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LUCERNE CORPORATION

MERCANTILE SECURITIES BUILDING

DALLAS 1, TEXAS

June 16, 1954

MAIN OFFICE 030
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New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Attention: Mr. R. R. Spurrier, Director

Dear Mr. Spurrier:

We understand that a hearing will be held Monday, June 21 to consider gas proration methods for gas produced from the Mesa Verde formation in the San Juan Basin, New Mexico.

Lucerne Corporation, et al, are co-owners with El Paso Natural Gas Company of a 2480-acre Federal lease located in Sections 3, 4, 9, 10, 11, and 12, Township 31 North, Range 10 West, San Juan County, New Mexico. This is our Roberson lease, and that part of the lease in Sections 11 and 12 are committed to the 32:9 Unit, and one gas well producing from the Mesa Verde formation was completed in the E $\frac{1}{2}$ of Section 12. The remainder of the lease is located in Sections 3, 4, 9 and 10, and contains approximately 1280 acres. The SE $\frac{1}{4}$ of Section 4 is part of the 320 acre drilling unit on which a producing well has been completed in the SW $\frac{1}{4}$ of Section 4. The SW $\frac{1}{4}$ of Section 9 is part of a 320 acre unit on which a well is now drilling. In addition to the 320 acre unit, the E $\frac{1}{2}$ of Section 9 has a location in the NE $\frac{1}{4}$ of Section 9.

Because of our holdings with El Paso, we are interested in the proration plans for this area and hope that a plan will be adopted which will be fair to the producers and one under which the gas purchasers can operate without difficulty.

June 16, 1954

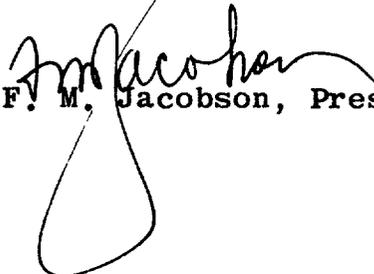
We feel that acreage should be recognized and suggest that 25% of the field outlet should be divided over the 320 acre producing units entirely on an acreage basis. We do not favor allocation of more than 320 acres to a producing unit except an additional amount of acreage to take care of irregularities in surveys, maximum excess acreage 10%. We suggest that 75% of the field outlet should be divided between the producing wells on the deliverability factor.

The combination of 25% on acreage and 75% on deliverability should satisfy the operators with small wells and also the operators who have a fortunate structural position with good development of the producing section.

We are sending a copy of this letter to the El Paso Natural Gas Company, and we are willing for their representative to represent us also at the hearing June 21.

Yours very truly,

LUCERNE CORPORATION


F. M. Jacobson, President

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cc: Mr. Foster Morrill
Roswell, New Mexico

El Paso Natural Gas Company
El Paso, Texas
Attn: Mr. Ben Howell