

- a 5a / 10.

2574

plication, Transcript,
all Exhibits, Etc.

J. GREGORY MERRION
PETROLEUM ENGINEER
P. O. BOX 507
FARMINGTON, NEW MEXICO

MAIN OFFICE OCC

1963 APR 25 AM 8:25

April 24, 1963

*Case file
JGM*

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

Attention: Mr. A. L. Porter

Gentlemen:

Re: Case #2574, Order #R2264

Complying with Article 3 of the subject order, please be advised that the Estate of E. P. Campbell is herewith notified of the final cost of the J. Gregory Merrion & Associates Federal Unit #3-35 located 790' from the South and West lines of Section 35, 25 North, 6 West, Rio Arriba County, New Mexico.

Yours very truly,

J. Gregory Merrion
J. Gregory Merrion

JGM:ah

cc: Kay Kimbell

J. GREGORY MERRION
PETROLEUM ENGINEER

MAIN OFFICE OCC

1963 APR 25 AM 8:25

April 24, 1963

REGISTERED
RECEIPT REQUESTED

Estate of E. P. Campbell
c/o Mr. Chiardo Pierce
1603 Broadway
Lubbock, Texas

Gentlemen:

Attached is a schedule of costs which comprise the final cost statement of the J. Gregory Merrion & Associates well, Federal Unit #3-35, located 790' from the South and West lines of Section 35, 25 North, 6 West, Rio Arriba County, New Mexico.

This schedule of costs is presented to you in accordance with provisions of New Mexico Oil Conservation Commission Order #R 2264. In accordance with that order you may, within 30 days from this date, elect to pay your proportionate share of the costs of this well or, as an alternative, be charged from future production 125% of your share of these costs, ^{after} until your share of operating costs have been deducted.

Yours very truly,

Original Signed
J. Gregory Merrion
J. Gregory Merrion

JGM:ah

Encl.

cc: Kay Kimbell
N. M. Oil Conservation Commission
Santa Fe

J. GREGORY MERRION & ASSOCIATES
Federal Unit 3-35

Final Cost Statement

	<u>Invoice</u>	<u>Service</u>	<u>Amount</u>
Beacon Supply	1806	4-1/2" Casing	\$8,843.90
Beacon	1800	Float Equipment	176.60
Beacon	1801	Well Equipment	80.33
Beacon	1797	Well Equipment	104.30
Beacon	1882	Casing Head, etc.	686.28
Beacon	2023	Press Guages, etc.	71.81
Beasley Hot Shot	3127	Haul Surface Casing	116.28
Peerless	1109	Power Tongs	246.71
B. F. Walker, Inc.	4-1268	Move Completion Rig	432.89
Bowen	0052	Move Completion Rig	182.33
Dowell	8-1-338	Cement Job	1,919.47
Dowell	8-1-402	Squeeze Job	646.37
Dowell	8-1-406	Test Squeeze Holes	295.20
Dowell	8-1-385	Frac Job	6,909.24
Fisher Mays	10-1-62	Consulting Geology	346.00
Baker Oil Tool	22384	Magnesium Retainer	285.60
Baker	22383	Cast Iron Retainer	285.60
Wilson	312	DST	521.73
Baker	21422	Stage Collar	381.48
Schlumberger	35739	Electric Logs	1,964.00
R & M Construction	201	Level Location	830.22
A. E. Paar	0112	Surface Casing	219.91
Blackmon	1222	Cement Surface Casing	626.50
Lohmann-Johnson	931-NM	Drilling & Day work	26,625.92
Signal	4-37	Completion Rig	4,155.14
Bowen	0090	Haul Frac Water	838.95
Schlumberger	40004	Perforating	743.07
Jet-Technical	1114	Perf. Squeeze Holes	341.70
Baroid	4749, 4750, 4751 & 2548	Drilling Mud	2,143.07
Justis Supply	F 6587	Cut off Casing	28.56
PGAC	A 18562	Cement Bond Log	913.47
J. Gregory Merrion	1104	Engineering Services	1,379.00
San Juan Engineering	6-25-62	Stake Location	76.50

J. GREGORY MERRION & ASSOCIATES
Federal Unit 3-35

Final Cost Statement - Page 2

	<u>Invoice</u>	<u>Service</u>	<u>Amount</u>
Largo Management	10-3 & 11-3	Reoustabout Work	619.10
J. R. Phillips & Son	107 & 112	Clean Location	234.32
Verity, Burr & Cooley	7-1-62 & 8-1-62	Legal Work	396.24
Oil Well Supply	2045	Well Tubing	4,678.92
National Tank Co.	6747	Bolts for Tanks	6.97
Oilfield Rentals	3211	Bit Sub	11.73
Beacon Supply	CM-62-532	Pressure Gauge	(28.40)
J.G.M. & Associates	Material Transfer, Crude oil for Mud		550.13
J.G.M. & Associates	Material Transfer 4-1/2" Log		(142.72)
J. Gregory Merrion	1201	Administrative Overhead	222.50
J. Gregory Merrion	1202	Engineering Services	152.75
Kay Kimbell	Credit Memo	Christmas Tree	1,388.38
Kay Kimbell	Credit Memo	Tank Battery	1,550.08
Kay Kimbell	Credit Memo	Production Unit	4,360.00
Kay Kimbell	Credit Memo	8-5/8" Casing	308.26
TOTAL			<u>\$77,911.64</u>

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

June 15, 1962

Mr. William J. Cooley
Verity, Burr & Cooley
Attorneys at Law
152 Petroleum Center Building
Farmington, New Mexico

Re: Case No. 2574
Order No. N-2284
Applicant:
J. Gregory Harrison & Associates

Dear Sir:

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

Very truly yours,

A handwritten signature in cursive script that reads "A. L. Porter, Jr.".

A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC x

OTHER Kay Kimball - Box 1540, Fort Worth, Texas

WILLIAM D. EMERY
FIRST NATIONAL BUILDING
OKLAHOMA CITY 2, OKLAHOMA
1962 JUN 11 AM 10 06 June 11, 1962

Re: Case # 2574

Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Gentlemen:

I would appreciate your mailing to me a copy of the order issued in the above captioned case which was scheduled for hearing June 7th.

WDE:pm

Cordially,

William D. Emery

*Sent
6/14/62 JN*

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. 2574
Order No. R-2264

APPLICATION OF J. GREGORY MERRION
AND ASSOCIATES FOR COMPULSORY POOL-
ING, RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 7, 1962, at Santa Fe, New Mexico, before Daniel S. Mutter, 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 14th day of June, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Mutter, 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, J. Gregory Merrion and Associates, seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool in the W/2 of Section 35, Township 25 North, Range 6 West, MMPM, Rio Arriba County, New Mexico.

(3) That although the applicant 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.

(4) 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.

(5) That the applicant proposes to dedicate the subject proration unit to a well to be located in the SW/4 SW/4 of said Section 35.

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CASE No. 2574
Order No. R-2264

(6) 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 50 percent thereof as a charge for the risk involved in the drilling of the well.

(7) 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.

(8) 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 completion of the subject well.

(9) 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.

(10) That any non-consenting working interest owner not electing to pay his share of well costs within 30 days from the date said 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 drilling the well.

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

(12) That J. Gregory Merrion and Associates should be designated the operator of the subject well until its date of completion; that Kay Kimbell should be designated the operator of the well and the proration unit prospectively from the date the well is completed.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool in the W/2 of Section 35, Township 25 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled to form a 320-acre gas proration unit. Said unit shall be dedicated to a well to be located in the SW/4 SW/4 of said Section 35.

(2) That J. Gregory Merrion and Associates is hereby designated the operator of said well until its date of completion; thereafter Kay Kimbell shall be designated the operator of said well and proration unit.

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CASE No. 2574
Order No. R-2264

(3) That J. Gregory Merrion and Associates 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 Kay Kimbell 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.

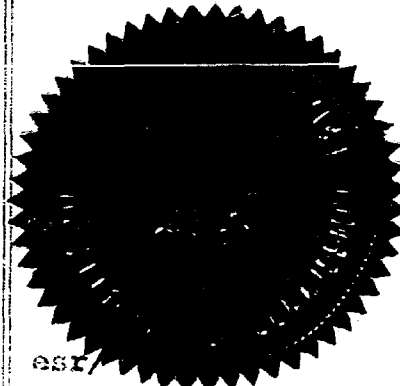
(7) That the applicant shall furnish the Commission and each known non-consenting working interest owner in the subject unit an itemized schedule of well costs within 30 days following the date of completion of the subject well.

(8) That any non-consenting working interest owner shall have the right to pay his share of well costs to J. Gregory Merrion and Associates within 30 days from the date the schedule of well costs is furnished him by J. Gregory Merrion and Associates, 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 in Rio Arriba 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

E. L. Mechem
EDWIN L. MECHEM, Chairman

E. S. Walker
E. S. WALKER, Member

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

ESL/

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 6/11/62

CASE 2574

Hearing Date 9 am 6/7/62

My recommendations for an order in the above numbered cases are as follows:

Enter an order force-pooling all interests in the Basin Dakota gas Pool underlying the W/2 Sec 35, T 25N, R 6W, Rio Arriba Co n. m., to be dedicated to a well to be drilled by applicant J. Gregory Merriam & Assoc 790' FSL + 790' FWL of said Section 35.

Provide that Ray Kimball shall be unit operator and shall withhold & pay to applicant 125% of each non-consenting WI share of the well costs, which applicant shall advance towards well costs initially. Royalty interests shall not pay well costs nor be withheld. Due to apparent ~~the~~ reasonable chance of success in drilling a producing well at the proposed loc. 125% withholding is adequate to cover factor of risk.

[Signature]

No. 17-62

DOCKET: EXAMINER HEARING - THURSDAY - JUNE 7, 1962

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

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

CASE 2571: Application of Randall F. Montgomery for an exception to
Order R-111-A, or in the alternative for three unorthodox
oil well locations, Lea County, New Mexico. Applicant,
in the above-styled cause, seeks exception to the pro-
visions of Order R-111-A, insofar as it pertains to the
re-entry and casing program on five plugged and abandoned
wells in the Salt Lake Pool, four of which are located in
Section 7, and one of which is located in Section 18, all
in Township 20 South, Range 33 East, Lea County, New Mexico.
Applicant further seeks permission, as an alternative
request, to drill three new wells at unorthodox locations
in the Salt Lake Pool as follows:

- (1) Brooks - 7 Well No. 6, to be located 10 feet from
the South line and 2310 feet from the East line;
- (2) Brooks - 7 Well No. 7, to be located 330 feet from
the South line and 1320 feet from the West line;
- (3) Brooks - 7 Well No. 8, to be located 1320 feet from
the South line and 1980 feet from the West line;

all in Section 7, Township 20 South, Range 33 East, Lea
County, New Mexico.

CASE 2572: Application of Tenneco Oil Company for an exception to
Rule 21-a of Order No. R-1670, Basin-Dakota Gas Pool, San
Juan County, New Mexico. Applicant, in the above-styled
cause, seeks permission to commingle the gas production
from two wells in the Basin-Dakota Gas Pool located on the
H. O. Watson Lease in Section 22, Township 27 North, Range
12 West, San Juan County, New Mexico, as an exception to
the provisions of Rule 21-a of the Rules for the prorated
gas pools of Northwestern New Mexico, Order No. R-1670.
Applicant proposes to install one common tank battery and
separating facility and to allocate monthly gas production
to each well on the basis of deliverability tests and
average flowing tubing pressures.

- CASE 2573: Application of Phillips Petroleum Company for approval of an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to locate its Santa Fe Well No. 68 at an unorthodox oil well location in the Vacuum-Abo Pool, 1650 feet from the North line and 1090 feet from the East line of Section 34, Township 17 South, Range 35 East, Lea County, New Mexico.
- CASE 2574: Application of J. Gregory Merrion and Associates for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order of the Commission force pooling all interests in the Basin-Dakota Pool in the W/2 of Section 35, Township 25 North, Range 6 West, Rio Arriba County, New Mexico.
- CASE 2575: Application of Val R. Reese & Associates, Inc. for the creation of a new oil pool and for special pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Gallup production in Township 23 North, Range 7 West, Rio Arriba County, New Mexico, and further seeks the adoption of special rules and regulations for said pool similar to the special rules presently governing the Escrito-Gallup Oil Pool which provide for 320-acre gas proration units and 80-acre oil proration units (Order No. R-1793-A).
- CASE 2576: Application of Sinclair Oil & Gas Company for approval of a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a waterflood project in the Grayburg-Jackson Pool, Eddy County, New Mexico, with the injection of water to be through seven wells located on the H. E. West "A" and "B" leases in Sections 3 and 4, Township 17 South, Range 31 East; applicant proposes to operate the waterflood project under the provisions of Rule 701.
- CASE 2577: Application of Newmont Oil Company for approval to drill a water injection well, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks permission to drill the State "A" Well No. 3, to be located 1295 feet from the South line and 2615 feet from the East line of Section 36, Township 17 South, Range 29 East, Eddy County, New Mexico, for use as a water injection well in the Loco Hills Pool Waterflood Project.
- CASE 2578: Application of Newmont Oil Company for approval of a development plan for the Loco Hills Waterflood Project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a plan of development for the Loco Hills Waterflood Project, Eddy County, New Mexico, which would permit

-3-

Docket No. 17-62

CASE 2578: (Continued)

the conversion of wells to water injection by stages. The applicant proposes to operate said waterflood project under the terms and conditions of Order No. R-2178 which established a buffer zone in a portion of the project area.

CASE 2579:

Application of Neil E. Salsich for approval of a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a waterflood project in the Square Lake Pool with the injection of water into the Grayburg formation of the Square Lake Pool through five wells located in Section 36, Township 16 South, Range 29 East, Eddy County, New Mexico. Applicant requests that the waterflood be governed by Rule 701 except that administrative approval is sought to allow expansion of the waterflood by the conversion of one additional well in Unit H of Section 35 prior to response from water injection.

CASE 2580:

Application of Waterflood Associates, Inc., for approval of a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a waterflood project in the Robinson Pool with the injection of water to be through six wells located in Section 35, Township 16 South, Range 31 East, Eddy County, New Mexico; applicant requests that the waterflood project be governed by Rule 701.

CASE 2581:

Application of Waterflood Associates, Inc. for approval of a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a waterflood project in the Square Lake Pool by the injection of water to be through two wells located in the NE/4 of Section 3, Township 17 South, Range 30 East, Eddy County, New Mexico; applicant requests that the waterflood project be governed by Rule 701.

CASE 2582:

Applicant of Waterflood Associates, Inc., for approval of a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a waterflood project in the Artesia Pool by the injection of water to be through one well located in the W/2 NW/4 of Section 21, Township 18 South, Range 28 East, Eddy County, New Mexico; applicant requests that the waterflood project be governed by Rule 701.

MAIN OFFICE OCC
Land Department 1962 MAY 23 PM 1



KAY KIMBELL
OIL OPERATOR
BOX 1540
FORT WORTH, TEXAS
May 22, 1962

Case

2574

Oil Conversation Commission of New Mexico
P.O. Box 871
Sante Fe, New Mexico

Re: In the Matter of the Application of J. Gregory Merrion and Associates
to Force Pool the Interest of all Owners in the Dakota Formation Producing
Interval Underlying the W/2 of Section 35, Township 25 North, Range 6 West,
N.M.P.M., Rio Arriba County, New Mexico.

Gentlemen:

As a interest owner in the remaining 200 acres of the W/2 of Section 35
as captioned above under which J. Gregory Merrion and Associates own
120 acres, Kay Kimbell agrees that he is in accord with this voluntary
agreement and request the Commission to approve this Application of Mr.
Merrion's.

Yours very truly,

Kay Kimbell

By:
Sam W. Sims, Jr.

SWS:me

RECEIVED

WILLIAM D. EMERY

FIRST NATIONAL BUILDING

OKLAHOMA CITY 2, OKLAHOMA

1962 MAY 31 AM 1 26

May 28, 1962

Re: Case # 2574, Application of
J. Gregory Merrion & Associates,
Compulsory Pooling.

Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Gentlemen:

I would appreciate your mailing to me a copy of the application
filed in the above captioned case to be heard June 7, 1962.

WDE:pm

Cordially,

William D. Emery

Sent
5/31/62
JN

Case 25-74

VERITY, BURR & COOLEY
ATTORNEYS AND COUNSELORS AT LAW
SUITE 152 PETROLEUM CENTER BUILDING
FARMINGTON, NEW MEXICO

May 16, 1962 AM 6:49

GEO. L. VERITY
JOEL B. BURR, JR.
WM. J. COOLEY

NORMAN S. THAYER
RAY B. JONES

TELEPHONE 325-1702

Oil Conservation Commission
Land Office Building
Santa Fe, New Mexico

Gentlemen:

Our File No. 1357-C

Enclosed is original and two copies of Application
to force pool the W $\frac{1}{2}$ of Section 35, Township 25 North,
Range 6 West, N.M.P.M., Rio Arriba County, New Mexico.

We will appreciate your filing the same and we have no
objection to the matter being heard before the trial
examiner.

Very truly yours,

VERITY, BURR & COOLEY

By Wm. J. Cooley
Wm. J. Cooley

WJC:mts
cc: Emery Arnold
J. Gregory Merrion
and Associates

Rechecked
Mailed
5/28/62
JL

Rechecked Mailed
to Estate of E. B. Campbell
c/o James Chamberlain,
Estate of E. B. Campbell
c/o C. W. Pierce &
Mrs. Martin Campbell
5/28/62 JL

RECEIVED
FEB 17 1934
BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION)
OF J. GREGORY MERRION AND ASSOCIATES)
TO FORCE POOL THE INTEREST OF ALL)
OWNERS IN THE DAKOTA PRODUCING)
INTERVAL UNDERLYING THE West Half)
(W $\frac{1}{2}$) of Section 35, Township 25)
North, Range 6 West, N.M.P.M., Rio)
Arriba County, New Mexico.)

Case No. 2574

A P P L I C A T I O N

Comes now J. Gregory Merrion and Associates, and would show
the Oil Conservation Commission of New Mexico as follows:

1. That applicant is the owner of the North Half of the Southwest Quarter (N $\frac{1}{2}$ SW $\frac{1}{4}$), and the Southeast Quarter of the Northwest Quarter (SE $\frac{1}{4}$ NW $\frac{1}{4}$) of Section 35, Township 25 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico.
2. That the applicant proposes to drill a well in the West Half (W $\frac{1}{2}$) of said Section 35 to be completed in the Dakota producing interval.
3. That applicant proposes to pool the acreage owned by him in the West Half (W $\frac{1}{2}$) of said Section 35 with the remaining 200 acres contained therein, and in connection with said proposal, has contacted all the owners of said remaining 200 acres.
4. That the owners of the majority interest in said 200 acres have agreed to enter into a voluntary pooling agreement; however, certain of the owners in the said 200 acres have failed and refused to join the voluntary pooling agreement even though they have been repeatedly contacted by applicant and offered the opportunity to do so on a fair and equitable basis.
5. That in order to prevent waste, protect correlative rights and obviate the drilling of unnecessary wells, the West Half (W $\frac{1}{2}$) of said Section 35 should be force pooled by the Commission as to

all interests in and to the Dakota producing interval lying there-
under.

WHEREFORE, applicant prays that this matter be set down for
hearing at the earliest possible date and that the Commission,
based upon the evidence adduced at said hearing, enter its Order
granting the relief requested above.

Respectfully submitted,

J. GREGORY MERRION AND ASSOCIATES

By

Wm. J. Cooley
Verity, Burr & Cooley
Attorneys for Applicant

152 Petroleum Center Building
Farmington, New Mexico

STATEMENT OF INTERESTED PARTIES

The following are all of the interested parties known to the applicant in Case No. 2574- Application of J. Gregory Merrion, and Associates for compulsory pooling of all interests in the Basin Dakota Pool in and under the W/2 of Section 35, Township 25 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, to-wit:

Kay Kimball
Lubbock, Texas

Estate of E. P. Campbell, deceased
Lubbock, Texas

J. Gregory Merrion & Associates
Farmington, New Mexico

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

June 7, 1962

EXAMINER HEARING

IN THE MATTER OF:

Application of J. Gregory Merrion and Associates
for compulsory pooling, Rio Arriba County, New
Mexico. Applicant, in the above-styled cause,
seeks an order of the Commission force pooling
all interests in the Basin-Dakota Pool in the
W/2 of Section 35, Township 25 North, Range 6
West, Rio Arriba County, New Mexico.

CASE NO.
2574

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

(Afternoon Session)

(Whereupon, Applicant's Exhibits
Nos. 1, 2, and 2A, Marked for
Identification.)

MR. NUTTER: The Hearing will come to order, please.

The first case this afternoon will be Case 2574.

MR. MORRIS: Application of J. Gregory Merrion and
Associates for compulsory pooling, Rio Arriba County, New Mexico.

MR. COOLEY: William J. Cooley of the law firm of
Verity, Burr and Cooley, Farmington, New Mexico, appearing on
behalf of Applicant.

We have one witness in support of our application, Mr.
J. Gregory Merrion.



(Witness sworn.)

J. GREGORY MERRION,

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

DIRECT EXAMINATION

BY MR. COOLEY:

Q Will the witness state his full name, please?

A J. Gregory Merrion.

Q Where do you reside?

A Farmington, New Mexico.

Q How are you employed?

A I am an independent petroleum operator and petroleum
engineer.

Q Would you state your connection with the organization
known as J. Gregory Merrion and Associates?

A I'm the operator.

Q What does the term "associates" actually refer to?

A My brothers and the Edgar Merrion Trust, Number One,
Two and Three.

Q Who are the beneficiaries of these trusts?

A Two of my brothers and myself.

Q Have you previously testified as an expert witness
before the New Mexico Oil Conservation Commission?

A I have.

MR. COOLEY: Are the witness's qualifications acceptable

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325.1182

ALBUQUERQUE, N. M.
PHONE 243.6691



in the case of this nature, or do you want to go into anything further?

MR. NUTTER: No, sir, please proceed with your case.

MR. COOLEY: You say his qualifications are not okay?

MR. NUTTER: No, we don't want to go into them.

Q (By Mr. Cooley) Have you prepared a plat showing the Northwest Section of Section 35, Township 25 North, Range 6 West, Rio Arriba County, New Mexico?

A I have.

Q I want you to take Exhibit No. 1 and explain the information thereon.

A I have outlined a nine section area in the center of which is the West Half of Section 35, Township 25 North, Range 6 West, which section we are requesting be force pooled. I and my associates have the operating rights on 120 acres of fee land in the center of this West Half of Section 35, the remaining acreage in the Half Section is controlled by Kay Kimball and a 25 percent interest in that lease is owned by the estate of E. P. Campbell.

Q Is the Kimball-Campbell lease to which you refer a federal oil and gas lease?

A It is.

Q Have you made any overtures to the owners of this federal oil and gas lease in efforts to communitize the same voluntarily?

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A I've written to the E. P. Campbell estate requesting that they join in the development of this Half Section as to the Dakota formation.

Q I hand you what has been marked as Applicant's Exhibit No. 2 and ask you if this is a letter to which you refer?

A It is.

Q Do you have any evidence that this letter was received?

A I have a Return Receipt, it was sent by Registered mail.

Q Is it attached to Exhibit No. 2?

A It is.

MR. COOLEY: I don't believe there's any necessity to read the letter into the record, it speaks for itself.

Q (By Mr. Cooley) Did you attempt to contact Mr. Kay Kimball with respect to obtaining his joinder in this communitization?

A I have contacted Mr. Kay Kimball and they have agreed to join in the drilling of the well, although they will not join in the force pooling.

Q Is a Communitization Agreement in the process of being formed with regard to Kay Kimball's interest?

A Yes, it is.

Q Have the terms of that agreement been agreed upon between the Applicant and Kay Kimball?

A Yes, they have.

Q When do you anticipate that this agreement would be



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consummated?

A Possibly within three weeks.

Q Did you receive any reply or any response whatsoever from the estate of E. P. Campbell, deceased?

A No, I didn't.

Q Have you made other efforts aside from the letter which is marked as Exhibit 2 to ascertain or attempt to obtain the joinder of E. P. Campbell in this community?

A I have made other efforts. They haven't been with E. P. Campbell estate, it is my understanding that the E. P. Campbell estate is a bankrupt estate and that anything which would otherwise be in that estate is under litigation. It is my understanding that the Halliburton Company and the Continental-Emco Company has a claim on the rights of E. P. Campbell on this land and I have talked to them, but it's going to be some time before they can establish their rights and they are not willing to talk trade until such time as they get the rights established.

Q At this point these interests to which you refer are only security interests, is that correct?

A I guess that's what you would call it.

Q They have no legal title at this time?

A Correct.

Q Then, are you convinced in your mind at this time at least that it is impossible to obtain the voluntary joinder of the acreage owned by the estate of E. P. Campbell, deceased?



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A Yes, I am convinced of it.

Q Is the area which is sought to be forced pooled offset by production in the Dakota formation?

A Yes, it is, in all directions.

Q Are the wells surrounding this area shown on Applicant's Exhibit No. 1?

A Yes, they are.

Q Would you analyze the producing capacities and other data that you have concerning these offsetting wells?

A There are 15 Dakota penetrations on the plat, 14 of the wells are producers, one, the Kay Kimball No. 135 Warren Federal in Unit A of Section 35, 25 North, 6 West, produced originally from the Dakota and was later plugged back to the Gallup, now produces from the Gallup horizon and the Dakota has been abandoned.

Q For what reason was this well plugged back?

A It was not a very good well as I understand it. The remaining 14 wells have current deliverabilities ranging from 156 MCF per day on the Kay Kimball Corral Unit No. 1 in Section 27, 25 North, 6 West, to a maximum of 1,921 MCF per day on the El Paso Natural Gas Company Canyon Largo Unit No. 95 in Unit B of Section 36, Township 25 North, Range 6 West. The average deliverabilities of these wells is 864 MCF per day and the mean deliverabilities is, roughly, 568 MCF per day.

Q Taking into consideration the cost of drilling these



wells, what do you consider the breaking point to be with respect to classification of wells in this area as being commercially productive?

A I would say, roughly, a deliverability of a half a million.

Q Are there several wells shown on this nine section plat that, in your opinion, are not what you would consider desirable or commercially productive wells?

A Well, there are six of the fourteen wells having deliverabilities less than a half million which I judge to be the breakover point between commercial and non-commercial.

Q Am I to understand, then, that the six wells to which you refer will not within a reasonable length of time repay the cost of drilling and operation?

A That's correct.

Q Then, in view of this information, what do you feel would be a reasonable risk factor with respect to the drilling of the well in the West Half of Section 35?

A I think a minimum that I can stand in the way of a risk factor or a combination risk and interest factor would be 50 percent in addition to the cost or 150 percent back. There is a 6 percent override on the Campbell interest.

Q That's the Kimball and the Campbell interest?

A Yes.

Q What does the presence of 6 percent overriding royalty,

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what effect does that have upon your recovery?

A It takes it longer to get the money back.

Q What do you estimate the cost of the carried interest of E. P. Campbell estate to be in this particular well?

A His proportionate share of the drilling, completing and equipping of this well would be, roughly, something slightly less than eleven thousand dollars.

Q Of course, I must presume that it would be incumbent upon J. Gregory Merriam and Associates to come up with this money, is that correct?

A That's correct.

Q What interest rate would you anticipate would be required to borrow this money?

A I have always had to pay 6½ percent at the bank and they want their money back in 2 years.

Q Do you feel that there's any reasonable probability of expecting pay-out on the proposed well within a 2 year period?

A It's very unlikely.

Q First of all, where do you propose to drill this well?

A The proposed location will be in Unit M of Section 35, Township 25 North, Range 6 West.

Q "M" as in Mary?

A Yes. Roughly 790 feet from the South and West lines.

Q Would you please evaluate what you consider your risks are with respect to obtaining commercial production at the



proposed location?

A Well, the Dakota sand is somewhat erratic in here. The best well in the area, the El Paso Natural Gas Company Canyon Largo Unit No. 95 is offset to the north by 2 wells in Section 25 which have deliverabilities of 305 on the McKenzie Federal No. 1 and 332 on the McKenzie Federal No. 34. These, in my opinion, are uncommercial and undesirable. The No. 2-35 Warren Federal, a half mile to the east of the proposed location was a good deliverability of 1,795 MCF per day, and the Kay Kimball 134 Salazar Federal, roughly a half mile to the northwest of the proposed location has a deliverability of 464 which is sub-commercial. I would expect, roughly, an average or a mean well of something in the 568 to 864 range.

Q If it is determined or actually develops that that's the type of well that you get, approximately how long would it take for that well to pay out?

A Roughly, 6 or 7 years I would estimate.

Q Then, on interest alone what would be your outlay with respect to the monies advanced on behalf of the E. P. Campbell interest in terms of percentage?

A The amount of interest I'd have to pay on a 6 or 7 year pay-out, well, actually, if I had to pay back the interest which I would have to pay it would take longer than 6 or 7 years, it probably would take 8, 9 or 10 and the total interest I would have to pay would be, roughly, 30 percent of the ten or eleven thousand dollars

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Q This does not take into consideration the risk which you are taking in drilling a well in this sporadic area?

A That's right.

Q What is the economic effect upon your particular company of the fact that you are having to advance the share of the drilling of this well that would ordinarily be advanced by the E. P. Campbell estate?

A We have several drilling ventures to get into this year. We have limited funds to get into them. We will not be able to do all of the drilling that we otherwise would do if we have to put up the 10 or 11 thousand dollars for the E. P. Campbell share of this well. We have a proposed well in the Canyon Largo Unit in the East Half of Section 12, Township 24 North, Range 6 West, which is adjacent to the area shown in which the Merrion trust have 80 acres under a 320 acre drilling block. That well has been proposed. It appears as though we will either not participate in it if it is drilled or see it go undrilled this year. If we do not participate and it is drilled, according to the terms of the Canyon Largo Unit Operating Agreement, we would be charged 150 percent out of 7/8th's out of future production. In other words, there will be no override on that, we'll get our fee royalty, but nothing else until they recovered 150 percent of the drilling costs.

Q If you were not required to advance the monies necessary to finance the E. P. Campbell interest in the proposed well in



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Section 35, would you then have ample funds to participate in the Canyon Largo well?

A It would be pretty close. I think we would. In other words, you are talking about 80 acres under that well as compared to 50 acres belonging to the E. P. Campbell estate in the West Half of Section 35.

Q Then, the net effect on your company is that it will force you to be penalized at another location?

A That's right.

MR. COOLEY: Nothing further at this time.

MR. NUTTER: Any questions of Mr. Merrion?

MR. MORRIS: Yes, sir.

MR. NUTTER: Mr. Morris.

CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Merrion, is all of this land in the West Half of Section 35 federal land?

A The acreage belonging to me and my associates is fee land and patented land. The remainder is all federal.

Q Who is the fee owner of that 120 acres there?

A 65 percent of the minerals are owned by the Merrion trusts, 25 percent of the minerals are owned by Loren and Norma Wilcox, 10 percent of the minerals are owned by Mark Elkins. The Merrion trusts have a lease on the Wilcox minerals and I have a lease on the Elkins' minerals.



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MR. NUTTER: So that you or your associates have 100 percent of the fee land?

A Of the fee land.

MR. NUTTER: Of the mineral interests in the fee tract?

A That is correct.

Q (By Mr. Morris) You said there was a 6 percent override on the Campbell interest which is a --

A The 6 percent is proportionally reduced.

MR. COOLEY: It's on the entire lease.

MR. MORRIS: It's on the entire lease, but it's carved out of the 25 percent.

MR. COOLEY: No, it's 6 percent on the entire federal lease which represents the remaining 200 acres in the West Half of 35, which working interest is owned 75 percent Campbell and 25 percent Kimball.

Q (By Mr. Morris) Have you given a name to your well?

A It hasn't been drilled yet and we have not selected a name yet.

Q From your experience in this general area, Mr. Merrion, what would you say would be the average operating costs for a Dakota well on a monthly basis?

A I don't at the present time operate any Dakota wells in the area and I won't operate this one. The only way I can get the Kimball interest to join me on this is that they don't have to pay any of the force pooling and that they get to operate it

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after it's drilled. In negotiating with Kay Kimball we have arrived, and not got it down on paper, but verbally agreed to seventy-five dollars a month for operating costs which I think has been what the Commission has previously allowed on such deals.

Q That is correct. I wanted your opinion on whether that was high or low or just about right.

A Well, I think it depends a lot on the problems of the well. I think it's pretty reasonable and I was happy to be able to get Kimball to verbally agree to it. Sometimes you have more production equipment, tankage, condensate to be run, and so forth, and the wells require more attention than other times and seventy-five dollars might sometimes be very inadequate.

Q If I understand a comment that you have just made, you will be the operator of the well only through the drilling of the well?

A That's correct.

Q Whereupon it will be turned over to Kay Kimball to actually operate the well and to disburse the money that's derived from the proceeds of the well?

A Well, I would imagine that the pipeline will make the disbursements.

Q Yes.

A But Kimball will operate and the operating costs will be paid to him.

Q Mr. Merrion, the Commission has had some dealings with



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the estate of E. P. Campbell and I realize that as a practical matter they are probably not able to join you on a voluntary basis in this matter, but in the event they should be able to join, let's say within 30 days following the day the well is completed, would it be agreeable with you and with Kay Kimball for the estate of E. P. Campbell to pay their share of well costs in advance and thereby escape any of the risk that might be assessed against their interest as non-consenting owners?

A In other words, just consider this a no-risk and after we had drilled the well and completed it they would pay for it?

Q They would pay either up to the date of completion or within 30 days after.

A In other words, they would get to look at the well before they paid for it?

Q That would be the effect of it.

A Well, I would prefer that to collecting my money out of 125 or 150 percent but I don't think it would be fair because I would have taken some risk in their behalf but I don't think 125 or 150 percent even compensates you for the interest you have to pay in having your capital tied up. I think that you should get something for the risk and I think you should get some interest.

Q In other words, you are generally against the proposition as I have stated it?

A Well, yes, it would be preferable, though, to having



my capital tied up for 10 years, but I don't think it would be fair.

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

BY MR. NUTTER:

Q Mr. Merrion, would you give me the deliverabilities on the remainder of the wells on this plat?

A Starting from the upper left-hand corner, the Kay Kimball Corral Unit No. 1 according to my records or your records was deliverable of 156 MCF per day. The Kay Kimball Corral Unit No. 2 has a deliverability of 305 MCF per day. The Kay Kimball 2-26 has a deliverability of 546 MCF per day. The Kay Kimball 3-26 has a deliverability of 591 MCF per day. The Kern County Land Company McKenzie Federal No. 1, deliverability of 305 MCF per day. The Kern County Land Company No. 34, McKenzie Federal has a deliverability of 332 MCF per day. The Kay Kimball 1-34 Salazar Federal has a deliverability of 464 MCF per day. The Kay Kimball 2-35 Warren Federal has a deliverability of 1,795 MCF per day. The Kern County Land Company Harvey State No. 1 has a deliverability of 1,452 MCF per day. The El Paso Natural Gas Company Canyon Largo Unit 95 has a deliverability of 1,921 MCF per day. The Skelly Farming E State No. 1 has a deliverability of 1,487 MCF per day, the Farming E-3 has a deliverability of 602 MCF per day. The El Paso Natural Gas Company Canyon Largo Unit 110 has a deliverability of 1,718, and the Canyon Largo Unit 111 has a deliverability of 423.

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Q I notice that this letter which you addressed to the estate of E. P. Campbell was sent in care of Mr. Chardo Pierce at 1603 Broadway, Lubbeck, Texas. Is this the correct address for the estate of E. P. Campbell?

A It's my understanding that Chardo Pierce was at one time handling the estate of E. P. Campbell.

Q Now, the Return Receipt for your letter was signed for the estate by W. Maimbourg?

A Yes.

Q Is W. Maimbourg in association with Mr. Chardo Pierce

A I don't know who Mr. W. Maimbourg is. All I know is that's the way I sent the letter.

Q Have you had any acknowledging receipt of any mail with the estate of E. P. Campbell when you sent it to this address?

A No.

MR. MORRIS: In conjunction with the plugging of wells in Eddy County the Commission has had considerable communication with this person at this address and he does represent Mr. E. P. Campbell.

MR. COOLEY: Do you know who Mr. E. Maimbourg is?

MR. MORRIS: I never heard of the person.

MR. COOLEY: It may be assumed that whoever Mr. W. Maimbourg is, he is able to sign a receipt or has the right to receive mail addressed to this person.

Q (By Mr. Nutter) As I understand it, of the 200 acres



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which the Merrion Associates do not own, Kay Kimball and the estate of E. P. Campbell have $8\frac{1}{2}$ percent, which would be $12\frac{1}{2}$ percent government minus a 6 percent overriding interest?

A That is correct.

Q And this overriding royalty is a carried royalty as far as working interest or costs are concerned?

A They have no costs, they get 6 percent of the revenue.

Q So, the well will have to sustain their costs and/or the estate of Campbell would pay those costs out of $81\frac{1}{2}$ percent of the production, 25 percent of $81\frac{1}{2}$ percent, approximately?

A Yes.

Q And Kimball has agreed to put up his share of the well costs in advance?

A Yes.

MR. MORRIS: I have one more question.

MR. NUTTER: Mr. Morris.

BY MR. MORRIS:

Q I meant to ask you a question concerning the terms of the Operating Agreement which has been reached or will be executed between yourself and Kay Kimball.

Does that Agreement provide any percentage for the risk involved in the drilling of the well?

A Well, the Operating Agreement between Kimball and I, they put up their money, I put up my money, we both stand our own



risk, so there is no further percentage involved.

Q There are no carried interests involved, then?

A That's correct.

MR. MORRIS: Thank you.

MR. NUTTER: Any further questions?

The witness may be excused.

(Witness Excused.)

MR. NUTTER: Do you have anything further, Mr.
Cooley?

MR. COOLEY: Nothing, Mr. Examiner.

MR. NUTTER: Does anyone have anything they wish to
offer in Case 2574?

We will take the Case under advisement, and call
Case 2576.

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STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, 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.

Ada Dearnley
 NOTARY PUBLIC

My Commission Expires;
 June 19th, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2574 heard by me on June 7, 1962.
W. H. H. H., Examiner
 New Mexico Oil Conservation Commission

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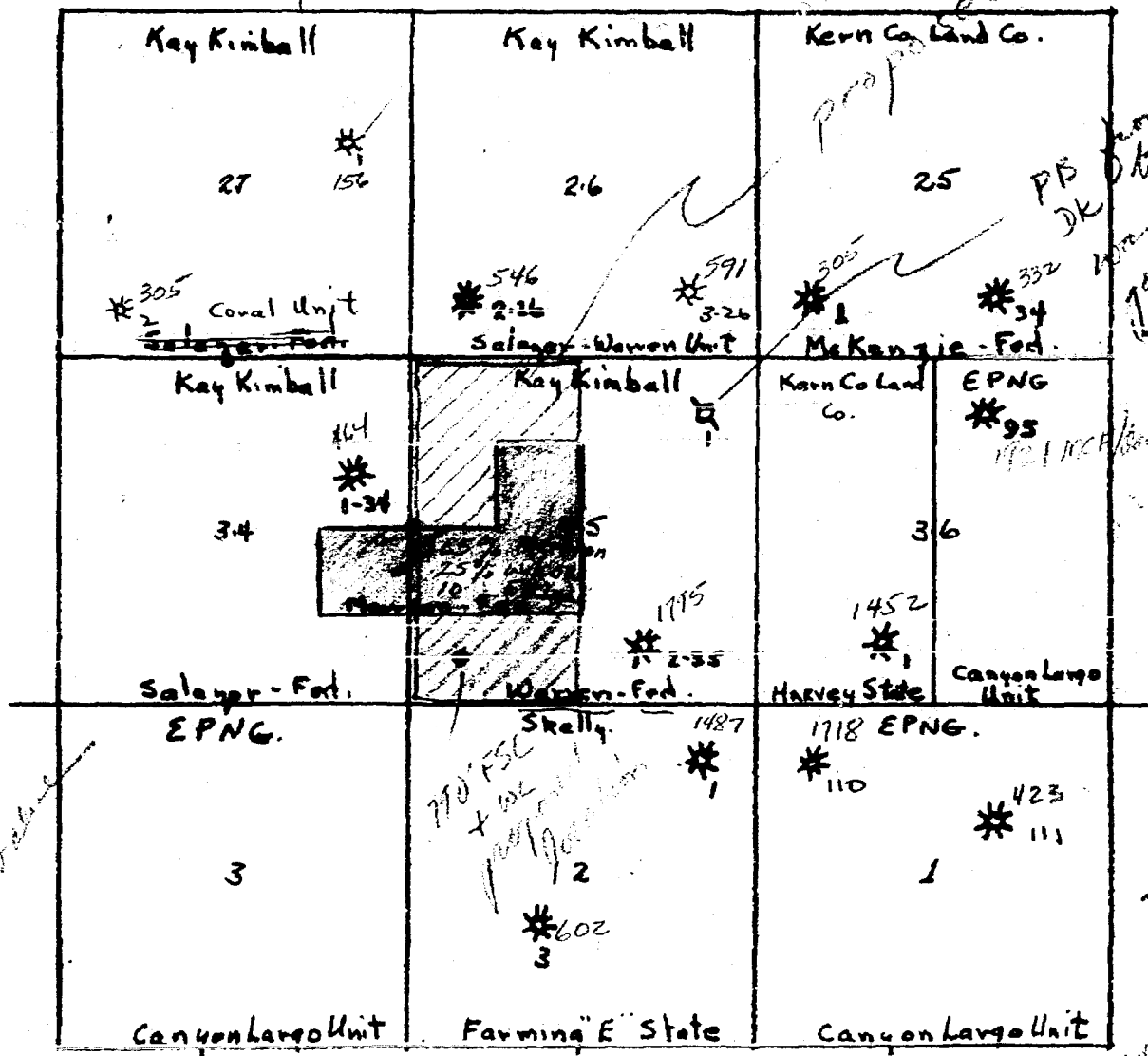
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475 operating costs

75% Kimball
25% Payroll Est
670
123
18

33,000 limited cost
11,000 Camp cost

118
81.5
R-6W



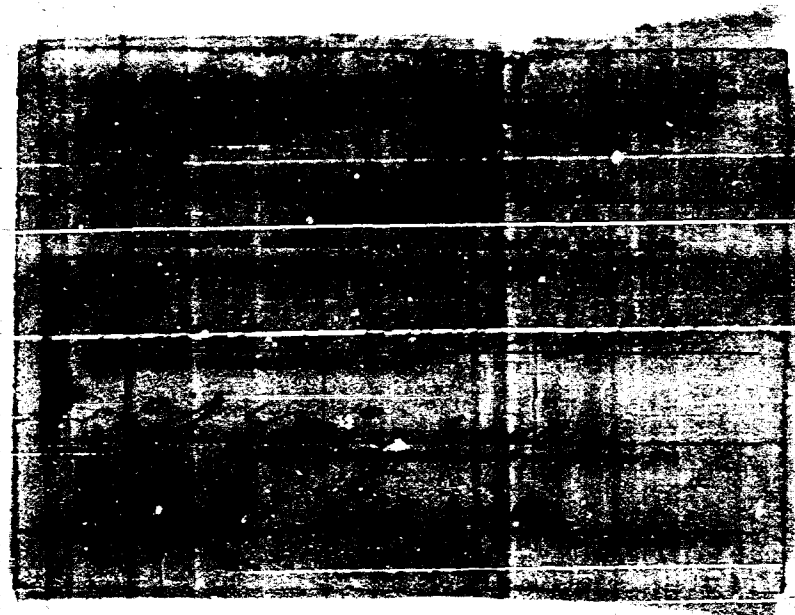
5070 value

act rely 864/day on plat
mean rely 568/day

6-7 years to pay out
864/day

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
App EXHIBIT NO. One
CASE NO. 2574

Exhibit No. 1
Acreage & Well Plat
Vicinity of W/2, Sec. 35
T-25N, R-6W, Rio Arriba Co, N.M.
Showing Dakota Wells Only.





J. GREGORY MERRION
PETROLEUM ENGINEER

March 20, 1962

The Estate of E. P. Campbell, dec.
c/o Mr. Chardo Pierce
1603 Broadway
Lubbock, Texas

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Appl EXHIBIT NO. 2
CASE NO. 2574

Dear Sir:

I am in the process of communitizing the West half of Section 35, Township 25-N, Range 6-W, Rio Arriba County, New Mexico, for the purpose of drilling a Dakota Gas Well.

I own 120 acres of Fee Land in this half section, and according to my records the remaining 200 acres of Federal Land is held jointly by Kay Kimball (75%), and the Estate of E. P. Campbell (25%).

As you probably know, this parcel of land is offset in four directions by commercial Dakota gas wells. It is suffering drainage from all directions. To prevent this drainage, it is urgent that a well be drilled as soon as possible.

Kay Kimball has advised that he will join in the drilling of this well to the extent of his interests, and has agreed that I should operate the drilling of the well, and permit him to operate the production.

The estimated cost of drilling, completing and equipping the well is \$70,000.00. Your interest would be roughly \$10,938.00. The proposed location is approximately 790 feet from the South Line and 790 feet from the West Line of Section 35, Township 25-N, Range 6-W, Rio Arriba County, New Mexico.

An Operating Agreement has yet to be drawn up covering this operation, however it will be an API Model Form Operating Agreement, with nominal amounts covering any indirect charges. Please advise, within 10 days, your position on the drilling of this well, keeping in mind of course that your consent to participate will be subject to approval of the Drilling and Completion Program and Operating Agreement.

Yours very truly,

J. GREGORY MERRION & ASSOCIATES

By:

J. GREGORY MERRION

JGM/dpn
cc/Kay Kimball
cc/Kack Cooley
cc/file