



# Consolidated Oil & Gas, Inc.

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CARRIER DIVISION  
OFFICE OF THE  
DIVISION MANAGER

## MEMORANDUM TO PARTICIPANTS

Re: Dakota Proration Formula  
San Juan Basin, New Mexico

We have previously informed you of the New Mexico Oil & Gas Conservation Commission denial of our request for a change in the method by which Dakota gas withdrawals are allocated. Our hearing in April resulted in what is reported to be the longest Commission session in history - the hearing consumed four days.

In essence, it is obvious that we won the battle but lost the war. The famous New Mexico Supreme Court Jalmat decision handed down recently said in principal that the Commission could not consider changing a proration formula unless detailed engineering reserve and performance data were included on each and every well in order that reservoir exploitation efficiency, and the always important issue of correlative rights, might be thoroughly and objectively defined.

The impact of this on our proposal is indicated when one realizes that there are over 600 wells in the San Juan Basin Dakota reservoirs. We have now approached the Commission with the formal request that they require all operators to submit sufficient information regarding their particular wells such that the requirements of the Jalmat decision could be met. We are confident that a thorough engineering review, with objective conclusions based on all available data, would prove our proposed allocation formula more valid than the original formula which is now in effect. It is possible (and even quite probable) that while we may not be able to generate approval for our proposed new formula, we will succeed in invalidating the original formula. The net effect of this would be no proration at all. This would be good since we would

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

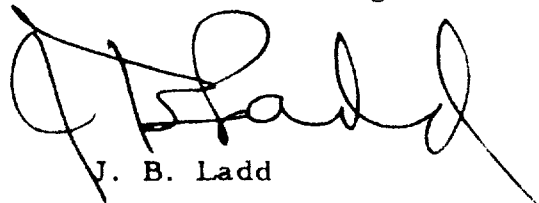
Marathon EXHIBIT No. 1  
CASE 2504

MARATHON EX

July 6, 1962

then undeniably be governed by the unqualified intent of the contractual minimum-take guarantee; i. e., 50% of each well's ability rather than being limited to a lesser volume as suggested by the existing proration formula.

In any event, Consolidated Oil & Gas, Inc. is being heard from and we have gained respect in both our administrative and technological profiles.



J. B. Ladd

JBL:bw  
Enclosure