, NEW MEXICO

REGISTER

HEARING DATE JULY 26, 1962 TIME: 9 A.M.

NAME:	REPRESENTING:	LOCATION:

EXAMINER HEARING - ELVIS A. UTZ

SANTA FE , NEW MEXICO

REGISTER

TIME: 9 A.M.

NAME:	REPRESENTING:	LOCATION:

MR. UTZ: Other appearances?

You may proceed.

JERRY RUNDELL,

called as a witness, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BUELL:

Q Mr. Rundell, will you state your complete name, by whom you are employed, in what capacity, and at what location, please?

A My name is Jerry Rundell; I'm employed by Pan American Petroleum Corporation, and I'm located in Farmington, New Mexico.

Q How do you spell your name, please?

A R-u-n-d-e-l-l.

Q And you are employed as a petroleum engineer, are you not?

A Yes, that is correct.

Q You have testified at a prior Commission hearing and your qualifications as a petroleum engineer are a matter of record, are they not?

A Yes, sir, they are.

MR. BUELL: Any questions of his qualifications, Mr. Examiner?

MR. UTZ: No, sir, he's qualified.

(Whereupon Applicant's Exhibit No. 1 marked for identification)

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1162

ALBUQUERQUE, N. M.
PHONE 243-6691



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691

Q (by Mr. Buell) Mr. Rundell, will you look at what's been marked as Pan American's Exhibit No. 1 and briefly state for the record what that exhibit reflects, please?

A Exhibit No. 1 is the location map which shows a Township 29 North, Ranges 10-11 West, in San Juan County, New Mexico. In the center of the exhibit, outlined in red, is the South half of Section 30, Township 29 North, Range 10 West. Surrounding this South Half of Section 30, colored in yellow, are the various Basin-Dakota field wells in this area.

Q Mr. Rundell, with respect to the half section in question, the South half of Section 30, is that a standard half section in that it contains exactly 320 acres?

A No, sir, this half section actually contains only 319.80 acres. However, it's so close, in my further testimony I'll refer to it as a standard half section.

Q Now, Mr. Rundell, in the event the Commission approves our application here today to compulsory pool all the mineral interest in this half section, what will Pan American designate as the name of this unit?

A This unit will be known as the Abrams Unit E.

Q How do you spell Abrams?

A A-b-r-a-m-s.

Q All right, sir. It might be well at this time to briefly relate the ownership of the individual tracts that compose this South Half of Section 30. You might start, Mr. Rundell, with the



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691

acreage that Pan American owns and controls.

A Pan America owns the acreage colored in red and orange, and it consists of a total of 135 acres. There are 115 acres colored in red and 20 acres colored in orange. Skelly Oil Company owns 80 acres and it's colored in green on this map. Redfearn - Heard owns 65 acres and it's colored in blue. In the Northwest quarter of the Southwest quarter of Section 30 is uncolored and this particular 40-acre tract is subject to a title dispute at the present time.

Q There are several people, insofar as you know, who are claiming leasehold ownership of that acreage?

A Yes, sir, that is correct.

Q Why have you colored the majority of Pan American's acreage in red and the 20-acre tract in orange?

A The 20-acre tract which is colored in orange is set aside because it expires on August 22, 1962.

Q And since that lease does have an early expiration date, you thought you would distinguish it by a different color from the other Pan American acreage?

A Yes, sir, that is correct.

Q Why, Mr. Rundell, is it necessary for resort of compulsory pooling to form this Basin-Dakota unit that we are requesting?

A Well, first I would like to point out we were aware of our early expiring lease, but what happened was, at the outset



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691

we thought we would have no difficulty whatsoever in forming a standard unit in this area. As a matter of fact, Skelly and Mr. Redfearn and one of the claimants on this Northwest quarter of the Southwest quarter were all eager to form a unit and drill a well.

Q I see. At the outset all the apparent lease holders were willing and ready and actually wanted to form this unit and get a well drilled to the Dakota?

A Yes, sir, that is correct.

Q Then what happened?

A Then we found out that the Northwest quarter of the Southwest quarter was actually subjected to a title dispute, and we didn't know who owned that lease, so we waited in hopes the dispute would soon be settled, but time finally ran out and we were unable to get Skelly and Redfearn in a voluntary unit.

Q Did Pan American, in other words, delay preparing the operating agreement and the communitization agreement in the hopes that this title dispute would be resolved and one drawing of instruments would suffice for the whole standard unit?

A Yes, sir, that is correct.

Q And time just got away from you?

A Time got away and we were negotiating to do that.

Q Well, with respect to Skelly and Redfearn and Heard, the two working owners of interest in this half section, are they aware of our Hearing here today? Did we advise them of what our plans were in regard to their interest in the South half of Section 30?



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691

A Yes, sir, both Skelly and Mr. Redfearn are fully aware of our present hearing, and it's my understanding they agree entirely with this course of action that we are taking today.

Q They are completely agreeable in view of the circumstances of our early expiring lease to be force pooled so that we can initiate drilling of our well and protect our lease?

A That is correct.

Q In view of that, Mr. Rundell, in all probability there will be no difficulty at all in arriving at an operating agreement with Skelly and Redfearn and Heard, would you recommend that, if the Commission should approve our request here today, they include a provision in the order such that any owner of interest in this South half of Section 30 who would like to pay his share of well cost in cash could do so without any risk penalty being applied?

A Yes, sir, I recommend that the order provide this, any person who wishes to pay his share of the well cost in cash be allowed to do so within thirty days after they are presented with the well cost and that they will not suffer any risk.

Q While we are speaking of a risk penalty, Mr. Rundell, what is your recommendation to the Commission in that regard?

A I would recommend 25 percent risk factor.

Q Let me ask you this: In view of that recommendation, where does Pan American propose to locate the well that will serve this proration unit?



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691

A This well will be located 1790 feet from the South line and 890 feet from the east line, and it's shown on Exhibit No. 1 as a small circle on the R. A. Abrams lease.

Q Is that in the Northeast quarter of the Southeast quarter?

A Yes, sir, that is correct.

Q All right, sir. In your engineering opinion, Mr. Rundell, what do you think is the chance of this well being non-productive in the Basin-Dakota reservoir.

A Well, as shown on Exhibit No. 1, you can see that the South half of Section 30 is completely surrounded by completed Dakota wells on three sides. It's my opinion that this location has very little risk as far as being non-productive. However, I would say that the risk factor would be for the inherent risk of drilling a well.

Q You are recommending a risk factor primarily based on the inherent risks in drilling, although there is some slight risk that this location would be non-productive?

A That is correct, sir.

Q But you actually anticipate a productive, at least average or better, Dakota well at that location?

A That is right.

Q What is your recommendation to the Commission with regard to monthly operating cost?

A I would recommend the monthly operating cost be set at



\$75 a month.

Q Do you feel that if the Commission approves our request here today and issues their order compulsory pooling all mineral interest in this South half of Section 30, do you feel that that will prevent waste as well as protect the correlative rights of all the owners of interests in this half section?

A Yes, sir; as a matter of fact, I believe that the issuance of this order would be the only way in which we could absolutely prevent waste and protect correlative rights and at the same time prevent the drilling of unnecessary wells.

Q Do you have anything else that you would like to offer at this time, Mr. Rundell, in the way of direct testimony?

A No, sir, I don't.

MR. BUELL: That's all we have at this time, Mr. Examiner, and I would like to formally offer Pan American's Exhibit No. 1.

MR. UTZ: Without objection, Pan American's Exhibit No. 1 in Case 2603 will be entered in the record.

(Whereupon Applicant's Exhibit No. 1 admitted in evidence.)

MR. UTZ: Are there any questions of the witness?

CROSS EXAMINATION

BY MR. UTZ:

Q The only acreage in question are about -- it's an even 40 acres?

A It's actually 39.85 acres.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.
PHONE 243-6691

FARMINGTON, N. M.
PHONE 325-1187



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691

Q You are asking for \$75 operating cost?

A Yes, sir.

Q A hundred and twenty-five percent?

A Yes, sir.

MR. UTZ: Any other questions?

The witness may be excused.

(Witness excused.)

The case will be taken under advisement.

Any statements?

MR. KELLAHIN: If the Commission please, the estate of Alfred E. McClain is one of those who claim in the leasehold interest in the Northwest quarter of the Southwest quarter which is involved here. The estate is willing to, able, has so advised Pan American that they have no objection to the formation of the unit and would like the opportunity before establishing their title to pay their share of the well costs in cash without a penalty provision. They would be willing and ready to join the unit as soon as their title can be established.

MR. UTZ: They don't want any risk factor?

MR. KELLAHIN: That is correct.

MR. UTZ: Any other statements?

MR. DURRETT: Yes, sir, Mr. Examiner. I have a statement in our files from Skelly Oil Company and also a statement from Redfearn and Heard, Incorporated, stating that they have no objection to this application.



MR. UTZ: Skelly and Redfearn and Heard?

MR. DURRETT: Yes.

MR. UTZ: Any other statements?

The case will be taken under advisement.

* * * *

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.
PHONE 243-6691

FARMINGTON, N. M.
PHONE 325-1182



DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.
PHONE 243-6691

FARMINGTON, N. M.
PHONE 325-1182

STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

I, MARIANNA MEIER, NOTARY PUBLIC in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached transcript of proceedings was reported by me in stenotype and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

Marianne Meier
NOTARY PUBLIC

My Commission Expires:

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2603, heard by me on July 26, 1962.
W. L. [Signature], Examiner.
New Mexico Oil Conservation Commission.



FORM 5 9-49

TO: **N.M.O.C.C.** _____ DATE _____ / _____ / _____

Santa Fe, New Mexico FLOOR NO. _____

REMARKS _____

FROM _____

PAN AMERICAN PETROLEUM CORPORATION

P. O. Box 480, Farmington, New Mexico
November 26, 1962

File: H-1182-400.1

Subject: NMOCC Order No. 2294
Abrams Gas Unit "E" No. 1
San Juan County, New Mexico

*File
Case
2603*

Oil Conservation Commission
State of New Mexico
Capitol Annex Building
Santa Fe, New Mexico

Owners of Interest
Dakota Spacing Unit
S/2 Sec. 30-T29N-R10W
(See Attached Addressee List)

Gentlemen:

As a supplement to our letter of August 3, 1962, File: N-677-400.1, Pan American Petroleum Corporation respectfully submits an itemized schedule of final well costs pertaining to the drilling of the Abrams Gas Unit "E" Well No. 1 at a location in the S/2 of Section 30, T-29-N, R-10-W, San Juan County, New Mexico.

Drilling Costs

Day Work - Drilling Contract	\$ 4,725.95	
Footage - Turnkey Contract	31,500.50	
Truck and Service Equipment	2,829.21	
Drilling Mud and Related Material	2,315.60	
Bits and Rental Equipment	771.62	
Well Surveys and Test Services	1,922.18	
Acidizing, Shooting and Perforating	5,722.08	
Cement Casing	706.04	
Squeeze Jobs	397.80	
Geological and Engineering	98.18	
Losses on Retirement, Sales, Transfers, and Other Charge-Offs	13.12	
Material and Supplies - Other	1,155.12	
Other Labor - Company	400.34	
Other Labor - Contract	1,151.11	
Other Drilling Costs	236.70	\$53,945.55

Well Equipment

Construction	\$ 220.93	
Well Head	2,261.89	
Casing	9,762.79	
Tubing	5,086.19	
Noncontrollable Tangible Material	575.13	
Valuation Reserve	(1,243.24)	16,663.39

Oil Conservation Commission
Owners of Interest-Dakota Spacing Unit

November 26, 1962
File: H-1182-400.1


<u>Lease Equipment</u>			
Pipe	\$	273.61	
Gate Valve		615.00	
Noncontrollable Tangible Material		346.31	
Valuation Reserve		<u>(319.35)</u>	\$ 915.57
<u>Overhead Charges</u>			
Administrative	\$	276.56	
District		246.57	
Miscellaneous Charges and Credits		<u>(29.07)</u>	494.06
<u>Operation</u>			
Well Expense			<u>15.16</u>
Total			<u>\$72,034.03</u>

This well was completed as a Dakota gas well on September 14, 1962. Gas sales have not commenced. When well actually starts producing, further expenditures will be required for various surface equipment.

In compliance with Topic 9 of Order No. 2294, if for any reason proceeds from the production cannot be disbursed in our regular course of business when sales commence, we will at that time advise of the designated escrow agent in San Juan County, New Mexico. A copy of this letter is being furnished each of the addressees on the attached list.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION


T. M. Curtis
District Superintendent

CKD:ep
Attach.

ABRAMS GAS UNIT "E" NO. 1
S/2 SECTION 30-T29N-R10W

OWNERS - DAKOTA RIGHTS

Skelly Oil Company
P. O. Box 4115
Station A
Albuquerque, New Mexico

Redfern and Herd, Inc.
P. O. Box 1747
Midland, Texas

Mr. R. B. Sullivan
P. O. Box 1178
Durango, Colorado

Mr. John P. Wiedemer
Empire States Drilling Corporation
1020 Simms Building
Albuquerque, New Mexico

Estate of Alfred E. McLane
Mr. Lewis Chandler
Turner, White, Atwood, Meer and Francis
1900 Mercantile Dallas Building
Dallas 1, Texas

Mrs. Dixie McLane
3116 Southwestern
Dallas 1, Texas