

examined and testified as follows:

DIRECT EXAMINATION

BY MR. BUELL:

Q Mr. Rundell, do you have your written testimony?

A No, sir.

Q Will you talk fast, then. Mr. Rundell, would you state your complete name, by whom you are employed, in what capacity and at what location?

A Daniel J. Rundell. I am employed by Pan American Petroleum Corporation located in Farmington, New Mexico. I am employed as a petroleum engineer.

Q Where did you go to school?

A Tulsa University.

Q What is your basic degree?

A I received a B.S. degree in petroleum engineering.

Q What have you done since graduation?

A I graduated in 1957 and at that time I was employed by Pan American and have served for Pan American since that time in various capacities as a petroleum engineer.

MR. BUELL: Are his qualifications accepted?

EXAMINER NUTTER: Yes, sir, please proceed.

(Applicant's Exhibit No. 1
marked.)

Q (by Mr. Buell) Would you look now, Mr. Rundell, at what has been made Pan American's Exhibit No. 1 in this case.

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Would you state for the record what that exhibit reflects?

A Exhibit 1 is a location map showing a portion of the San Juan Basin. In the center of this exhibit is Section 14, Township 29 North, Range 13 West. The East half of this section is colored in green and will ultimately be a standard 320-acre proration unit in the Basin-Dakota Field.

Q And the proposed 163-acre unit, is the East half of Section 14, which is colored in green?

A Yes.

Q Mr. Rundell, in your opinion will all of the acreage in Section 14 be productive of gas from the Basin-Dakota formation?

A Yes, I think it will. On Exhibit 1, also colored in red, we have the Dakota wells surrounding this half section. It is my opinion that Section 14 will also be productive.

(Applicant's Exhibit No. 2
marked.)

Q (by Mr. Buell) Looking now at Pan American's Exhibit No. 2, Mr. Rundall, will you briefly state what that exhibit reflects?

A Exhibit 2 is a detailed map showing the East half of Section 14, Township 29 North, Range 13 West, and it shows specifically the ownership of the various tracts within this half section.

Q How have you designated Exhibit 2 for the proposed



163-acre non-standard unit?

A The 163-acre non-standard unit is shown in red.

Q Would you describe the acreage that that unit is composed of for the record?

A Yes, sir. The acreage is composed of the North half of the Northeast quarter and the South half of the Northeast, 68 acres out of the South half of the Northeast quarter, 15 acres out of the East half of the Northeast quarter, Southeast quarter, all of Section 14.

Q How many separate Pan American leases are involved in this 163 non-standard unit?

A It will be six separate tracts within this 163-acre non-standard unit.

Q Would you state for the record the leases involved and the amount of acreage of each lease?

A In this non-standard unit, first there is a seven-acre tract, the J. C. McCray lease. There is a 57-acre tract, the Virgie Roberts lease; 16 acres for the E. J. Strawn lease; there is a 24-acre tract, the Arthur Corey lease; 14 acres for the M. K. Berry lease; and 15 acres of the J. C. Churchill lease.

Q Does Exhibit 2 also show the proposed well location?

A Yes, sir, it certainly does.

Q Would you locate it briefly for the record, please?

A It is located in the North half of the Northeast quarter, as shown by the blue circle. This location is 1190 feet

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from the North line, 320 feet from the East line of Section 14.

Q. Let's look now at the acreage in the East half of Section 14 that is not within your proposed 163-acre non-standard unit. How many separate tracts are there in the East half of Section 14 not in our non-standard unit?

A. Fifteen separate tracts in the East half of Section 14 that is not within the 163-acre non-standard unit.

Q. Some of these fifteen are leased and some unleased at this time?

A. Yes, sir. The leased tracts are shown in color and are as follows: Texaco, yellow; Redfern has two leases colored in orange; Pan American is colored in blue.

Q. With respect to these leased tracts in this half section, have the operators holding these leases been advised of our plans at this Hearing today?

A. Yes.

Q. Would you anticipate any difficulty whatsoever in bringing those four leased tracts in a voluntary standard 320-acre unit?

A. No, sir.

Q. With respect to the unleased tracts in the East half of Section 14, how many are there?

A. There are eleven unleased tracts in the main portion of Section 14.

Q. What is the status of those unleased tracts? Is Pan



American making any effort to obtain leases on them?

A Yes, sir.

Q All the tracts except the John D. Tinnin lease, one-half acre, all the tracts have been promised to Pan American for lease?

A Yes, sir.

Q Did you make a check with the land department people in Pan American who have been discussing leasing the Tinnin tract?

A Yes. They are now discussing leasing their property and there is no indication that it will not lease.

Q Your land man was optimistic?

A Yes, he was.

Q As I interpret your testimony, Mr. Rundell, it appears that a standard voluntary 320-acre unit could be formed in this East half in a very short period of time. Is that interpretation correct?

A Yes, sir, I think so.

Q Why, then, is Pan American asking the Commission to approve 163-acre non-standard unit?

A Our J. C. McCray lease expires February 18, 1962. Although we can probably form a standard unit in a short time, we have to be drilling on that lease, we would have to be drilling by February 17, 1962. For this reason, we are requesting a non-standard unit so we can go ahead and drill the well.

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Q It is incumbent on a prudent operator to do everything necessary to protect and perpetuate a lease?

A Yes.

Q Let me ask you this, Mr. Rundell: If this non-standard unit is not approved by the Commission and our lease does expire, we have another unleased tract in this East half of Section 14?

A Yes, sir, we will.

Q We don't want to leave the impression in the record that Pan American has suddenly awakened and discovered this expiration date. We have been working on this unit for some time?

A Yes, sir, we have.

Q Is Section 14 near the town limits of the Town of Farmington?

A Very close to the city limits.

Q Has it been Pan American's experience that in the area of town site development, where you have many tracts, small tracts unleased, and with production practically proven, is it exceedingly difficult to obtain leases on small tracts?

A Yes, sir, they are very small indeed, probably in the nature of half an acre or thereabouts and it takes a long time to lease up a lot of these acres.

Q It is time consuming?

A Yes, sir.

Q As things stand now, it appears that in the very near



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future that Par American will have leases on all the unleased tracts?

A Yes.

Q In view of the imminence, Mr. Rundell, of a standard unit being formed, what is your recommendation to the Commission with respect to the type of order you would like to see them issue in this case?

A I would recommend the Commission issue a six-month temporary order approving the 163-acre non-standard unit pending the completion of the voluntary standard 320-acre unit.

Q Mr. Rundell, about how long does it take to drill a well to the Basin-Dakota Gas Pool in this area?

A Approximately two weeks.

Q Under those conditions, the possibility exists that for a short interim period of time there might be production from the well under a non-standard unit basis?

A Yes, sir.

Q Assuming that such production does occur, will the correlative rights of all the owners of interest in the East half of Section 14 be protected?

A Yes, sir, under the rules in effect, the correlative rights of these people will be protected.

Q Mr. Rundell, are you familiar with any similar order similar to the one you have requested that the Commission issued in the past?



A Yes, sir. The Commission has approved a similar order on the application of Texaco in Case No. 2329. As a result of that case, Order R-2043, approving a 160-acre non-standard unit on a six-months temporary basis was issued.

Q You are recommending a similar order approving our proposed non-standard unit in this case?

A Yes.

Q Do you have anything you'd like to add, Mr. Rundell?

A No, sir.

MR. FUELL: That's all we have at this time. May I formally offer our Exhibits 1 and 2.

EXAMINER NUTTER: Applicant's Exhibits 1 and 2 will be admitted in evidence.

Does anyone have any questions of Mr. Rundell?

MR. MORRIS: Yes.

CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Rundell, would you amplify your statement that correlative rights would not be impaired under the present pro-ration rule?

A The allowable assigned to a Dakota well would be based on acreage and deliverability and, in this case, having only a 163-acre unit, it would be decreased by that amount as compared with a 320-acre unit.

Q Can you see any objection in making it a 320-acre unit



if it is retroactive to the date of establishment of the non-standard unit?

MR. BUELL: I can see a lot of legal implications here, Mr. Morris. It would be my recommendation and my urging to the Commission not to include such a retroactive provision. It might prove harmful rather than helpful in ultimately forming the standard unit.

MR. MORRIS: That's all I have.

CROSS EXAMINATION

BY EXAMINER NUTTER:

Q Mr. Rundell, I notice one small tract here that doesn't have any description on it. Who does it belong to?

A That belongs to I. K. and R. Westbrook. That date line indicates some kind of separation between them and that whole section belongs to these people.

Q Actually, this is one tract, from the blue area over to this other thing -- what is that, a road?

A An irrigation ditch.

Q You do have the minerals under the irrigation ditch?

A Yes, sir, in the top portion we do.

EXAMINER NUTTER: Are there any further questions of Mr. Rundell?

If not, the witness may be excused.

(Witness excused.)

EXAMINER NUTTER: Does anyone have anything they wish



to offer in Case No. 2474?

MR. MORRIS: The Commission is in receipt of a telegram from R. M. Bischoff, assistant division manager, Texaco, Inc. "Reference Case No. 2474. Texaco has been notified by Pan American Petroleum Corporation that they will seek a six-month temporary order for the establishment of a 163-acre non-standard gas proration unit to be located in the East half of Section 14, Township 29 North, Range 13 West, San Juan County, New Mexico. Texaco holds a 10-acre lease located in the Southwest quarter Southwest quarter, Northeast quarter said Section 14. Texaco believes that a normal 320-acre gas unit should be formed and, therefore, would normally object to the formation of a non-standard unit; however, in view of the fact that Pan American is seeking only a temporary order and is currently attempting to form a normal unit, we do not object."

EXAMINER NUTTER: We will take the case under advisement.

* * * *

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STATE OF NEW MEXICO)
) SS.
COUNTY OF SAN JUAN)

I, THOMAS F. HORNE, NOTARY PUBLIC in and for the County of San Juan, State of New Mexico, do hereby certify that the foregoing and attached transcript of hearing 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.

Thomas F. Horne

NOTARY PUBLIC

My Commission expires:
October 2, 1965

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2474, heard by me on 1-4, 1962.

A. J. ..., Examiner
New Mexico Oil Conservation Commission



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WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

SYMBOLS

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A L PORTER JR, NEW MEXICO OIL CONSERVATION COMMISSION=
STATE LAND OFFICE BLDG SANTA FE NMEX=

RE CASE #2474 (REOPENED) HEARING JULY 11, 1962 ON PAN
AMERICAN APPLICATION FOR EXTENSION OF TEMPORARY 163-ACRE
NONE STANDARD GAS PRORATION UNIT IN SECTION 14-T29N-R13W
BASIN=DAKOTA GAS POOL, SAN JUAN COUNTY, NEW MEXICO.

TEXACO HAS NO OBJECTION TO A SIX-MONTH EXTENSION OF

ORDER NO R=2167=

ROY WISENHUNT TEXACO INC=

#2474 11 1962 163- 14-T29N-R13W R=2167..

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

think January 4, 1962, with two exhibits and at that time two exhibits were introduced. Exhibit Number 1 was a map of the general area and the section in question, and then the Exhibit 2 was a detailed ownership plat on the east half of Section 14, Township 29 North, Range 13 West, which is the half section in question.

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 briefly state your complete name, by whom you are employed, and in what capacity?

A Jerry Rundell. I am employed as a petroleum engineer by Pan American Petroleum Corporation, and I am stationed in Farmington.

Q Mr. Rundell, you testified at a previous Commission hearing, and your qualifications are a matter of public record?

A Yes, sir.

Q Will you briefly look at what has been identified as Pan American's Exhibit Number 3 and state for the record what you know about that?

A Exhibit Number 3 is very similar to Exhibit Number 1. The difference being that this Exhibit 3 shows a slightly different lease boundary variation on some of the leases. Also, this Exhibit shows **leases** in red on our present 163 acres.



Q Mr. Rundell, you said "similar to 1." You meant Pan American's Exhibit 2?

A Yes.

Q Would you briefly point out for the Examiner the difference between Exhibit 3 and Exhibit 2?

A Exhibit Number 3 is slightly different in the I. K. Westbrook lease. In that lease, there is a small tract up in the northwest corner which is bounded by the I. K. Westbrook. Also, below it are some company leases, that is, number 2 Chile Knights, which is another lease that we have.

Q So those two or three ownership portions are complications that have been encountered in the interim six months, since we were last here?

A That's correct.

Q So, while there were eleven leased tracts, in truth and in fact at that time, there were thirteen leased tracts?

A Yes, sir, that is correct.

Q All right, sir. What is the significance of the area enclosed in red?

A The area enclosed in red is our present 163 acres, non-standard unit as made by order number 2167.

Q Mr. Rundell, order R-2167, which you just mentioned, gives us some six months forward for this non-standard tract. Did I personally, back in January, and did our land people deal intimately with this acreage, that within six months we could voluntarily

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form this standard 320-acre unit?

A Yes, sir. We **were** confident that within the six months, we could form a voluntary standard 320-acre unit.

Q It is pretty obvious we have not been successful?

A That's correct.

Q We are here today asking for a six-months' extension of order R-2167. In that connection, it might be well to report to the Commission on our progress in assembling the standard unit, the progress that we have made in the past six months, so let me direct your attention to our Exhibit Number 4 and briefly ask you to state what that exhibit reflects?

A Exhibit Number 4 is the same as Exhibit Number 2, only that it does show colored in green, that Pan American has leased all of the thirteen remaining leases.

Q So, the ~~thirteen~~ unleased tracts have now been leased by Pan American?

A Yes, sir.

Q And they are now available for becoming a part of a standard unit?

A Yes, sir, that's correct.

Q Of course, the acreage colored in red on Exhibit 4, which is the present approved agreement, not non-standard unit, that is in fact available in the lease and is to be used in the standard agreement?

A Right.

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Q The north half of the east half of Section 14 reflected on your Exhibit Number 2 in yellow is owned by Texas Company, and it is available also? So, we have Texas Company committed to the standard unit?

A Right. Texas Company has committed that tract to the standard unit.

Q What about it?

A It is the back tract. It is Pan American acreage that we had on that prior hearing, but contiguous with the other acreage.

Q But it is available to be leased to a standard unit?

A Yes.

Q That only leaves the two portions colored in orange, Mr. Rundell. Who owns the orange tracts, operates the two orange tracts?

A Redfern and his group of associates.

Q Since all of the others are available and ready to be leased for a standard unit, it is obvious that these two tracts are the ones that are keeping us from forming a standard unit at this time?

A Yes, sir. That's correct.

Q In view of that, Mr. Rundell and the termination of this temporary six-months' order, let me ask you whether the Pan American Company would ask that those two tracts be force pooled and then formed into a standard unit?

A In the past, Mr. Redfern and Pan American have had many



business dealings, and he has always been very amiable, and I hesitate to recommend forced pooling because of that reason.

Q Have you, in the past, also found Redfern to be a reasonable as well as a responsible man?

A Yes, sir.

Q Are negotiations with Redfern voluntarily continuing?

A Yes, sir.

Q Negotiations are in progress now?

A Yes.

Q Let's make the record clear. Redfern is a detriment to the formation of a standard unit?

A Yes, sir, he is.

Q The rub, or where we have not been able to get together, has been in the detailing on the coming agreement?

A Yes, sir. Some of the detail, we are in disagreement about.

Q Do you feel that there is a good chance should the Commission extend that order for another six months, that these two tracts could voluntarily be formed into a standard unit?

A They probably will be brought into a standard unit.

Q Certainly, with another six months, Mr. Rundell, we will at least by then know finally, one way or the other?

A Yes, sir. Within six months, we will know if Mr. Redfern will complete his tracts or if he will not we will apply for a pooling order.

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Q What necessitated the arrangement for the non-standard unit?

A Our original lease was the early J.C. McRae lease, the preliminary diagram of which was submitted February 18th, 1962.

Q In the interim period since the January 4 hearing, has a Dakota well been drilled?

A In Exhibit Number 4 in the north half, the Vergie Roberts lease, we have completed a Dakota well.

Q What kind of a well? How did it come in, Mr. Rundell?

A 2,080 M.C.F. per day.

Q Is that about normal for a Dakota well in this immediate area?

A Yes, sir. I would say it is.

Q In the primary area, primarily in which the McRae lease was spudded?

A Yes, sir.

Q Do you feel if the Commission should extend the terms of order R-2167 for an additional six months, as we request, that the correlative rights of all owners of interest in this east side and the half of Section 14, as well as owners of interest in the area around this section, would be protected?

A Yes, sir. I think they would.

Q Can you see any way that the extension of this order would violate the correlative rights of Dakota owners of interest in the area?



A No.

Q Do you recall, Mr. Rundell, when order R-2167 will expire by its own terms?

A It was to expire July 17th, 1962.

Q Do you have anything else that you would care to add at this time, Mr. Rundell?

A No.

MR. BUELL: Mr. Examiner, that is all we have. We would like to formally offer Pan American's Exhibits 3 and 4.

MR. NUTTER: Pan American's Exhibits 3 and 4 will be admitted in evidence, there being no objections. Are there any other questions?

(Whereupon, Applicant's Exhibits 3 and 4 admitted in evidence).

MR. MORRIS: Yes.

MR. NUTTER: Mr. Morris.

CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Rundell, what is the monthly allowable of your well in this unit?

A This well is presently not connected.

Q It's not connected?

A No.

Q Has it ever produced at all?

A Not into a pipe line, no, sir.



Q Do you have prospects of having the well connected in the near future?

A There is a possibility that it could be connected in the near future.

Q Would you amplify those remarks?

A Well, we don't, not at the present time, have a marketing arrangement, and we are also looking for a marketing arrangement and request, if we find one, it will be put into the pipe line; however, I don't know exactly what the status is as far as that goes.

MR. BUELL: I might add, in addition, Mr. Morris, that this Dakota acreage would be sold to another person who would negotiate a market for it. There are two possibilities for a market. Number one: our own negotiations; and two: a market through the purchaser's negotiations.

Q (By Mr. Morris) How far are you away from a pipe line, should you decide to get a hookup, Mr. Rundell?

A I don't know exactly where the nearest line is; however, wells are located all around this well, and it is probably not more than a half a mile, probably.

Q Then, if for one reason or another, the well might be hooked up and gas sold, it could be done in a short time?

A Yes, sir.

Q It's easy for me to see how correlative rights could be protected by the additional period of time here, so long as the



well remains shut in. If the well should be connected, correlative rights could be on a continuation of the 163 acres range for another six months.

A I am satisfied that production of the allowables, based on the Dakota field, are made of the 25 percent of the market. Since this has a 163 acre range, its allowable would be decided from a standard unit by that much.

Q But any production from the well, Mr. Rundell, would leave that much less gas in the reservoir available to the well which would ultimately be split among all interest owners in this area, would it not?

A Would you repeat the question, please?

Q There is only so much gas in the reservoir that is recoverable by so much pay?

A Yes.

Q Even if this well produced with the decided allowable in production for its acreage, it would leave only so much left to be split among the owners of interest in this 320 acres when the standard unit is eventually formed. Would that be a fair statement?

A Yes, sir. That's correct.

Q And if that's correct, any production from this well on a 163-acre unit would amount to a violation of correlative rights?

A The fact remains, though, that gas would be coming from beneath the acreage which is on this particular 163-acre unit, and

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also, I would like to point out that Dakota wells have a long life of production, in the range of 20 or more years, and that any amount of gas taken out within a six-month period probably would not be very much of this well's reserve.

Q So, correlative rights might be violated but not very much?

A The gas would still come from beneath the acreage, and insofar as that goes, that is probably right. They might be violated just a trifle, but that is the way the rule works.

Q Could you give me any estimate as to how soon you think you might be able to bring Mr. Redfern into the unit on a voluntary basis?

A We certainly think that if he will come in at all, we are sure he will be in within six months. At the end of a six-months period, we will know whether he will or whether he will not come into the unit.

Q You are negotiating, presently in the process of negotiating with him?

A Yes, sir, we are.

Q Why should it take six months, rather than one month?

A It may take one month and then again it may take longer. I don't know exactly what the status of the negotiations are at the present time; however, it could be immediately, or it might be longer, depending on how far along we were.

Q If the Commission granted you a one-month extension of



that order, or a two-month extension, for you to, let's say, a two-month extension, after a period of one month remained, it would be possible for Pan American to bring a forced pooling action to the Commission, is it not?

A That's correct. At this particular time, we do not want to recommend such a measure.

MR. MORRIS: I believe that's all I have. Thank you.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Rundell, as I understand it, Exhibit Number 2 is the ownership plat map that you exhibited at the January hearing?

A Yes, sir, that's correct.

Q Exhibit Number 3 is the same map, except with a couple of corrections made on it for leases that you found existed that weren't exhibited on Exhibit Number 2. Then Exhibit Number 4 brings Exhibit Number 3 up to date and shows the acreage that Pan American has acquired since the hearing in January?

A Yes, sir. It does.

Q How many working interest orders exist in this 320-acre unit?

A There are one, two, three, four, five - - I believe there would be six.

Q Now, you have Pan American, referring to Exhibit Number 4, Pan American owns the red acreage, the Texas Company then owns the yellow acreage. Redfern owns the orange, the Redfern group,



because there were about four or five in it?

A Yes, sir.

Q That is, is there any other production owned by other working interest owners? There are no other tracts that have a divided interest?

A No.

Q The green acreage is under lease by Pan American?

A Yes, sir. We have leased the green acreage since the last hearing.

Q And the blue is under lease to Pan American?

A Yes, sir.

Q And the Texas Company is agreeable to forming a unit?

A Yes, sir. They have committed their acreage for a unit.

Actually, the 163-acre non-standard unit comprising everything except the orange acreage as requested.

MR. BUELL: We thought, in view of the fact that the well was not connected, order R-2167 described the current 163-acre tract feasible and practical just to extend the terms of order R-2167, without involving the non-standard unit.

Q (By Mr. Nutter) Unequivocally, can you state that the blue acreage and the green will be dedicated to the well?

A Yes, sir, I can.

Q Who owns this parcel of land, Mr. Rundell, along the southeast quarter of the south half of this unit?

A Number 211921?



Q 211871, sir. A. R. Smith, et al, what company is that that owns that lease?

A I don't know what it is. It's just - - it's a fee land.

Q Do you see the A. R. Smith lease?

A Yes.

Q Who is the working interest owner?

A Pan American is the working interest owner.

Q P-a-m-a-e-r, that's Pan American?

A Yes, I see your point.

Q That is a wholly-owned subsidiary of Pan American?

A Yes.

MR. NUTTER: No further questions. Does anyone have any further questions?

RE-DIRECT EXAMINATION

BY MR. BUELL:

Q Mr. Rundell, the basin Dakota allocation formula is equitable, so that correlative rights from this 163-acre well, if it should be connected and produced, would be protected?

A That's correct, yes, sir.

Q Well, let's just assume, rather than being a 163-acre unit, it was a 160 acres, so exactly half of the standard unit.

A Yes.

Q Assuming that the standard unit well is acceptable as our well on 160 acres, would not our well have exactly half the allowable of the 320-acre well?



A Yes, sir.

Q Correlative rights are being protected on the 320 acres, so that they would be protected on the 160?

A Yes, sir.

Q By the same token, if we had a 640-acre unit, the complete 640-acre unit would be showing the same allowable?

A Yes, sir.

MR. BUELL: That's all I wanted to bring out.

MR. NUTTER: Are there any further questions? If not, the witness may be excused. Is there anything further?

MR. BUELL: I would like to call to the attention of the Commission that on July 17 this order expires. I would like to thank the Commission for setting this hearing at the time they set it.

MR. NUTTER: Does anyone have anything further in case number 2474?

MR. MORRIS: The Commission has received a telegram from Texas Company, Incorporated, reference 2474 (reopened), "Hearing July 11th, 1962, on Pan American's application for extension of a temporary 163-acre gas proration unit in Section 14, Township 29 North, Range 13 West, San Juan County, New Mexico. The Texas Company has not had or has no objections."

MR. NUTTER: Does anyone else have anything else then to offer in this case? If not, Pan American's request will be taken under advisement. We will recess this hearing until 1:30.

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