

CASE 2587: Application of YATES  
Petro. Corp. for assignment of an  
allowable to its GUSHWA WELL #1.

-asa 110.

2587

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. 2587  
Order No. R-2279

APPLICATION OF YATES PETROLEUM  
CORPORATION FOR THE ASSIGNMENT  
OF AN ASSIGNMENT TO ITS GUSHWA  
WELL NO. 1, EDDY COUNTY, NEW  
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 28, 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 17th 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 Gushwa Well No. 1, located in the S/2 of Section 21, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, was completed by the applicant, Yates Petroleum Corporation, in the Atoka-Pennsylvanian Gas Pool on February 20, 1961.
- (3) That on the date of completion of the Gushwa Well No. 1 Transwestern Pipeline Company operated a gas transportation facility within the Atoka-Pennsylvanian Gas Pool which was reasonably capable of handling the type of gas produced by said well.
- (4) That the S/2 of said Section 21 was included in the gas purchase agreement, dated December 6, 1960, between Yates Petroleum Corporation and Transwestern Pipeline Company.
- (5) That although Yates Petroleum Corporation made repeated requests of Transwestern Pipeline Company to connect said Gushwa Well No. 1, the well was not connected to a gas transportation facility until August 12, 1961.

-2-

CASE No. 2587  
Order No. R-2279

(6) That by Order No. R-1670-E, entered effective July 1, 1961, proration was instituted in the Atoka-Pennsylvanian Gas Pool.

(7) That the said Gushwa Well No. 1 was unreasonably discriminated against through denial of access to a gas transportation facility which was reasonably capable of handling the type of gas produced by said well for the period from July 1, 1961, to August 12, 1961.

IT IS THEREFORE ORDERED:


(1) That the Gushwa Well No. 1, located in the S/2 of Section 21, Township 18 South, Range 26 East, NEPM, Eddy County, New Mexico, shall be, and is hereby, assigned an allowable for the production of gas from the Atoka-Pennsylvanian Gas Pool from July 1, 1961, to August 12, 1961, in accordance with the allowable factors for the pool during said period of time.


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

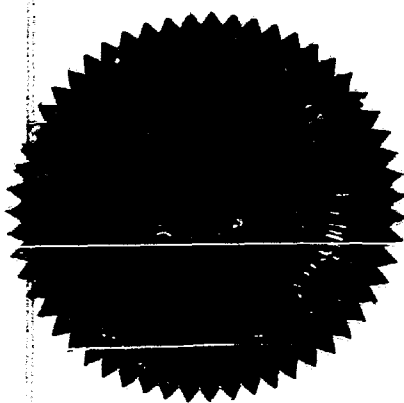
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
EDWIN L. MECHEM, Chairman

  
E. S. WALKER, Member

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



esr/

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
June 28, 1962

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corporation for the assignment of an allowable to its Gushwa Well No. 1, located in the S/2 of Section 21, Township 18 South, Range 26 East, Eddy County, New Mexico, for the commencement of gas prorationing in the Atoka-Pennsylvanian Gas Pool July 1, 1961, to the date of connection of said August 12, 1961. Applicant alleges that said well was unreasonably discriminated against by being denied access to a gas transportation facility during said period.

CASE 2587

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF PROCEEDINGS

MR. UTZ: The hearing will come to order, please. Case 2578.

MR. MORRIS: Application of Yates Petroleum Corporation for the assignment of an allowable to its Gushwa Well No. 1, located in the S/2 of Section 21, Township 18 South, Range 26 East, Eddy County, New Mexico, for the commencement of gas prorationing in the Atoka-Pennsylvanian Gas Pool July 1, 1961, to the date of connection of said well August 12, 1961.

MR. LOSEE: If the Examiner please, A. J. Losee, Losee and Stewart, representing the Applicant, and I have one witness.

(Witness sworn.)

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FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691



MR. UTZ: Are there other appearances in this case?

You may proceed.

(Whereupon, Applicant's Exhibits 1, 2a, 2b, 2c, 3, 4, 5a, 5b, 5c, 5d, 5e, and 5f marked for identification.)

JACK W. McCALL

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

DIRECT EXAMINATION

BY MR. LOSEE:

Q State your name, please.

A Jack McCall.

Q Where do you live, Mr. McCall?

A Artesia, New Mexico.

MR. UTZ: What's your initials?

A Jack W.

Q (By Mr. Losee) What is your occupation?

A Landman for Yates Petroleum.

Q It is not your intention in this hearing to testify as a petroleum expert, is it?

A No, sir.

Q Please refer to what has been marked Applicant's Exhibit No. 1, and state what that portrays.

A It is a plat of the Atoka-Pennsylvanian Pool with the outline around the South Half of 21 where the Gushwa Well is located.

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Q Does it also show the location of the other wells in the Atoka-Pennsylvanian Gas Pool?

A Yes, it does.

Q Does it show the leases located offsetting the Gushwa No. 1 Proration Unit?

A Yes, sir.

Q This pool is completed in the Pennsylvanian formation?

A That's right.

Q And is a gas pool?

A Yes, sir.

Q Is Yates Petroleum Corporation the operator of the Gushwa No. 1 Well?

A Yes, sir.

Q That well has a proration unit dedicated to it comprising what lands?

A The South Half of Section 21.

Q In Township 18 South, Range 26 East?

A Right.

Q When was the drilling of that well, the Gushwa No. 1, completed?

A In February of 1961. February --

Q 20th?

A 20th, right.

Q That's when drilling stopped on it. When did you complete the testing and the perforating of the well?



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A It was completed in March, about March 20th, 1961.

Q It's producing from this Pennsylvanian Pool?

A Yes, sir.

Q Did Yates Petroleum Corporation file the completion papers on this well?

A Yes.

Q Please refer to Exhibits 2-a, b, and c, and state briefly what they are.

A The Miscellaneous Report on the Completion, and the Request for Allowable, C-104, and the Authorization to Transport Natural Gas.

Q Now the Authorization to Transport the gas was approved by the Commission on March the 22nd of 1961?

A Yes, sir.

Q At the time of the completion of this well and the Authorization to Transport Gas, was there a gas transportation facility in the Atoka-Pennsylvanian Field capable of handling gas from this well?

A There was.

Q What company owned that facility?

A Trans Western Pipeline Company.

Q Did Pan American Petroleum Corporation also have a line in that field?

A Yes, they did.

Q Was the South Half of this Section 21 on which the Gushwa



No. 1 is located, was that under a previous contract to Trans Western Pipeline Company?

A Yes, Contract 350.

Q Please refer to what has been marked Applicant's Exhibit 3 and state what that is.

A This is Yates Petroleum Corporation's contract with Trans Western Pipeline, and it was executed in December of 1960.

Q December the 6th?

A December the 6th.

Q Does that specifically dedicate the Gushwa Well and the acreage proration unit, 320 proration unit?

A Yes, it does.

Q That contract was still in existence on the date of the completion of the well?

A Yes.

Q Did the Federal Power Commission grant Yates Petroleum Corporation authority to sell gas under this contract; and if so, on what date?

A Yes, they did. We were granted our approval February 13, 1961.

Q Is a copy of that approval marked as Applicant's Exhibit No. 4?

A Yes.

Q Did Trans Western Pipeline Company connect this Gushwa No. 1 Well, did they ever connect to it?

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A Yes, on August 12, 1961.

Q Are they still connected to the well?

A Yes.

Q Was this Atoka-Pennsylvanian Gas Pool placed on gas prorationing effective July 1st, 1961?

A It was.

Q And the period between July 1 and August 12, 1961, this Gushwa No. 1 well was not connected to the pipeline?

A That's right.

Q Did Yates Petroleum Corporation or you on their behalf make any efforts to have this well connected?

A About the time we completed the well in February, 15th to the 20th of February, we made numerous phone calls.

Q From your notes, do you have the dates of the phone calls you made to Trans Western and the people that you talked to about connecting this well?

A February the 15th we called Mr. Copas in Houston.

Q Do you know what his capacity is with Trans Western?

A Well, he's the top man. I don't know exactly what we call him, but he's the head of the list; and Mr. Wooten, who is their engineer.

Q In Houston?

A In Houston.

Q What was the date -- go ahead, this was on February 15?

A That was February 15. Then we called a fellow named



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Kutzinger.

Q Did you call these people?

A Yes, I did. Then the 24th of March we called Mr. Wooten again. The 24th of May we called Mr. Wooten again.

Q Were all of these calls made by you in an effort to connect this well?

A Yes.

Q Did you have any correspondence with Trans Western, trying to get this well connected?

A February 15th -- we have numerous letters.

Q Let's refer to what's been marked Applicant's Exhibit 5a, which is the copy of a letter dated February 15, 1961, to Mr. Copps. Did you mail that letter to him?

A Yes.

Q And part of that is a request to connect this well?

A Right.

Q Does that show the urgency because of your fee leases that were expiring?

A Yes. We were anxious to get them on production so that we wouldn't have to pay shut-in royalty.

Q Then what's been marked Applicant's Exhibit 5b, a letter dated February 16 to Mr. Wooten, is that also requesting that your well be connected?

A Yes, it is.

Q Then Applicant's Exhibit 5c is a letter dated April 6,



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1961, from your office enclosing four point test forms?

A Right.

Q Was the original of that letter mailed to Trans Western?

A Yes.

Q Applicant's Exhibit 5d is an original letter from Trans Western dated April 8th from Mr. J. T. Wooten. Would you read that letter into the record, please?

A "We are in receipt of the four point test and the completion forms relating to the Bob Gushwa Well. This well connection will be worked into our schedule immediately."

Q That's sufficient. On June 30th is a copy of a letter from our firm to Trans Western; is that letter again requesting a connection for this well?

A Yes, it is.

Q Does it outline the problems that you were undergoing by way of shut-in royalty and drainage?

A Yes, it does.

Q Then refer to Applicant's Exhibit 5f, which is a letter from Trans Western Pipeline with a schedule attached to it. Does this schedule set up and show the date of the completion of the Bob Gushwa Well and the fact that it has not at that date sold any gas?

A Yes, it does.

Q What does it show as the completion date for the well?

A March, 1961.



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Q Does it show any date of first delivery of gas?

A No, sir.

Q Does that schedule also set up Yates Petroleum Corporation's Linemeier Well, and what is the completion date of that?

A It shows the completion date to be March, 1961.

Q What is the date of first delivery of that gas?

A April 15, 1961.

Q On July 1st, 1961, had Yates Petroleum Corporation furnished everything that Trans Western had required to connect this well?

A Yes, we had.

Q Between July 1st of 1961 and August 12th of 1961, were there any wells completed in the Atoka-Pennsylvanian Gas Field that were not then connected to a pipeline?

A Not to my knowledge.

Q This well was completed along the middle of March of 1961 and not connected until August the 12th, is that approximately five months in duration?

A Right.

Q Do you know of any other wells in the Atoka-Pennsylvanian Gas Field that had to wait five months for a connection?

A No, I don't.

Q During all of this correspondence and telephone conversations with Trans Western, did they give you any reason for their delay in connecting this well?



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A Well, no.

Q Does it seem to to you they were just stalling in the connection?

A Yes.

Q In this application, Yates Petroleum Corporation has requested that the Commissior find that this Gushwa No. 1 Well, although there was a gas transportation facility in the field capable of handling gas produced from the well, that the well was unreasonably discriminated against;and as a result, assign an allowable to the well for the period from the time the field first went on proration, July 1st, to the first sale of gas, August 12th. In your opinion, is the relief requested in this application necessary to protect the correlative rights of the working interest and royalty interest owners underlying this well?

A I believe it is.

Q Applicant's Exhibit 1 was prepared by you or under your direction, was it not?

A Yes.

Q The other exhibits are either correspondence or copies of contracts in which your employing company was either the recipient of a letter, or the writer, is that correct?

A Right.

MR. LOSEE: Applicant moves for the introduction of its Exhibit 1 through 5. We request that we be permitted to withdraw Exhibit 3, which is the original gas contract with Trans



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Western.

MR. UTZ: You have copies of Exhibit 3?

MR. LOSEE: Yes, and substitute a conformed copy for it.

(Whereupon, Applicant's Exhibit 3 was marked for identification.)

MR. UTZ: Without objection, the stated exhibits will be entered into the record of this case.

(Whereupon, Applicant's Exhibits 1 through 5 admitted in evidence.)

MR. LOSEE: That is the Applicant's case.

CROSS EXAMINATION

BY MR. UTZ:

Q I believe you stated that all testing was completed on this well by March the 20th, 1961, is that true?

A We tested later, but our first test was completed at that time.

Q What testing are you referring to, the four point testing?

A Yes.

Q Completion tests?

A Yes.

Q Did you file a copy of this four point test with the Commission?

A I'm sure we did.

Q That test would be submitted to us on or before March 20th?

A Yes.



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Q At that date, was the completion status of this well in such a manner that Trans Western could have hooked on to it and started producing gas?

A Yes, it was.

Q Does Trans Western furnish all connections up to your wellhead?

A They furnish up to the separator.

Q You have a separator on the lease?

A Yes.

Q Ready to be hooked onto?

A I don't believe the separator was up at that time, but it was immediately after we got through testing.

Q At any rate, before July 1st was the separator on your lease?

A Definitely.

Q Ready for Trans Western to connect to?

A Yes.

Q At that time, speaking of July 1st, how near was Trans Western's gathering system to your well?

A About, less than a quarter of a mile.

Q Was it connected to the Olsen Townsite well?

A Yes.

Q Do you know offhand what date they connected to the Olsen well?

A I believe it was the 20th or somewhere around the 20th



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of February.

Q So between the 20th of February, and August the 12th, the length of time it took them to connect the well less than a quarter of a mile to their gathering system?

A Right.

Q Is your well connected to that same gathering system?

A Yes, it is now.

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

MR. MORRIS: Yes.

BY MR. MORRIS:

Q Mr. McCall, you stated that Pan American also has a pipeline in this pool?

A Yes.

Q Are there any other pipelines gathering Pennsylvanian gas in this area?

A None besides Pan American's.

Q Did Yates Petroleum Corporation ever make any overtures toward Pan American with respect to getting hooked up with their pipeline?

A With the contract we have, there was no -- we couldn't.

Q In other words, you had the contract already signed with Trans Western?

A Right.

Q What was the effective date of that contract?

A December 6, 1960, I believe.



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Q So it was signed and in effect before your well was actually completed?

A Yes.

Q This would have precluded you from making any overtures toward Pan American?

A Yes, sir.

Q Does Trans Western Pipeline in this area handle any other gas besides Pennsylvanian gas?

A You mean in the Atoka Pool?

Q Yes.

A No.

Q In this particular area, it's taking only from the Atoka Pool?

A Right.

Q Then it would follow, of course, that it is reasonably capable of handling this type of gas?

A Yes, sir.

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

BY MR. UTZ:

Q Is there any particular topography between the Olsen well and your well which would make the laying of a gathering line impractical or difficult?

A No, sir.

Q It's all sandy hills?

A Well, it's kind of -- it isn't sandy, it's just kind of



gyppy.

Q But no different from any other part of the system?

A No different from any of the rest of it.

MR. UTZ: Any other questions of the witness? The witness may be excused.

(Witness excused.)

MR. UTZ: Are there any other statements in this case? The case will be taken under advisement.

\* \* \* \* \*

STATE OF NEW MEXICO )  
COUNTY OF BERNALILLO ) ss

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 Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and 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.

WITNESS my Hand and Notarial Seal this 3rd day of July, 1962.

*Ada Dearnley*  
NOTARY PUBLIC

My Commission Expires:  
June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2587 heard by me on June 25, 1962.

*John P. ...*  
Examiner  
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

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## NEW MEXICO OIL CONSERVATION COMMISSION

Examiner hearing - Elvis A. UtzSanta Fe, NEW MEXICOREGISTERHEARING DATE June 28, 1962TIME: 9 A.M.

NAME:	REPRESENTING:	LOCATION:
SAUL A YAGER	SELF	902 ENTERPRISE BLDG
Ralph L. Gray	Hill & Meeker	TULSA(3)OKLA
Hal Porter	Waterford Assoc Inc	Artesia, N. M.
Jack McCar	Gates Pet Corp	Artesia N.M.
Q Loose	Loose & Stewart	Artesia, N. M.
Jason Killahy	Killahy & Fox	Santa Fe
George W. Selinger	Tulsa Okla	Skelly
Ronald J. Jacob	Skelly Oil Co.	Tulsa
Clark P. Davis	Skelly	Tulsa
C. R. Black	Texaco Inc.	Midland
Joe C. Hammond	J. Glen Turner	Santa Fe
Bill Webb	" " "	Dallas
Henry Bindage	Chaco Oil	Albany
Wm. G. Webb	J. G. Webb, Successor	Albany
Lawrence	Santa Fe	

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 17, 1962

Mr. A. J. Loses  
Loses and Stewart  
Attorneys at Law  
Carper Building - P. O. Drawer 239  
Artesia, New Mexico

Re: Case No. 2587  
Order No. R-2279  
Applicant:  
Yates 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 x

Aztec OCC       

OTHER

A. J. LOSEE  
EDWARD B. STEWART

LAW OFFICES  
**LOSEE AND STEWART**  
CARPER BUILDING - P. O. DRAWER 239  
ARTESIA, NEW MEXICO

12 June 1962

MAIN OFFICE CCC  
1962 JUN 13 PM 1:15

Mr. Richard S. Morris, Attorney  
Oil Conservation Commission of New Mexico  
Post Office Box 871  
Santa Fe, New Mexico

*Case 2587*

Re: Yates Petroleum Corporation  
Gushwa No. 1 Well  
Atoka-Pennsylvanian Gas Pool

Dear Mr. Morris:

Enclosed herewith you will please find triplicate copies of Application of Yates Petroleum Corporation for an allowable for the subject well for the period from July 1, 1961 through August 12, 1961, pursuant to Rule 601 of the Oil Conservation Commission of New Mexico. I understand that you will set this case for hearing before the Commission or an examiner at the earliest possible date and that you will furnish me with a copy of the notice.

With a copy of this letter we are furnishing each of the off-set operators and Transwestern Pipeline Company with a copy of this Application.

Very truly yours,

*A. J. Losee*  
A. J. Losee

AJL:jat

Enclosures

cc: Transwestern Pipeline Company  
Pan American Petroleum Corporation  
Nearburg & Ingram  
Ohio Oil Company  
Howard Olsen Development Company  
Yates Petroleum Corporation

*Doak  
marked  
6/15/62*

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JAN 10 PM 1 30

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :  
YATES PETROLEUM CORPORATION FOR AN :  
ALLOWABLE FOR THE MONTHS OF JULY AND :  
AUGUST, 1961, FOR ITS GUSHWA NO. 1 :  
WELL IN THE ATOKA-PENNSYLVANIAN GAS :  
POOL OF EDDY COUNTY, NEW MEXICO. :

CASE NO. 2587

APPLICATION

COMES Yates Petroleum Corporation by its attorneys,  
Losee and Stewart, and respectfully states:

1. That applicant is the operator of the Gushwa No. 1 Well, located within a proration unit comprising the S/2 of Section 21, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and producing from the Atoka-Pennsylvanian Gas Pool of Eddy County, New Mexico.

2. That the Gushwa No. 1 Well was completed by applicant on February 20, 1961, and the request for allowable (Form C-104) was filed with the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," on March 22, 1961.

3. That on the date of completion of the Gushwa No. 1 Well, Transwestern Pipeline Company had a gas transportation facility within the said Atoka-Pennsylvanian Gas Pool which was reasonably capable of handling the type of gas produced by such well. Although applicant made repeated written and telephoned requests of Transwestern Pipeline Company to connect said Gushwa No. 1 Well, the said well was not connected to such gas transportation facility until August 12, 1961.

4. That during all times pertinent to this application, the said S/2 Section 21 was included in the gas purchase agreement dated December 6, 1960, between applicant and Transwestern

Pipeline Company. That the said Atoka-Pennsylvanian Gas Pool was prorated, effective July 1, 1961, by Order of the Commission No. R-1670-E.

5. That the Gushwa No. 1 Well was unreasonably discriminated against through denial of access to a gas transportation facility which was capable of handling the type of gas produced by such well for the period from July 1, 1961 to August 12, 1961.


6. That Pan American Petroleum Corporation, Nearburg and Ingram, Ohio Oil Company and Howard Olsen are the offset operators in the Atoka-Pennsylvanian Gas Pool to the well covered by this application. That applicant has furnished such offset operators and Transwestern Pipeline Company with a copy of this application.

WHEREFORE, applicant prays the orders of the Commission as follows:

- a) That this matter be set for hearing before an examiner of the Commission and due notice be given thereof as required by law.
- b) That the Commission find that said Gushwa No. 1 Well was unreasonably discriminated against for the period from July 1, 1961 to August 12, 1961, and establish an allowable for such well for such period, and
- c) For such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By

  
A. J. Losee  
Losee and Stewart  
Attorneys at Law  
Post Office Drawer 239  
Artesia, New Mexico

Case 2587

Heard 6-28-62

Rec. "

1. Grant Yates Pet. Corp. are allowable in the Atoka-Penn. Gas Pool for the month of July 1962 and to Aug. 12, 1961 in accordance with allowable factors for those months.

Recommend  
this  
not be  
included  
in  
order  
DOM

2. Find that it appears that the purchaser was negligent in connecting to this well prior to July 1, 1961 because he was connected to an offset well approx. 1/4 mile to the north prior to July 1, 1961 and that the Yates Bushwa #5 21-15 was not drained during this period.

Ernest W. P.

P.S. Operator made diligent efforts to obtain a connection sooner than July 1, 1961.

well  
was 01

DOCKET: EXAMINER HEARING - THURSDAY. - JUNE 28, 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 2587: Application of Yates Petroleum Corporation for the assignment of an allowable to its Gushwa Well No. 1, located in the S/2 of Section 21, Township 18 South, Range 26 East, Eddy County, New Mexico, for the commencement of gas prorationing in the Atoka-Pennsylvanian Gas Pool July 1, 1961, to the date of connection of said August 12, 1961. Applicant alleges that said well was unreasonably discriminated against by being denied access to a gas transportation facility during said period.

CASE 2588: Application of Waterflood Associates, Inc., for the establishment of a buffer zone, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of the SE/4 NE/4 of Section 20, and the W/2 NW/4 of Section 21, all in Township 18 South, Range 28 East, Eddy County, New Mexico, as a buffer zone in its proposed waterflood project in the Artesia Pool with wells in said buffer zone to be assigned capacity allowables.

CASE 2589: Application of Chaco Oil Company for an amendment of Order No. R-1533, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks an amendment of Order No. R-1533 to provide administrative procedures for obtaining approval of unorthodox locations for injection and producing wells in the Red Mountain Oil Pool, McKinley County, New Mexico.

CASE 2590: Application of J. Glenn Turner for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order of the Commission force-pooling all mineral interests in the Basin-Dakota Gas Pool in the S/2 of Section 14, Township 29 North, Range 10 West, San Juan County, New Mexico.

CASE 2591: Application of Texaco Inc. for an exception to Rule 107 (e), Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 107 (e) to permit the tubingless completion of its State "AT" Well No. 5, located in Unit M, Section 10, Township 14 South, Range 33 East, Lea County, New Mexico. The subject well will be completed

(Case 2591 continued)

in the Wolfcamp formation and will be produced through a string of 2 7/8 inch casing set at approximately 10,000 feet.

CASE 2592:

Application of Skelly Oil Company for approval of a secondary recovery project, Lea County, New Mexico. Applicant, in above-styled cause, seeks permission to institute a secondary recovery project in the Lovington-San Andres Pool in the Lovington-San Andres Unit Area, comprising portions of Townships 16 and 17 South, Ranges 36 and 37 East, Lea County, New Mexico, by the injection of water into the San Andres formation through 17 wells located in said unit area.

CASE 2593:

Application of Skelly Oil Company for the approval of a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Lovington San Andres Unit Agreement embracing 2470 acres, more or less, of Federal, State and Fee lands in Townships 16 and 17 South, Ranges 36 and 37 East, Lea County, New Mexico.

CASE 2594:

Application of Hill & Meeker for special rules and regulations for the South Crossroads-Devonian Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special rules and regulations for the South Crossroads-Devonian Pool, Lea County, New Mexico, to include provisions for 80-acre oil proration units therein.



309 CARPER BUILDING  
ARTESIA, NEW MEXICO

MAIL OFFICE 600  
1962 MAY 23 AM 8:15

S. P. YATES  
PRESIDENT  
HARVEY E. YATES  
VICE PRESIDENT  
MARTIN YATES, III  
VICE PRESIDENT  
JOHN A. YATES  
SECRETARY  
HUGH W. PARRY  
TREASURER

May 24, 1962

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

Attention: Mr. Elvis A. Utz

Re: Yates' Gushwa No. 1 Unit J,  
21-18S-26E Atoka Penn Gas  
Pool.

Gentlemen:

We have your letter of May 21, 1962, and we are in agreement with your interpretation of Rule 601, that we have to be delivering to a gas transportation facility to be assigned an allowable. However, second sentence of Rule 601 states that: "The Commission shall include in the proration schedule of such pool any gas well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well."

We are wondering if this well was not unreasonably discriminated against by not having an allowable for July and August. We enclose for your inspection and consideration the following:

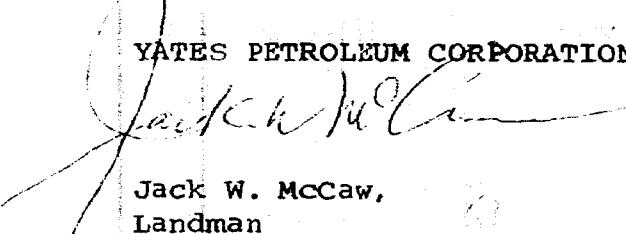
May 24, 1962

1. Letter from Yates Petroleum to Transwestern dated February 16, 1961.
2. Letter from Yates Petroleum to Transwestern dated April 6, 1961.
3. Letter from Yates Petroleum to Transwestern dated April 8, 1961.
4. Letter from A. J. Losee, Attorney for Yates Petroleum dated June 30, 1961.

We would appreciate it if the Commission could see fit to make a finding that we were being unreasonably discriminated against after the date proration started, July 1, 1961, and assign us full allowable for the months of July and August, 1961.

Yours very truly,

YATES PETROLEUM CORPORATION

  
Jack W. McCaw,  
Landman

JWM/jr

Enclosures

LOSSEE  
EDWARD S. STEWART

LOSSEE AND STEWART  
CARRIER BUILDING - 1000 DRAKE  
ARTESIA, NEW MEXICO  
MAIN OFFICE OCC

30 June 1961 1962 MAY 28 AM 8:16

Transwestern Pipeline Company  
Box 1902  
Houston, Texas

Attention: Mr. Ben H. Copas, Jr.  
Manager, Gas Purchase Contracts

Re: Yates Petroleum Corporation and  
Transwestern Pipeline Company  
December 6, 1960 Gas Purchase  
Agreement, Eddy County, New Mexico  
Your Contract No. 350

Gentlemen:

The subject contract covers the Yates Petroleum Corporation  
Len Mayer No. 1 Well and the Bob Gushwa No. 1 Well. You  
initially took gas under this contract from the Len Mayer  
No. 1 Well on April 15, 1961. The Gushwa No. 1 Well has  
been completed for three or four months and is directly off-  
set to the East by the Pan American Flint No. 1 Well. Pan  
American has been producing this Flint No. 1 Well at the rate  
of 6,000,000 MCF of gas per day for at least the past four or  
five months. This Pan American well is draining the reservoir  
underlying the Gushwa No. 1 Well.

Article I, Section 3 of the subject contract provides that  
the buyer will proceed with due diligence to construct the  
facilities necessary to take delivery of gas under the con-  
tract. On April 8, 1961, Mr. J. T. Wooten, your Chief Engineer,  
advised by letter that the well connection to the Gushwa No. 1  
well would be worked into the schedule immediately. I under-  
stand that this well has not yet been connected to your line.

Article III, Section 5 of the subject contract provides in  
effect that if the quantity of gas taken by buyer under the  
contract is insufficient to enable the seller to protect  
seller's oil and gas leases from drainage by other operators

Transwestern Pipeline Company  
Box 1502  
Houston, Texas

-2-

30 June 1961

producing the same common reservoir, then such amount shall be increased by such additional quantity of gas as is necessary to enable seller to prevent drainage.

Under the circumstances it appears that Transwestern has not complied with the provisions of the subject contract in that it has failed to use due diligence to construct the equipment necessary to take gas from the Gushwa No. 1 Well and also in that the Flint No. 1 Well is draining the reservoir underlying the Gushwa No. 1 Well and Transwestern should be taking a like amount of gas from the Gushwa No. 1 Well.

In addition to the correspondence in the file of Yates Petroleum Corporation on this matter, I am advised that telephone calls from this company to Transwestern in connection with this matter were made on February 10, February 19, February 28, March 24 and May 24. Under these circumstances, we will very much appreciate Transwestern remedying the above matters at the earliest possible date and your advice by return air mail as to when Yates Petroleum Corporation may expect to sell gas from its Gushwa No. 1 Well.

Very truly yours,

A. J. Louee

AJL/bh

cc Yates Petroleum Corporation

TRANSWESTERN PIPELINE COMPANY

1101 NORTH CHASE BUILDING  
HOUSTON, TEXAS

MAIL ROOM  
TELEPHONE  
CABLE

April 8, 1961

Re: Yates Petroleum Corporation  
Bob Gushwa Ho.  
Section 21, T. 1S, R. 26E

Mr. R. W. Landenberger, Jr.  
Yates Petroleum Corporation  
309 Carper Building  
Artesia, New Mexico

Dear Mr. Landenberger:

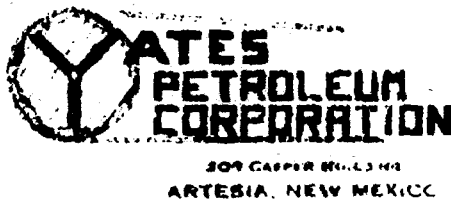
We are in receipt of the 4-point test and completion forms relating to the subject well. This well connection will be worked into our schedule immediately.

The production equipment schedule for your Lynn Meyer well is scheduled to arrive Monday. We do not contemplate any difficulty in completing this connection by April 14.

Yours very truly,

J. T. Kooten  
Chief Engineer

JTW:hab



S. W. YATES  
PRESIDENT  
HARVEY R. YATES  
VICE PRESIDENT  
MARTIN YATES III  
VICE PRESIDENT  
JOHN A. YATES  
SECRETARY  
HUGH W. PARRY  
TREASURER

April 6, 1961

Transwestern Pipeline  
Box 1502  
Houston, Texas

Attention: Jack Wooten

Re: Yates Petroleum Corporation  
Rob Gushwa No. 1  
Section 21, T. 18S, R. 26E.

Dear Mr. Wooten:

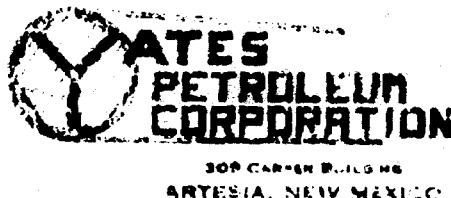
We are enclosing copies of the 4-point test  
and all completion logs as sent to the New Mexico Oil  
Conservation Commission.

If there is anything further we need to do  
toward getting this well on production, please let us know.

YATES PETROLEUM CORPORATION

R. W. Landenberger, Jr.  
Geologist

RWL/mc



B. F. YATES  
PRESIDENT  
HARVEY E. YATES  
VICE PRESIDENT  
ALVIN YATES, JR.  
VICE PRESIDENT  
JOHN A. YATES  
SECRETARY  
ALAN W. PARRY  
TREASURER

February 16, 1961

Mr. Jack Wooten  
Transwestern Pipeline Company  
Box 1502  
Houston 1, Texas

Re: Contract No. 350,  
December 6, 1960

Dear Mr. Wooten:

In reference to our telephone conversation of February 15, 1961, I would like to add that the two locations, North Half of Section 28 and South Half of Section 21, which are included in the above captioned contract consist of around 3600 town lots. We have been since 1936 working on these leases and have numerous data and types of leases involved in these two units.

Since we are about to run out of time on these leases we petitioned the Oil Conservation Commission for forced pooling on the interest we do not control and have gone ahead drilling the wells hoping to hold these leases by production.

As you can see from the complications regarding this tract we need to be producing both of these wells as soon as possible. Anything that you can do to expedite getting these wells tied in will be greatly appreciated. If there is anything further that we need to do please let us know.

Yours very truly,

YATES PETROLEUM CORPORATION

Jack W. McCaw,  
Land Dept.

JAN/dh  
cc: Ben A. Copps, Jr.  
Mac Krutinger  
H. But Aicklin

71-1-RD18

ATOKA

A Clyde

MO-82

VENTURES

20

OHIO

OHIO

WENTURES

29

32

21

HOLODEN

DAYTON

2-20-61  
Camp

STANDARD

MAGNOLIA

STANDARD OF TEX

ILLAMEXA

STANDARD OF TEX

JONES

STANDARD OF TEX

JONES

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JONES

RECEIVED JUL 13 1961  
TRANSWESTERN PIPELINE COMPANY

FIRST CITY NATIONAL BANK BUILDING

HOUSTON, TEXAS

July 11, 1961

MAIL ADDRESS  
P. O. BOX 1000  
HOUSTON 1, TEXAS

Yates Petroleum Corporation  
309 Carper Bldg.  
Artesia, New Mexico

Re: Transwestern Pipeline Company  
Contract Number 350

Attention: Jack W. McCaw

Dear Sir:

Attached is a list showing gas producing wells dedicated to Transwestern Pipeline Company by your Company under the terms of the subject contract.

This list has been prepared from all available data in our files and is as accurate as can be determined from this data. However, we have found that in some cases this data has been in error, especially, with regard to the working interest ownership in various wells. You can appreciate the fact that for payment purposes it is essential that these percentages be correct. Therefore, we would like to request that at your convenience you check over the attached list and pencil in any changes which you know should be made, either in percent working interest or other data shown.

After you have made these changes we would appreciate it if you would send the corrected copy to us as soon as possible in order that our records may be corrected.

Yours very truly,

J. H. Tillery, Jr.

Senior Engineer

Transwestern Gas Reserve Dept.



att.

CONTRACT #350 YATES PETR. - NEW MEXICO

Well Location	Docket Numbers		Contract Interest	Other Contracts Concerned		Pres. Conn. (X)	Date of 1st Del.	Compl. Date	Res. Est. MCF	Est. DDG MCFD
	TPC	Producers TPC Cert.		Number	Interest					
20-188-26E	CP60-49	CI61-993	62.5	34.1	37.5	X-T	4-15-61	3-61		
21-188-26E	CP60-49	CI61-993	33.75					3-61		

→ Yates Pet. Corp and Associates - .61493978  
 W H Swearingen - .00979430  
 J. H. Potter - .00026592

{ Yates Pet. Corp and Associates .922413618  
 W H Swearingen .002886379  
 J. H. Potter .005356363  
 J. H. Hawkins .006843650

County - Field                      Unit  
Operator - Well Name  
EDDY COUNTY, NEW MEXICO

Atoka:                      Yates #1 Len. Mayer  
                             \*Yates #1 Bob Gushwa

\* 6.25% Dedicated to Pan American

NUMBER OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
TRANSPORTER	OIL
	GAS
PRODUCTION OFFICE	
OPERATOR	

# NEW MEXICO OIL CONSERVATION COMMISSION Santa Fe, New Mexico

(Form C-104)  
Revised 2/1/67

## REQUEST FOR (OIL) - (GAS) ALLOWABLE

**RECEIVED**  
MAR 22 1961  
New Well  
Recompletion

This form shall be submitted by the operator before an initial allowable will be assigned to any completed oil well. Form C-104 is to be submitted in QUADRUPLICATE to the same District Office to which Form C-101 was sent. The allowable will be assigned effective 7:00 A.M. on date of completion or recompletion, provided this form is filed during calendar month of completion or recompletion. The completion date shall be that date in the case of an oil well when new oil is delivered into the stock tanks. Gas must be reported on 15.025 psia at 60° Fahrenheit.

Artesia, New Mexico

3-21-61

(Place)

(Date)

WE ARE HEREBY REQUESTING AN ALLOWABLE FOR A WELL KNOWN AS:

Yates Petroleum Corporation Bob Gushwa

Well No. 1, in 18 1/4 Sec. 21

(Company or Operator)

(Locality)

3  
T. 18S  
R. 24E

Sec. 21

T. 18S

R. 24E

NMPM.

Atoka Penn Gas

Pool

Please indicate location:

D	C	B	A
E	F	G	H
L	K	J	I
M	N	O	P

1070' TO 888' EL.

(FOOTAGE)

Tubing, Casing and Cementing Record

Size	Feet	Size
8 5/8	1175	450
5 1/2	9229	600

County. Date Spudded 1-13-61

Date Drilling Completed 2-20-61

Elevation 3587' E.B.

Total Depth 9231

PSTD 9176

Top Oil/Gas Pay 9052

Name of Prod. Form. Atoka

PRODUCING INTERVAL -

Perforations 9052-9069; 9118-9129

Open Hole

Depth 9229

Depth 9065

OIL WELL TEST -

Natural Prod. Test: bbls. oil, bbls. water in hrs, min. Size

Test After Acid or Fracture Treatment (after recovery of volume of oil equal to volume of

load oil used): bbls. oil, bbls. water in hrs, min. Size

GAS WELL TEST - (Test below is for perfs 9052'-9069' only)

Natural Prod. Test: MCF/Day; Hours flowed Choke Size

Method of Testing (pitot, back pressure, etc.):

Test After Acid or Fracture Treatment: MCF/Day; Hours flowed

Choke Size 2 1/2" Method of Testing: Pitot tube

Acid or Fracture Treatment: Give details of material used, such as acid, sand, etc. 20,000 gal. 11% HCl, 8000 gal. 15% HCl, 4000 gal. 20% HCl (9052-9069 only)

Casing Tubing Date first new  
Press. Press. oil run to tanks

Oil Transporter

Transwestern Pipeline Company

Remarks: Perfs. from 9118'-9129' were made after 9052'-9069' was perforated and treated. No stimulations required for perfs. 9118'-9129'. Both zones flow at approximate rate of 100,000 MCFGPD, ACF. Official 4 point test will be filed in 30 days.

I hereby certify that the information given above is true and complete to the best of my knowledge.

Approved: MAR 22 1961, 19

Yates Petroleum Corporation

(Company or Operator)

OIL CONSERVATION COMMISSION

By: M. L. Armstrong

Title: OIL AND GAS INSPECTOR

By: R. W. Landerberger, Jr.  
(Signature)

Geologist

Title

Send Communications regarding well to:

Name: R. W. Landerberger, Jr.

Address: 309 Carper Bldg., Artesia, New Mexico

RECEIVED MAR 23 1961 NEW MEXICO OIL CONSERVATION COMMISSION MISCELLANEOUS REPORTS ON WELLS (Submit to appropriate District Office as per Commission Rule 11)		FORM C-103 REC'D MAR 22 1961																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">NUMBER OF COPIES RECEIVED</td> </tr> <tr> <td>SANTA FE</td> <td></td> </tr> <tr> <td>FILE</td> <td></td> </tr> <tr> <td>U.S.G.S.</td> <td></td> </tr> <tr> <td>LAND OFFICE</td> <td></td> </tr> <tr> <td>TRANSPORTER</td> <td>OIL</td> </tr> <tr> <td></td> <td>GAS</td> </tr> <tr> <td>PRODUCTION OFFICE</td> <td></td> </tr> <tr> <td>OPERATOR</td> <td></td> </tr> </table>			NUMBER OF COPIES RECEIVED		SANTA FE		FILE		U.S.G.S.		LAND OFFICE		TRANSPORTER	OIL		GAS	PRODUCTION OFFICE		OPERATOR	
NUMBER OF COPIES RECEIVED																				
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FILE																				
U.S.G.S.																				
LAND OFFICE																				
TRANSPORTER	OIL																			
	GAS																			
PRODUCTION OFFICE																				
OPERATOR																				
Name of Company <b>Yates Petroleum Corporation</b>		Address <b>309 Carper Bldg., Artesia, New Mexico</b> DISTRICT OFFICE																		
Lease <b>Bob Gushwa</b>	Well No. <b>1</b>	Unit Letter <b>J</b>																		
		Section <b>21</b>																		
		Township <b>18S</b>																		
		Range <b>24E</b>																		
Date Work Performed <b>SEE BELOW</b>	Pool <b>Atoka Penn Gas</b>																			
	County <b>El Paso</b>																			
THIS IS A REPORT OF: (Check appropriate block)																				
<input type="checkbox"/> Beginning Drilling Operations																				
<input type="checkbox"/> Casing Test and Cement Job																				
<input type="checkbox"/> Other (Explain):																				
<input type="checkbox"/> Plugging																				
<input type="checkbox"/> Remedial Work																				
<b>Perforations</b>																				
Detailed account of work done, nature and quantity of materials used, and results obtained.																				
<b>2-21-61</b> Ran 295 lbs. 5 1/2 inch, J-55, 14# - 15# set at 9229' with 600 ex. reg. cement with 25 gal. P.D. at 6:45 p.m. 2-21-61. Top cement at 6240'. P.B.T.D. 9178'. W.O.C. 36 Hrs. tested Csg. with 4000#.																				
<b>2-23-61</b> Perforated 4 shots per foot from 9052'-9069' thru 2 inch EBE tbg with phr. (Baker) set at 8892'.																				
<b>3-13-61</b> Pulled tbg. and phr. Re-ran tbg (no phr.) and set at 9045'.																				
<b>3-14-61</b> Perforated 4 shots per foot from 9118'-9129'.																				
Witnessed by <b>R. W. Landenberger, Jr.</b>																				
Position <b>Geologist</b>																				
Company <b>Yates Petroleum Corporation</b>																				
FILL IN BELOW FOR REMEDIAL WORK REPORTS ONLY																				
ORIGINAL WELL DATA																				
D F Elev.	T D	P B T D																		
Producing Interval	Completion Date																			
Tubing Diameter	Tubing Depth	Oil String Diameter																		
Perforated Interval(s)																				
Open Hole Interval		Producing Formation(s)																		
RESULTS OF WORKOVER																				
Test	Date of Test	Oil Production BPD																		
Before Workover																				
After Workover																				
Gas Production MCFPD	Water Production BPD	GOR Cubic feet/Bbl																		
Gas Well Potential MCFPD																				
OIL CONSERVATION COMMISSION																				
I hereby certify that the information given above is true and complete to the best of my knowledge.																				
Approved by <b>M. L. Armstrong</b>																				
Name <b>R. W. Landenberger, Jr.</b>																				
Title <b>OIL AND GAS INSPECTOR</b>																				
Position <b>Geologist</b>																				
Date <b>MAR 22 1961</b>																				
Company <b>Yates Petroleum Corporation</b>																				

NUMBER OF COPIES RECEIVED DISTRIBUTION SANTA FE FILE U.S.C.S. LAND OFFICE TRANSPORTER PROBATION OFFICE OPERATOR		NEW MEXICO OIL CONSERVATION COMMISSION SANTA FE, NEW MEXICO <b>CERTIFICATE OF COMPLIANCE AND AUTHORIZATION          TO TRANSPORT OIL AND NATURAL GAS</b>			FORM 6100 (REV. 7-60) <b>MAR 22 1961</b>
FILE THE ORIGINAL AND 4 COPIES WITH THE APPROPRIATE OFFICE					
Company or Operator: <b>Yates Petroleum Corporation</b>			Lease: <b>Bob Gushwa</b>		
Unit Letter <b>J</b>	Section <b>21</b>	Township <b>18S</b>	Range <b>26E</b>	County <b>Eddy</b>	
Pool: <b>Atoka Penn Gas</b>			Kind of Lease (State, Fed, Fee) <b>FEED</b>		
If well produces oil or condensate give location of tanks		Unit Letter <b>J</b>	Section <b>21</b>	Township <b>18S</b>	Range <b>26E</b>
Authorized transporter of oil <input type="checkbox"/> or condensate <input checked="" type="checkbox"/>		Address (give address to which approved copy of this form is to be sent) <b>Permian Corporation          Box 4157          Midland, Texas</b>			
Is Gas Actually Connected? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>					
Authorized transporter of casing head gas <input type="checkbox"/> or dry gas <input checked="" type="checkbox"/>		Date Connected	Address (give address to which approved copy of this form is to be sent) <b>Transwestern Pipeline Company          Box 1502          Houston 1, Texas</b>		
If gas is not being sold, give reasons and also explain its present disposition:  <p style="text-align: center;">Pipe line connection is expected immediately.</p>					
REASON(S) FOR FILING (please check proper box)					
New Well <input checked="" type="checkbox"/> Change in Ownership <input type="checkbox"/> Change in Transporter (check one) Other (explain below) <input type="checkbox"/> Oil <input type="checkbox"/> Dry Gas <input type="checkbox"/> Casing head gas <input type="checkbox"/> Condensate <input type="checkbox"/>					
Remarks			<div style="border: 2px solid black; padding: 10px; transform: rotate(-2deg);"> <b>BEFORE EXAMINER UTZ</b>          OIL CONSERVATION COMMISSION  <i>Appl</i> EXHIBIT NO. <u>2-C</u>          CASE NO. <u>2587</u> </div>		
The undersigned certifies that the Rules and Regulations of the Oil Conservation Commission have been complied with.					
Executed this the <u>21st</u> day of <u>March</u> , 19 <u>61</u> .					
Approved by <div style="font-size: 1.5em; font-family: cursive;"> <i>M. L. Armstrong</i> </div>			By <div style="font-size: 1.5em; font-family: cursive;"> <i>R. W. Landerberg, Jr.</i> </div>		
Title <b>OIL AND GAS INSPECTOR</b>			Title <b>Geologist</b>		
Date <b>MAR 22 1961</b>			Company <b>Yates Petroleum Corporation</b>		
			Address <b>309 Carper Bldg., Artesia, New Mexico</b>		

Transwestern Contract #  
11/28/60 Draft

GAS PURCHASE AGREEMENT

Between

YATES PETROLEUM CORPORATION

And

TRANSWESTERN PIPELINE COMPANY

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
<i>Agel</i>	EXHIBIT NO. <u>3</u>
CASE NO.	<u>2587</u>

Atoka Field  
Eddy County, New Mexico

## I N D E X

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GAS PURCHASE AGREEMENT

THIS AGREEMENT, made and entered into as of the 6th day of December, 1960, by and between YATES PETROLEUM CORPORATION hereinafter referred to as "Seller", and TRANSWESTERN PIPELINE COMPANY, hereinafter referred to as "Buyer",

WHEREAS, Buyer owns and operates a natural gas pipeline system generally extending from the gas producing areas of West Texas, the Panhandle of Texas and Oklahoma, and New Mexico to California; and

WHEREAS, Seller owns or controls oil, gas and mineral leaseholds and/or lands in Atoka Field, Eddy County, New Mexico, which leaseholds and/or lands are described in Exhibit "A" attached hereto and made a part hereof, and from which Seller desires to sell natural gas, and Buyer desires to purchase same for a portion of the requirements of its natural gas pipeline transmission system; and

WHEREAS, the parties hereto have agreed that, except where the context otherwise indicates another or different meaning or intent, the following terms are intended and used herein and shall be construed to have meanings as follows:

1. The term "day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at seven o'clock a.m. Central Standard Time.

2. The term "month" shall mean a period beginning at seven o'clock a.m. on the 1st day of a calendar month and ending at seven o'clock a.m. on the 1st day of the next succeeding calendar month.

3. The term "year" shall mean a period of twelve (12) months beginning on the day on which the delivery of gas to Buyer is commenced hereunder or any anniversary of such date.

4. The term "gas" shall mean natural gas, including both gas well gas and casinghead gas, and the residue has therefrom, of merchantable quality as described in Article VIII hereof.

5. The term "MCF" shall mean one thousand (1,000) cubic feet.

6. The term "Seller's Gas Reserve" shall mean the estimated total quantity of economically recoverable gas which will be available for delivery to Buyer hereunder, contained in the formations or reservoirs which underlie the leaseholds and/or lands owned or controlled by Seller, described in Exhibit "A" hereof, on the date of any estimate or determination of Seller's Gas Reserve, plus the total quantity of gas theretofore delivered by Seller to Buyer under this Agreement.

7. The term "Seller's Delivery Capacity" shall mean the maximum quantity of gas which can be withdrawn (subject to any valid rules, orders and regulations of any State or Federal regulatory body) daily from the leaseholds and/or lands of Seller covered by this Agreement and which is available for delivery to Buyer at the point or points of delivery hereunder at the pressure provided for in Article V hereof.

8. The term "Daily Contract Quantity" shall mean the quantity of gas per day, averaged over each year, which Buyer is required, by the provisions of Paragraph 1 of Article III hereof, to purchase from Seller hereunder.

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto do hereby covenant and agree as follows:

I. PRECEDENT CONDITIONS AND SCOPE OF AGREEMENT

1. This Agreement is subject to the following precedent conditions:

(a) The obtaining by Buyer on or before March 31, 1961, of such Certificate of Public Convenience and Necessity from the Federal Power Commission as may be required for the construction and operation of the additions to Buyer's natural gas pipeline system, so that Buyer may extend such facilities into Eddy County, New Mexico, for the volumes of gas to be purchased from Seller hereunder, such Certificates of Public Convenience and Necessity to be in form and on terms and conditions satisfactory to Buyer.

(b) The obtaining by Seller on or before March 31, 1961, of such Certificates of Public Convenience and Necessity from the Federal Power Commission as may be required in form and on terms and conditions satisfactory to Seller.

If any of the conditions set forth in Subparagraphs (a) and (b) above shall not have been complied with by the time specified for such condition, then either party hereto shall have the right at any time thereafter and prior to the time such condition has been complied with to terminate this Agreement by serving written notice of such termination upon the other party and if such condition or conditions are not satisfied within thirty (30) days after the receipt of said notice, then this Agreement shall terminate and both parties shall be relieved of any liability hereunder.

In securing authorizations, permits, consents, approvals, or any other action required to be taken by any regulatory body pursuant to the conditions set forth above, each party hereto shall have the right to file and prosecute any such applications in such manner as such party deems, in its own good faith judgment, to be in its best interest and, to that end, may file whatever petitions, pleadings, motions (including motions for dismissal) and appeals as it may consider desirable.

2. Subject to all of the terms, conditions and limitations herein set forth, Seller agrees to sell and deliver or cause to be delivered to Buyer, and Buyer agrees to purchase and receive from Seller, gas in the quantities hereinafter provided, which may be produced from the reservoirs underlying the oil and gas leaseholds and/or lands which Seller now owns or controls as described in Exhibit "A" attached hereto.

3. Subject to the provisions of Paragraph 1 of this Article I, each of the parties hereto agrees to proceed with due diligence in a good faith effort to obtain such governmental authorizations and Certificates of Public Convenience and Necessity as may be required to permit the performance of this Agreement. Upon receipt and acceptance by both parties of the governmental authorizations and certificates referred to in Paragraph 1 of this Article I, Seller agrees to commence and prosecute with due diligence the construction of such facilities that may be necessary to enable Seller to deliver at the point or points of delivery hereinafter specified the quantities of gas contemplated by this Agreement.

and Buyer agrees to commence and prosecute with due diligence the construction of Buyer's system and such facilities as are necessary to enable Buyer to receive such deliveries of gas at said point or points of delivery. The delivery of gas hereunder shall commence on the date on which both the facilities of Seller and the system and facilities of Buyer are completed and ready for operation.

4. Seller shall furnish Buyer with complete data regarding the productive status of each leasehold or tract of land described in said Exhibit "A", and Seller agrees to keep Buyer informed as to any additions to or reductions of the leaseholds and/or lands covered by this Agreement and any substantial changes in the productive status of any such leaseholds and/or lands.

5. Prior to the date of initial delivery of gas hereunder, Buyer and Seller will agree on the total quantity of recoverable gas originally in place under the leaseholds and/or lands covered by this Agreement. Not less than thirty (30) days prior to each anniversary date of the initial delivery of gas under this Agreement, Seller shall furnish Buyer with a written estimate of Seller's Gas Reserve as of such anniversary date. If Buyer fails to give Seller written notice that Buyer questions any such estimate within thirty (30) days after Buyer's receipt of same, it shall be conclusively presumed that Buyer concurs therein. If Buyer and Seller are unable to agree upon the initial estimate or if Buyer questions any subsequent estimate by giving written notice to Seller within

said thirty (30) day period, and Buyer and Seller are unable to agree upon the quantity of Seller's Gas Reserve then the determination of the quantity of such reserve shall be submitted to and determined by arbitration in the manner provided in Article XVI hereof. Each such estimate or determination, as the case may be, shall be effective as of the anniversary date for which it is made or the date the same is concurred in by Buyer or determined by arbitration, whichever shall occur later, and shall remain in effect until superseded by a later estimate concurred in by Buyer or by a determination by arbitration.

6. Seller shall, with due diligence, develop the lands and leaseholds subject to this Agreement in a skillful and reasonably prudent manner to the end that Seller's Delivery Capacity shall be maintained at a volume not less than one hundred fifty per cent (150%) of the Daily Contract Quantity in effect from time to time under the provisions of Article III hereof.

#### II. RESERVATIONS OF SELLER

1. Seller hereby expressly reserves unto Seller and unto Seller's successors and assigns the following rights with respect to the gas reserves committed by Seller to Buyer, together with sufficient gas produced from such gas reserves to satisfy such rights:

(a) To operate Seller's oil and gas producing properties free from any control by Buyer in such manner as Seller, in Seller's sole discretion, may deem advisable, including without limitation the right, but never the obligation, to drill new wells, to repair and rework old wells,

renew or extend, in whole or in part, any oil and gas lease dedicated to Buyer, and to abandon any well or surrender any such oil and gas lease, in whole or in part, when no longer deemed by Seller to be capable of producing gas in paying quantities under normal methods of operation. Seller shall not be liable for or by reason of any title failure, subject, however, to Seller's warranty of title covering gas delivered and paid for under this Agreement.

(b) Seller or others permitted by Seller shall have the right to process, or to have processed for it, by conventional separation, compression, absorption or other means gas produced from the oil and gas leases covered by this Agreement prior to delivery hereunder and to remove any constituent other than methane, and shall also have the right to remove such methane as is necessarily removed from the gas in the process of removing other constituents together with sufficient gas for fuel for such processing; Provided, further, that Seller shall not by such processing reduce the total heating value per cubic foot below one thousand (1,000) BTU's and provided that thereby the gas will not be rendered incapable of meeting any of the quality specifications hereof. Any liquids or other constituents removed prior to the delivery of gas to Buyer shall be the sole property of Seller.

(c) To use gas produced from the oil and gas leases for developing and operating Seller's oil and gas leases committed hereto in the field in which the gas is produced for the operation of Seller's pipelines, water stations, camps and other miscellaneous uses incident to the operation of such leases, and to fulfill obligations to Seller's Lessors therein.

(d) To use gas produced from the oil and gas leases in any particular field covered hereby for cycling, reprising or pressure maintenance for such leases covered hereunder; provided, however, if as a result of such use Seller is thereby rendered unable to deliver to Buyer the then applicable Daily Contract Quantity hereunder, the term of this Agreement shall be extended beyond its primary term until Buyer has thereafter purchased from Seller the total quantity of gas which would have been sold and delivered hereunder during the primary term hereof at a rate of withdrawal in

accordance with Paragraph 1 of Article III hereof in the absence of such uses of gas as reserved by Seller in this Subsection (d).

(e) To pool, combine, and unitize any of Seller's oil and gas leases with other properties of Seller and of others in the same field, and to alter such pooling, combination or units, in which event this Agreement will cover Seller's allocated interest in unitized production insofar as such interest is attributable to the oil and gas leases committed hereunder. Seller shall give notice in writing to Buyer of any change contemplated by this subparagraph as is deemed material to this Agreement, and Exhibit "A" hereof shall be considered as having been amended accordingly.

2. Seller shall not be required to retain or keep in good standing by payment of delay rentals or otherwise oil and gas leases covered hereunder which in its judgment have been condemned by development, and Seller may abandon any well or surrender any oil and gas lease when it so desires.

3. Seller agrees not to sell to any other party or parties any gas produced from the committed reserves during the term hereof without the written consent of Buyer.

4. Any assignment or sublease by Seller of any oil and gas lease or any gas rights hereunder committed hereto shall be made expressly subject to the provisions of this Agreement to the extent that such oil and gas lease or gas rights are committed hereunder.

#### III. QUANTITY OF GAS

1. (a) Subject to the provisions of this Agreement, Seller agrees to sell and deliver to Buyer and Buyer agrees to take and pay

for, or pay for if available and not taken, the Daily Contract Quantity hereinafter provided for, averaged over each year of the term of this Agreement. Except when increased or decreased pursuant to the provisions of Subparagraphs (b) and (c) of this Paragraph 1 of Article III, the Daily Contract Quantity shall be a quantity equal to one thousand (1,000) MCF for each ten million (10,000,000) MCF of gas contained in Seller's Gas Reserve as same shall be from time to time mutually agreed upon by Buyer and Seller, as provided in Paragraphs 4 and 5 of Article I of this Agreement. The Daily Contract Quantity thus initially determined is hereinafter referred to as the "Original Daily Contract Quantity."

(b) If at any time during the term hereof the quantity of gas in Seller's Gas Reserve on the last previous anniversary of the date of initial delivery of gas under this Agreement, as shown by the estimate or determination thereof then in effect in accordance with the provisions of Paragraph 5 of Article I hereof, shall exceed or shall be less than a quantity equal to ten million (10,000,000) MCF of gas for each one thousand (1,000) MCF of the Daily Contract Quantity of gas then in effect under the provisions of this Paragraph 1 of Article III, then the Daily Contract Quantity of gas shall be increased or decreased, as the case may be, to a quantity of gas equal to one thousand (1,000) MCF for each ten million (10,000,000) MCF of gas so estimated or determined to be contained in Seller's

Gas Reserve on such anniversary date of this Agreement; provided that

(i) If Seller's Delivery Capacity (unless Reduced by force majeure as hereinafter defined) is then less than one hundred fifty per cent (150%) of the Daily Contract Quantity of gas thus determined, such Daily Contract Quantity of gas shall be reduced to a quantity equivalent to two-thirds (2/3rds) of Seller's Delivery Capacity, and

(ii) the Daily Contract Quantity shall never, without the mutual consent of the parties hereto, exceed two hundred per cent (200%) of the Original Daily Contract Quantity.

(c) If at any time Seller's Delivery Capacity shall be less than one hundred fifty per cent (150%) of the Daily Contract Quantity of gas then in effect hereunder (and such condition shall not be the result of cause force majeure as hereinafter defined), then at the option of Buyer the Daily Contract Quantity of gas then in effect hereunder shall be reduced in proportion to the reduction in Seller's Delivery Capacity below a quantity equal to one hundred fifty per cent (150%) of such Daily Contract Quantity of gas; and thereafter such reduced Daily Contract Quantity of gas shall be in effect unless and until further reduced or increased in accordance with the provisions of this Paragraph 1 of Article III.

2. Seller's Delivery Capacity shall be determined at least twice each year by actual measurements and calculations and shall

be estimated or calculated for each month in the months in which no actual tests were made, using the result of the last actual test as the basis of the estimation.

3. Seller recognizes that due to operating conditions, varying market demands and the difficulty of apportioning receipts of gas from various sources, Buyer may not be able to take gas from Seller during any definite period at exactly constant rates. Buyer shall, however, to the best of its ability maintain as nearly a constant rate of takings of the quantities provided for in Paragraph 1 of this Article III as practicable and shall balance deficient takings from Seller under this Agreement by an excess of takings from Seller hereunder as soon as practicable after such variations shall have occurred and shall have been ascertained, and Buyer may balance excess takings from Seller hereunder by curtailed takings from Seller hereunder. Nothing herein contained shall prevent Buyer from purchasing from Seller hereunder at any time and from time to time quantities of gas greater than the Daily Contract Quantity then in effect hereunder; provided that Seller shall not be obligated to deliver in any day a quantity of gas in excess of one hundred fifty per cent (150%) of such Daily Contract Quantity then in effect hereunder.

4. In the event Buyer is required by the provisions of this Agreement to pay Seller for a quantity of gas which Buyer shall not have actually taken during any year of the term hereof, then Buyer may make up for such deficient takings during the next succeeding year or years of the term hereof by applying against such deficiency the gas taken during such succeeding year or years in excess of the average daily quantity of gas Buyer is obligated to take or pay for during such year. Buyer shall not be required to pay Seller for gas applied in any year against a deficiency which shall have arisen during the previous year and for which payment shall already have been made, provided that Buyer shall pay Seller any differential in price between that upon which payments were made and that applicable at the time of taking the gas.

5. Buyer agrees that if at any time or times during the term of this Agreement the Daily Contract Quantity provided for in Paragraph 1 of Article III hereof shall be sufficient to enable Seller to protect Seller's oil and gas leases covered by this Agreement from drainage by other operators producing gas from the same common reservoir or reservoirs, then during the period of time such condition exists the Daily Contract Quantity shall be increased by such additional

quantity of gas as is necessary to enable Seller to prevent such drainage; provided, however, that in no event shall such Daily Contract Quantity be increased to a quantity in excess of the allowable rate of production for the wells covered by this Agreement as established by the regulatory board or agency having jurisdiction, and provided further that this shall not be construed as obligating Buyer to protect Seller against any drainage occurring prior to the initial delivery of gas hereunder.

6. It is understood and agreed that nothing in this Agreement shall be construed to require Seller to sell and deliver to Buyer or to require Buyer to purchase and receive from Seller or pay Seller for a quantity of gas in excess of the total quantity of gas per day which the wells on the oil and gas leaseholds and/or lands covered by this Agreement are capable of producing into Buyer's line, when produced at their respective rates of flow under the applicable rules, regulations and orders of regulatory bodies having jurisdiction and in accordance with good engineering practices.

#### IV. POINT OF DELIVERY

1. The point of delivery of the gas to be delivered by Seller to Buyer hereunder shall be at the inlet of Buyer's facilities at or near each of Seller's wells covered by this Agreement.

2. As between the parties hereto, Seller shall be in control and possession of the gas deliverable hereunder and responsible for any injury or damage caused thereby until the same shall have been delivered to Buyer, after which delivery Buyer shall be deemed to be in exclusive control and possession thereof and responsible for any injury or damage caused thereby.

V. PRESSURE

1. The gas to be delivered hereunder shall be delivered by Seller at the point of delivery specified in Article IV hereof at such pressure as may be requested by Buyer, but not in excess of eight hundred fifty (850) pounds per square inch gauge, so long as Seller's wells are capable of delivering gas at such requested pressure.

Neither Seller nor Buyer shall be obligated to install or operate compression facilities in order to deliver or receive gas hereunder, but either Seller or Buyer may do so at its option.

2. Seller shall make reports to Buyer, as often as may be necessary in practice, of the pressure at which the gas is being delivered hereunder and the rate of such deliveries. Seller shall have agents or employees available at all times to receive from Buyer's dispatchers advices and requests for changes in the rates of delivery of gas hereunder as required by Buyer from time to time.

## VI. MEASURING STATIONS

1. Buyer shall install, maintain and operate, at Buyer's own expense, at or near the point of delivery, measuring facilities by which the volume of gas delivered hereunder shall be measured. Seller, in so far as Seller's leasehold rights enable it to do so, will furnish Buyer sites for its measuring facilities. Orifice meters shall be installed, maintained and operated and volumes computed in accordance with Gas Measurement Committee Report No. 3, including the Appendix thereto, dated April, 1955, of the American Gas Association. Seller shall have access to such metering equipment at reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done only by Buyer.

2. Seller may install, maintain and operate, at its own expense, such pressure regulators and check measuring equipment as it shall desire and Seller, to the extent that Seller has the right to do so, hereby grants to Buyer the right to install, maintain and operate Buyer's measuring equipment in the area of Seller's check measuring station or stations, provided that such equipment shall be so installed as not to interfere with the operation of Seller's check measuring equipment. Buyer shall have access to such check measuring equipment at reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done only by Seller.

3. Each party shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating or adjusting done in connection with the other's measuring equipment used in measuring deliveries hereunder. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

4. In the event a meter is out of service, or registering inaccurately, the volume of gas delivered hereunder shall be estimated:

(a) By using the registration of any check meter or meters if installed and accurately registering, or in the absence of (a);

(b) By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation, or, in the absence of both (a) and (b), then;

(c) By estimating the quantity of delivery by deliveries during periods under similar conditions when the meter was registering accurately.

5. At least once each month Buyer shall verify the accuracy of Buyer's measuring equipment and Seller shall verify the accuracy of its check measuring equipment. If either party shall notify the other that it desires a special test of any measuring equipment, the parties shall cooperate to secure a prompt verification of the accuracy of such equipment. If either party at any time observes a variation between the delivery meter and the check meter, it will promptly notify the

other party thereof and both parties will then cooperate to secure an immediate verification of the accuracy of such equipment. Each party shall give to the other notice of the time of all tests of meters reasonably in advance of the holding of such tests in order that the other party may conveniently have its representative present.

6. If, upon test, any measuring equipment, including recording calorimeter, is found to be in error not more than two per cent (2%), previous records of such equipment shall be considered accurate in computing deliveries hereunder but such equipment shall be adjusted at once to record accurately. If, upon test, any measuring equipment shall be found to be inaccurate by an amount exceeding two per cent (2%), at a recording corresponding to the average hourly rate of flow for the period since the last preceding test, then any previous recordings of such equipment shall be corrected to zero error for any period which is known definitely or agreed upon, but in case the period is not known definitely or agreed upon, such correction shall be for a period extending over one-half (1/2) of the time elapsed since the date of last test, not exceeding a correction period of sixteen (16) days.

7. Each party shall preserve for a period of at least five (5) years all test data, charts and other similar records.

#### VIII. MEASUREMENTS

1. The sales unit of the gas deliverable hereunder shall be one (1) MCF of gas.

2. The volume of the gas delivered hereunder shall be determined as follows:

(a) The unit of volume for the purpose of measurement shall be one (1) cubic foot of gas at a base temperature of sixty degrees (60°) Fahrenheit and at a base pressure of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute with correction for deviation from Boyle's Law. Computation of volumes, including the deviation from Boyle's Law, shall be made in accordance with applicable law.

(b) The average absolute atmospheric pressure shall be assumed to be thirteen and one tenth (13.1) pounds to the square inch, irrespective of actual elevation or location of the point of delivery above sea level or variations in such atmospheric pressure from time to time.

(c) The temperature of the gas passing the meters shall be determined by the continuous use of a recording thermometer so installed that it may properly record the temperature of the gas flowing through the meters. The arithmetical average of the temperature recorded each twenty-four (24) hour day shall be used in computing gas volumes for that date.

(d) The specific gravity of the gas delivered hereunder shall be determined by spot test method made with an Edwards type of gas balance, or by such other method as shall be agreed upon between the parties. The specific gravity of the gas delivered hereunder shall be determined once monthly, or as much oftener as is found necessary in practice. The regular monthly test shall determine the specific gravity to be used in computation for the measurement of natural gas delivered, until the end of such month or until changed by special test; the special test to be applicable from the day made through remaining days in such month.

#### VIII. QUALITY OF GAS

1. Seller agrees that:

(a) The gas delivered hereunder shall have a total heating value of not less than one thousand (1,000) British thermal units per cubic foot. In the event that the total heating value of the gas tendered for delivery hereunder falls below one thousand (1,000) British thermal units per cubic foot, Buyer shall have the option (i) to refuse to accept said gas so long as said heating value remains below one thousand (1,000) British thermal units per cubic foot, or (ii) to continue to accept delivery of said gas, in which case a reduction shall be made in the total amount which Buyer would otherwise pay for gas delivered hereunder during such month if the total heating value were one thousand (1,000) British thermal units or above. The amount to be deducted shall be determined by multiplying said amount so otherwise payable by a fraction, the numerator of which is the deficiency in total heating value per cubic foot below one thousand (1,000) British thermal units and the denominator of which is one thousand (1,000). Such deduction shall be reflected on the bill rendered for such month and the net amount is the total amount to be paid by Buyer for that month.

(b) The total heating value of the gas in British thermal units per cubic foot shall be determined by Seller at intervals of not more than ninety (90) days by means of some approved method of general use in the gas industry. Buyer shall have the right to determine, at such time or times as it may desire, the total heating value of the gas in British thermal units per cubic foot by means of some approved method of general use in the gas industry. Each party shall conduct at its expense the test or tests made by it. Each party shall give to the other notice of the time of all tests for determining the British thermal unit content of the gas to be conducted by such party reasonably in advance of making the test in order that the other party may conveniently have its representative present. Should there be any material variance between tests by Buyer and by Seller, a joint test will be run and will be controlling, effective from the first day of the calendar month preceding such joint test. The British thermal unit content per cubic foot shall be determined for a cubic foot of gas at a temperature of sixty degrees (60°) Fahrenheit when saturated with water vapor and at an absolute pressure equivalent to thirty inches (30") of mercury at thirty-two degrees (32°) Fahrenheit.

2. Seller agrees that the gas delivered hereunder:

(a) Shall be practically free of water, hydrocarbons in the liquid phase, impurities and other objectionable substances, and Seller agrees to use every reasonable effort to keep the gas entirely free from such liquids and objectionable substances through utilization of drips and conventional mechanical separators installed by Seller adjacent to the wellhead and upstream from the delivery point.

(b) Shall be commercially free from hydrogen sulphide and shall not contain more than one (1) grain of hydrogen sulphide per one hundred (100) cubic feet of gas as determined by quantitative test after the presence of hydrogen sulphide has been indicated by qualitative test, which shall consist of exposing a strip of white filter paper recently moistened with a solution of one hundred (100) grains of lead acetate in one hundred (100) cubic centimeters of water to be exposed to the gas for one and one-half (1-1/2) minutes in an apparatus previously purged, through which the gas is flowing at the rate of approximately five (5) cubic feet per hour, the gas from the jet not impinging upon the test paper, and which qualitative test shall be deemed to be satisfactory, if, after this exposure, the test paper is found not distinctly darker than a second paper freshly moistened with a solution not exposed to the gas.

(c) Shall not contain more than twenty (20) grains of total sulphur per one hundred (100) cubic feet of gas.

(d) Shall not contain in excess of:

- (i) Three per cent (3%) by volume of carbon dioxide;
- (ii) One per cent (1%) by volume of oxygen; or
- (iii) Two-tenths (0.2) gallons per MCF of gas, of those certain liquefiable hydrocarbons commonly referred to as natural gasoline, as determined by absorption methods as prescribed from time to time by the Natural Gasoline Association of America.

3. Except as otherwise specifically provided to the contrary in this Article VIII, all measurements of gas required in determining quality specifications in this Article VIII shall be at a temperature of sixty degrees (60°) Fahrenheit and at an absolute pressure of fourteen and seventy-three hundredths (14.73) pounds per square inch. In addition to meeting the above specifications, the gas delivered hereunder shall be commercially free from dust, gums, gum forming constituents, or other liquid or solid matter which might become separated from the gas in the course of transportation through pipelines.

IX. PRICE

1. Subject to the provisions of Paragraph 2 below, the price to be paid by Buyer to Seller for gas delivered to Buyer hereunder shall be as follows:

16.0¢ per MCF from the date of initial delivery of gas hereunder to September 1, 1963;

21.8¢ per MCF from September 1, 1963, to September 1, 1969;

27.2¢ per MCF from September 1, 1969, and thereafter.

2. Any sales, transactions, occupations, service, production, severance, gathering, transmission, export and excise tax, assessment or fee levied, assessed or fixed by the United States or any State or

other governmental authority and taxes of a similar nature or equivalent in effect (not including income, excess profits, capital stock, franchise or general property taxes) in addition to or greater than those, if any, being levied, assessed or fixed on the date hereof, in respect of or applicable to the gas to be delivered by Seller to Buyer hereunder and which Seller may be liable for during any month either directly or indirectly through any obligation to reimburse others, are hereinafter collectively referred to as an "additional tax". It is expressly understood and agreed between the parties that there shall be added to the prices provided for in this Article IX, so long as the additional tax shall be in effect, an amount per MCF sufficient to reimburse Seller for seven-eighths ( $7/8$ ths) of such additional tax. In the event all or any part of such liability of Seller is not determined or not determinable by the end of any month, then such additional amount per MCF required in respect of such liability not determined or determinable shall be set forth for all such months in the billing for any month in which such amount or amounts are determined.

X. BILLING

1. Buyer shall render to Seller, on or before the tenth (10th) day of each month, a statement showing the volume of gas delivered hereunder by Seller, or for which payment is due hereunder, during the preceding month. Buyer agrees to make payment to Seller on or before the

twenty-fifth (25th) day of each calendar month for all gas delivered or for which payment is due hereunder.

2. Each party shall have the right at reasonable hours to examine the books, records and charts of the other party to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to the provisions of any article hereof. If any such examination reveals any inaccuracy in any billing theretofore made, the necessary adjustment in such billing and payments shall be promptly made, provided that no adjustment for any billing or payment shall be made after the lapse of one (1) year from the rendition thereof.

3. If after commencement of deliveries hereunder Buyer shall fail in any year of the term of this Agreement to take the quantity of gas Buyer is obligated to take under the provisions of Article III of this Agreement, then Buyer shall, within ninety (90) days after the end of such year, send a statement to Seller showing the amount due Seller by reason of such deficient takings and Buyer shall make payment to Seller within fifteen (15) days after delivery of such statement, in the manner set forth in Paragraph 1 of this Article X, at the weighted average price per MCF in effect hereunder during the year in which such deficiency arose, computed on the volumes delivered during the year and at the price applicable to such volumes at the time of delivery thereof. In computing the amount due Seller for any deficiency in takings by Buyer occurring during any year, the following

Quantities shall be deducted from such deficiency:

(a) The total of the quantities of gas which Buyer requests (up to a daily maximum of one hundred fifty per cent (150%) of the Daily Contract Quantity) and which Seller fails to deliver on any day or days during such year.

(b) The total of the quantities of gas which Buyer is unable to take on any day or days during such year by reason of force majeure as defined in Article XI hereof.

(c) The total of any deficiency in Seller's allowable for the wells covered hereby below the Daily Contract Quantity on any day or days during such year. This Sub-paragraph (c) shall not become effective unless the Buyer has nominated for the period in question the contract quantity or a greater amount.

#### XI. FORCE MAJEURE

L. In the event of either party hereto being rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than to make payments due hereunder, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by telegraph to the other party as soon as possible after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch. The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades,

insurrections, riots, epidemics, landslides, lightning, earthquakes, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, the necessity for making repairs to or alterations of machinery or lines of pipe, freezing of wells or lines of pipe, partial or entire failure of wells or sources of supply of gas, and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome; such term shall likewise include (a) in those instances where either party hereto is required to obtain servitudes, right of way grants, permits or licenses to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, right of way grants, permits or licenses, and (b) in those instances where either party hereto is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permissions from any governmental agency to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies, permits and permissions. It is understood and

agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirements that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of opposing party when such course is inadvisable in the discretion of the party having the difficulty.

#### XII. DEFAULT

It is covenanted and agreed that if either party hereto shall fail to perform any of the covenants or obligations imposed upon it under and by virtue of this Agreement, then in such event the other party hereto may, at its option, terminate this Agreement by proceeding as follows: The party not in default shall cause a written notice to be served on the party in default stating specifically the cause for terminating this Agreement and declaring it to be the intention of the party giving the notice to terminate the same; whereupon, the party in default shall have thirty (30) days after the service of the aforesaid notice in which to remedy or remove the cause or causes stated in the notice for terminating the Agreement, and if within said period of thirty (30) days the party in default does so remedy or remove said cause or causes and fully indemnify the party not in default for any and all consequences of such breach, then such notice shall be withdrawn and this Agreement shall continue in full force and effect. In case the party

in default does not so remedy or remove the cause or causes or does not indemnify the party giving the notice for any and all consequences of such breach, within said period of thirty (30) days, then, at the option of the party giving the notice, this Agreement shall become null and void from and after the expiration of said period. Any cancellation of this Agreement pursuant to the provisions of this Article XII shall be without prejudice to the right of Seller to collect any amounts then due Seller for natural gas delivered prior to the time of cancellation and shall be without prejudice to the right of Buyer to receive any gas for which it has paid but has not received, although entitled thereto, prior to the time of cancellation, and without waiver of any remedy to which the party not in default may be entitled for violations of this Agreement.

XIII. TERM

This Agreement shall be effectife from the date hereof and shall continue and remain in full force and effect for a primary term of twenty (20) years (subject to being extended pursuant to the provisions of Article II, 1 (d) hereof), from the date upon which Seller commences the delivery of gas to Buyer hereunder, and shall continue in force and effect thereafter for successive periods of one (1) year each unless or until terminated either by Seller or by Buyer upon twelve (12) months' prior written notice to the other party hereto specifying a termination date at the end of such primary term, or of any yearly period thereafter.

XIV. WARRANTY OF TITLE

Seller hereby warrants the title to all gas delivered by Seller to Buyer hereunder, the right to sell the same and that it is free from all liens and adverse claims, and agrees, if notified thereof by Buyer, to indemnify Buyer against all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of any adverse legal claims of any and all persons to or against said gas. Seller agrees to pay or cause to be paid all taxes and assessments levied on the gas prior to its delivery to Buyer, and to pay or cause to be paid to the parties entitled thereto all royalties, overriding royalties or like charges against said gas or the value thereof. In the event any adverse claim of any character whatsoever is asserted in respect to any of said gas, Buyer may retain the purchase price thereof up to the amount of such claim without interest until such claim has been finally determined, as security for the performance of Seller's obligations with respect to such claim under this Article XIV, or until Seller shall have furnished bond to Buyer, in an amount and with sureties satisfactory to Buyer, conditioned for the protection of Buyer with respect to such claim.

XV. REGULATORY BODIES

This Agreement is subject to all present and future valid orders, rules, and regulations of any regulatory body having jurisdiction.

XVI. ARBITRATION

Any dispute arising between Seller and Buyer out of this Agreement shall be determined by a board of three (3) arbitrators to be selected for each such controversy so arising as follows: Either Seller or Buyer may, at the time such board of arbitration is desired, notify the other of the name of an arbitrator, and such other party shall, within ten (10) days thereafter, select an arbitrator and notify the party desiring arbitration of the name of such arbitrator. If such other party shall fail to name a second arbitrator within ten (10) days, then the party who first served the notice may, on reasonable notice to the other party, apply to the person who is then Senior Judge of the United States District Court for the Federal Judicial District in which such field is located for the appointment of such second arbitrator for and on behalf of the other party, and in such case the arbitrator appointed by the person who is such Judge shall act as if named by the other party. The two (2) arbitrators chosen as above provided for shall, within ten (10) days after the appointment of the second arbitrator, choose the third arbitrator, and in the event of their failure so to do within said ten (10) day period, either of the parties hereto may in like manner, on reasonable notice to the other party, apply to the person who is such Judge for the appointment of a third arbitrator and in such case the arbitrator appointed by the person who is such Judge shall act as the third arbitrator. The board so constituted shall fix a reasonable time

and place for the hearing, at which time each of the parties hereto may submit such evidence as it may see fit. Such board shall determine the matters submitted to it pursuant to the provisions of this Agreement. The action of a majority of the members of such Board shall govern and their decision in writing shall be final and binding on the parties hereto. Each party shall pay the expense of the arbitrator selected by or for it and all other costs of the arbitration shall be equally divided between the parties hereto.

**XVII. ADDRESSES**

Until Buyer is otherwise notified in writing by Seller, the address of Seller is and shall remain as follows:

Yates Petroleum Corporation  
309 Carper Building  
Artesia, New Mexico,

and unless Seller is otherwise notified in writing by Buyer, the address of Buyer is and shall remain:

Transwestern Pipeline Company  
P. O. Box 1502  
Houston 1, Texas.

All notices required to be given in writing hereunder shall be given to the respective parties at such address or such other addresses as the parties respectively shall designate by written notice, and such notice, required to be given in writing, shall not be deemed to have been given until actual receipt thereof by Buyer or Seller at the address herein provided.

XVIII. MISCELLANEOUS

1. No waiver by either party hereto of any one or more defaults by the other in the performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

2. This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, successors and assigns of the respective parties hereto and shall constitute a real right and covenant running with the lands and leasehold estates covered hereby, and shall be binding upon any purchaser of Buyer's transmission system and upon any purchaser of the properties of Seller which are subject to this Agreement. It is agreed, however, that nothing contained in this paragraph shall in any way prevent either party hereto from pledging or mortgaging its rights hereunder for security of its indebtedness.

3. It is agreed that this Agreement may be ratified and adopted by any owner of an interest in any lands or leases subject hereto or any lands or leases with which any lands or leases subject hereto may be pooled or unitized, by execution and delivery to Buyer of a special instrument in writing, ratifying and adopting this Agreement insofar as said owner's interest in any such land, lease, or leases is concerned, whereupon such owner shall become a party Seller to this Agreement with like force and effect and to the same extent as though such owner had executed this Agreement at the time of its execution and delivery, and all of the terms and provisions of this Agreement shall thereupon become

binding upon Buyer and any such other owner. Seller's Gas Reserve and the Daily Contract Quantity, as variously calculated and mentioned herein, contemplate the execution or the ratification and adoption of this Agreement by all parties owning working interests in the lands and/or leases described in Exhibit "A" attached hereto, and, in the event of the failure of all such parties to execute or ratify and adopt this Agreement, Seller's Gas Reserve and such Daily Contract Quantity shall be proportionately reduced to reflect such failure.

4. In the event there are two or more parties Seller to this Agreement, each such party Seller agrees that all parties Seller will appoint one of their number to serve as their representative hereunder for giving and receiving notices and requests, making and witnessing tests, delivering the quantities of gas deliverable, and receiving payments therefor, allocating, prorating and distributing such payments among the various parties Seller, and for doing and receiving all things provided for concerning Seller in this Agreement. Buyer may act, and shall be fully protected in acting, in reliance upon any and all acts and things done or performed by, or agreements with respect to all matters dealt with herein made by such representative in behalf of the parties Seller as fully and effectively as though each had done, performed, made or executed the same. The parties Seller may change their representative and designate one of their number as the new representative from time to time by delivery of written notice of change and designation to Buyer. It is understood and agreed that each party

Seller executing or ratifying this Agreement is selling its gas severally, and not jointly with other Sellers, to Buyer, that the parties Seller are not acting as partners, joint adventurers or otherwise jointly in this transaction and that nothing herein contained or provided for shall operate to, or be construed as creating any such relationship.

IN WITNESS THEREOF, the parties hereto have executed this Agreement in three (3) originals on the day and year first above written.

ATTEST:

/s/ Loraine Stratton  
Asst. Secretary

TRANSWESTERN PIPELINE COMPANY

By /s/ Mills Cox  
President  
BUYER

ATTEST:

/s/ Hugh W. Parry  
Secretary

YATES PETROLEUM CORPORATION

By /s/ S. P. Yates  
President  
SELLER

THE STATE OF TEXAS     )  
                                  )  
COUNTY OF HARRIS     )

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared MILLS COX, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was the act of the said TRANSWESTERN PIPELINE COMPANY, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 20th day  
of December, 1960.

/s/ Shirley Taber  
Notary Public in and for Harris  
County, Texas

THE STATE OF NEW MEXICO     )  
                                  )  
COUNTY OF EDDY     )

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared S. P. Yates, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was the act of the said YATES PETROLEUM CORPORATION, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 6th day  
of December, 1960.

/s/ Jack W. McCaw  
Notary Public in and for Eddy County,  
New Mexico.

EXHIBIT "A"

To be attached to Gas Purchase Agreement, dated the 6th day of December, 1960, between YATES PETROLEUM CORPORATION, referred to as "Seller", and TRANSWESTERN PIPELINE COMPANY, referred to as "Buyer", showing oil and gas leases covered by said Agreement and described as follows:

<u>Lease Name</u>	<u>Description</u>	<u>Gross Acres</u>	<u>YATES Interest</u>	<u>Net Acres</u>	<u>Recordation Data</u>
Yates Petroleum Corporation Len Mayer No. 1	N $\frac{1}{2}$ Sec. 28, T. 18 S., R. 26 E.	320	.307459363	98.39	
Yates Petroleum Corporation Bob Gushwa No. 1	S $\frac{1}{2}$ Sec. 21, T. 18 S., R. 26 E.	320	.46286535	148.12	

**FEDERAL POWER COMMISSION  
WASHINGTON 25**

Docket No. CE-41-147  
Petroleum Corporation (Operator), et al.

Petroleum Corporation  
Garner Building  
New Mexico

100-443881-1000

4-10-68

Your statement, filed pursuant to Section 157.25(c)(1) of the Comptroller's Regulations, is sent in testimony to install and operate the facilities the service proposed in the attached memorandum, dated No. CI-41-493 on 10/10/41.

You are also advised that the printed rate schedule, identified by your routing slip as Section 157.00(c)(2) of the Department and placed at the bottom of this letter, is not effective as the rate of postage required. Please advise the postmaster of the postage required. The Department of U.S. Post Offices for temporary delivery of mail is not accepted by the Department for payment service.

In the event that any of the documents comprising the listed sets schedule contains provisions for future automatic adjustments in rates and charges based upon any or substantial future changes in cost or to obtain future recommendations, proposals, or any similar provisions, the Commission hereby certifies that such provisions shall be deemed to change the information which was furnished to the Commission in such rates and charges within the meaning of Section 4(a) of the Federal Reserve Act, and that the Commission's findings under such Act. The Act and the Commission's findings shall be deemed to be subject to the Commission's jurisdiction and that it may take any action which it may deem appropriate to carry out its functions.

[illegible]

IN future correspondence with the Commission concerning the rate schedule listed above, please refer to the NYC Gas Rate Schedule Designation furnished you herewith, including the name of the rate schedule number and the rate schedule and amendment numbers.

This constitutes all requested temporary authorization to conduct the sale of the 1961-62 season. The submission and acceptance of the year schedule are without prejudice to such final submission of the application of the season's crop and, furthermore, once service is commenced under this authorization it may not be discontinued without permission of the Commission issued pursuant to the provisions of the Federal Oil Act.

Mr. Lewis E. Hoffman  
 Operaton Building  
 111 14th Street, N. W.  
 Washington 5, D. C.

Very truly yours,

## Secretary

Rate Schedule Designation  
Tates Petroleum Corporation (Operator), et al.

<u>Description of Document</u>	<u>Date of Letter of Transmittal</u>
Investigation of the activities of the Communist Party, U.S.A., in the State of New York, 1945-1950	1-15-51

FPC Gas Rate  
Schedule No.

Supplement  
No.

4.



309 CARPER BUILDING  
ARTESIA, NEW MEXICO

S. P. YATES  
PRESIDENT  
HARVEY E. YATES  
VICE PRESIDENT  
MARTIN YATES, III  
VICE PRESIDENT  
JOHN A. YATES  
SECRETARY  
HUGH W. PARRY  
TREASURER

February 15, 1961

Mr. Ben A. Copass, Jr.  
Transwestern Pipeline Company  
Box 1502  
Houston 1, Texas

BEFORE EXAMINER UTZ

OIL CONSERVATION COMMISSION

*Copass* EXHIBIT NO. *5-A*  
CASE NO. *2587*

Dear Ben:

Enclosed please find a copy of our authorization under Docket CI-61-993. Our Yates Petroleum Corporation Len Mayer Well No. 1, located in the North Half of Section 28, Township 18 South, Range 26 East, is completed and we are anxious to have this well tied into your line as soon as possible. We are drilling on the Yates Petroleum Corporation Bob Gushwa Well No. 1, located in the South Half of Section 21, Township 18 South, Range 26 East, at 9010 feet. We hope to have this well completed in the next few days. You have both of these wells under contract No. 350, dated December 6, 1960, both of these wells were included in our application approved February 13, 1961.

Since these two wells are on acreage involving hundreds of town lots and numerous leases of which a number are getting towards the end of their primary term we are anxious to have both wells tied in as soon as possible so that our leases will be validated by production. If there is any other information you need pertaining to these two units please let us know.

Yours very truly,

YATES PETROLEUM CORPORATION

Jack W. McCaw

JWM/dh

SA



309 CARPER BUILDING  
ARTESIA, NEW MEXICO

S. P. YATES  
PRESIDENT  
HARVEY E. YATES  
VICE PRESIDENT  
MARTIN YATES, III  
VICE PRESIDENT  
JOHN A. YATES  
SECRETARY  
HUGH W. PARRY  
TREASURER

February 16, 1961

Mr. Jack Wooten  
Transwestern Pipeline Company  
Box 1502  
Houston 1, Texas

Re: Contract No. 350,  
December 6, 1960

Dear Mr. Wooten:

In reference to our telephone conversation of February 15, 1961, I would like to add that the two locations, North Half of Section 28 and South Half of Section 21, which are included in the above captioned contract consist of around 3600 town lots. We have been since 1956 working on these leases and have numerous dates and types of leases involved in these two units.

Since we are about to run out of time on these leases we petitioned the Oil Conservation Commission for forced pooling on the interest we do not control and have gone ahead drilling the wells hoping to hold these leases by production.

As you can see from the complications regarding this townsite we need to be producing both of these wells as soon as possible. Anything that you can do to expedite getting these wells tied in will be greatly appreciated. If there is anything further that we need to do please let us know.

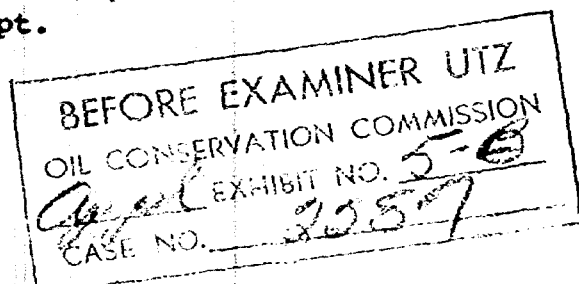
Yours very truly,

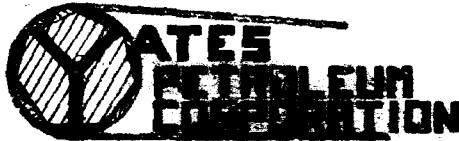
YATES PETROLEUM CORPORATION

Jack W. McCaw,  
Land Dept.

JWM/dh

CC: Ben A. Copass, Jr.  
Mac Krutsinger  
H. Nat Aicklen





308 CARPER BUILDING  
ARTESIA, NEW MEXICO

S. P. YATES  
PRESIDENT  
HARVEY E. YATES  
VICE PRESIDENT  
MARTIN YATES, III  
VICE PRESIDENT  
JOHN A. YATES  
SECRETARY  
HUGH M. YATES  
TREASURER

April 6, 1961

Transwestern Pipeline  
Box 1982  
Houston, Texas

Attention: Jack Wooten

Re: Yates Petroleum Corporation  
Bob Gushwa No. 1  
Section 21, T. 18S, R. 26E.

Dear Mr. Wooten:

We are enclosing copies of the 4-point test  
and all completion forms as sent to the New Mexico Oil  
Conservation Commission.

If there is anything further we need to do  
toward getting this well on production, please let us know.

YATES PETROLEUM CORPORATION

R. W. Landenberger, Jr.  
Geologist

RWL/mc

*Jack - for your files  
Bob*

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	5-2
FILE NO.	2587

52

RECEIVED APR 12 1961

TRANSWESTERN PIPELINE COMPANY

FIRST CITY NATIONAL BANK BUILDING  
HOUSTON, TEXAS

MAIL ADDRESS  
P. O. BOX 1502  
HOUSTON 1, TEXAS

April 8, 1961

Re: Yates Petroleum Corporation  
Bob Gushwa No. 1  
Section 21, T. 18S, R 26E

Mr. R. W. Landenberger, Jr.  
Yates Petroleum Corporation  
309 Carper Building  
Artesia, New Mexico

Dear Mr. Landenberger:

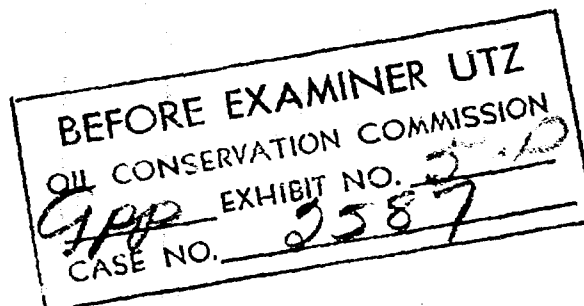
We are in receipt of the 4-point test and completion forms relating to the subject well. This well connection will be worked into our schedule immediately.

The production equipment schedule for your Lynn Meyer well is scheduled to arrive Monday. We do not contemplate any difficulty in completing this connection by April 14.

Yours very truly,

*J. T. Wooten*  
J. T. Wooten  
Chief Engineer

JTW:bab



A. J. LOSEE  
EDWARD B. STEWART

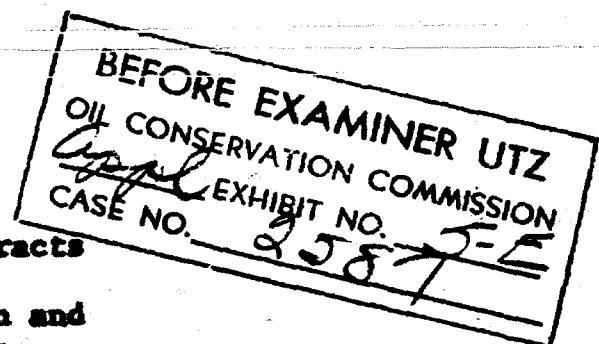
LAW OFFICES  
LOSEE AND STEWART  
CARPER BUILDING - P. O. DRAWER 238  
ARTESIA, NEW MEXICO

30 June 1961

Transwestern Pipeline Company  
Box 1502  
Houston, Texas

Attention: Mr. Ben H. Copas, Jr.  
Manager, Gas Purchase Contracts

Re: Yates Petroleum Corporation and  
Transwestern Pipeline Company  
December 6, 1960 Gas Purchase  
Agreement, Eddy County, New Mexico  
Your Contract No. 350



C  
O  
P  
Y

Gentlemen:

The subject contract covers the Yates Petroleum Corporation  
Len Mayer No. 1 Well and the Bob Gushwa No. 1 Well. You  
initially took gas under this contract from the Len Mayer  
No. 1 Well on April 15, 1961. The Gushwa No. 1 Well has  
been completed for three or four months and is directly off-  
set to the East by the Pan American Flint No. 1 Well. Pan  
American has been producing this Flint No. 1 Well at the rate  
of 6,000,000 MCF of gas per day for at least the past four or  
five months. This Pan American well is draining the reservoir  
underlying the Gushwa No. 1 Well.

Article I, Section 3 of the subject contract provides that  
the buyer will proceed with due diligence to construct the  
facilities necessary to take delivery of gas under the con-  
tract. On April 8, 1961, Mr. J. T. Wooten, your Chief Engineer,  
advised by letter that the well connection to the Gushwa No. 1  
Well would be worked into the schedule immediately. I under-  
stand that this well has not yet been connected to your line.

Article III, Section 5 of the subject contract provides in  
effect that if the quantity of gas taken by buyer under the  
contract is insufficient to enable the seller to protect  
seller's oil and gas leases from drainage by other operators

Transwestern Pipeline Company  
Box 1592  
Houston, Texas

-2-

30 June 1961

producing the same common reservoir, then such amount shall be increased by such additional quantity of gas as is necessary to enable seller to prevent drainage.

Under the circumstances it appears that Transwestern has not complied with the provisions of the subject contract in that it has failed to use due diligence to construct the equipment necessary to take gas from the Gushwa No. 1 Well and also in that the Flint No. 1 Well is draining the reservoir underlying the Gushwa No. 1 Well and Transwestern should be taking a like amount of gas from the Gushwa No. 1 Well.

In addition to the correspondence in the file of Yates Petroleum Corporation on this matter, I am advised that telephone calls from this company to Transwestern in connection with this matter were made on February 10, February 15, February 28, March 24 and May 24. Under these circumstances, we will very much appreciate Transwestern remedying the above matters at the earliest possible date and your advice by return air mail as to when Yates Petroleum Corporation may expect to sell gas from its Gushwa No. 1 Well.

Very truly yours,

A. J. Losee

AJL/bk

cc Yates Petroleum Corporation

RECEIVED JUL 13 1961  
TRANSWESTERN PIPELINE COMPANY

FIRST CITY NATIONAL BANK BUILDING

HOUSTON, TEXAS  
July 11, 1961

MAIL ADDRESS  
P. O. BOX 1502  
HOUSTON 1, TEXAS

Yates Petroleum Corporation  
309 Carper Bldg.  
Artesia, New Mexico

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
<i>Oppel</i> EXHIBIT NO. <u>5-F</u>
CASE NO. <u>2587</u>

Re: Transwestern Pipeline Company  
Contract Number 350

Attention: Jack W. McCaw

Dear Sir:

Attached is a list showing gas producing wells dedicated to Transwestern Pipeline Company by your Company under the terms of the subject contract.

This list has been prepared from all available data in our files and is as accurate as can be determined from this data. However, we have found that in some cases this data has been in error, especially, with regard to the working interest ownership in various wells. You can appreciate the fact that for payment purposes it is essential that these percentages be correct. Therefore, we would like to request that at your convenience you check over the attached list and pencil in any changes which you know should be made, either in percent working interest or other data shown.

After you have made these changes we would appreciate it if you would send the corrected copy to us as soon as possible in order that our records may be corrected.

Yours very truly,

*J. H. Tillery, Jr.*  
J. H. Tillery, Jr.  
Senior Engineer  
Transwestern Gas Reserve Dept.

JHT:bl

att.

5-F

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 28, 1962

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corporation for the assignment of an allowable to its Gushwa Well No. 1, located in the S/2 of Section 21, Township 18 South, Range 26 East, Eddy County, New Mexico, for the commencement of gas prorationing in the Atoka-Pennsylvanian Gas Pool July 1, 1961, to the date of connection of said August 12, 1961. Applicant alleges that said well was unreasonably discriminated against by being denied access to a gas transportation facility during said period.

CASE 2567

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF PROCEEDINGS

MR. UTZ: The hearing will come to order, please. Case 2573.

MR. MORRIS: Application of Yates Petroleum Corporation for the assignment of an allowable to its Gushwa Well No. 1, located in the S/2 of Section 21, Township 18 South, Range 26 East, Eddy County, New Mexico, for the commencement of gas prorationing in the Atoka-Pennsylvanian Gas Pool July 1, 1961, to the date of connection of said well August 12, 1961.

MR. LOSEE: If the Examiner please, A. J. Losee, Losee and Stewart, representing the Applicant, and I have one witness.

(Witness sworn.)



MR. UTZ: Are there other appearances in this case?

You may proceed.

(Whereupon, Applicant's Exhibits 1, 2a, 2b, 2c, 3, 4, 5a, 5b, 5c, 5d, 5e, and 5f marked for identification.)

JACK W. McCALL

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

DIRECT EXAMINATION

BY MR. LOSEE:

Q State your name, please.

A Jack McCall.

Q Where do you live, Mr. McCall?

A Artesia, New Mexico.

MR. UTZ: What's your initials?

A Jack W.

Q (By Mr. Losee) What is your occupation?

A Landman for Yates Petroleum.

Q It is not your intention in this hearing to testify as a petroleum expert, is it?

A No, sir.

Q Please refer to what has been marked Applicant's Exhibit No. 1, and state what that portrays.

A It is a plat of the Atoka-Pennsylvanian Pool with the outline around the South Half of 21 where the Gushwa Well is located.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

ALBUQUERQUE, N. M.  
PHONE 243-6691

Q Does it also show the location of the other wells in the Atoka-Pennsylvanian Gas Pool?

A Yes, it does.

Q Does it show the leases located offsetting the Gushwa No. 1 Proration Unit?

A Yes, sir.

Q This pool is completed in the Pennsylvanian formation?

A That's right.

Q And is a gas pool?

A Yes, sir.

Q Is Yates Petroleum Corporation the operator of the Gushwa No. 1 Well?

A Yes, sir.

Q That well has a proration unit dedicated to it comprising what lands?

A The South Half of Section 21.

Q In Township 18 South, Range 26 East?

A Right.

Q When was the drilling of that well, the Gushwa No. 1, completed?

A In February of 1961. February --

Q 20th?

A 20th, right.

Q That's when drilling stopped on it. When did you complete the testing and the perforating of the well?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1162

ALBUQUERQUE, N. M.  
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A It was completed in March, about March 20th, 1961.

Q It's producing from this Pennsylvanian Pool?

A Yes, sir.

Q Did Yates Petroleum Corporation file the completion papers on this well?

A Yes.

Q Please refer to Exhibits 2-a, b, and c, and state briefly what they are.

A The Miscellaneous Report on the Completion, and the Request for Allowable, C-104, and the Authorization to Transport Natural Gas.

Q Now the Authorization to Transport the gas was approved by the Commission on March the 22nd of 1961?

A Yes, sir,

Q At the time of the completion of this well and the Authorization to Transport Gas, was there a gas transportation facility in the Atoka-Pennsylvanian Field capable of handling gas from this well?

A There was.

Q What company owned that facility?

A Trans Western Pipeline Company..

Q Did Pan American Petroleum Corporation also have a line in that field?

A Yes, they did.

Q Was the South Half of this Section 21 on which the Gushwa

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No. 1 is located, was that under a previous contract to Trans Western Pipeline Company?

A Yes, Contract 350.

Q Please refer to what has been marked Applicant's Exhibit 3 and state what that is.

A This is Yates Petroleum Corporation's contract with Trans Western Pipeline, and it was executed in December of 1960.

Q December the 6th?

A December the 6th.

Q Does that specifically dedicate the Gushwa Well and the acreage proration unit, 320 proration unit?

A Yes, it does.

Q That contract was still in existence on the date of the completion of the well?

A Yes.

Q Did the Federal Power Commission grant Yates Petroleum Corporation authority to sell gas under this contract; and if so, on what date?

A Yes, they did. We were granted our approval February 13, 1961.

Q Is a copy of that approval marked as Applicant's Exhibit No. 4?

A Yes.

Q Did Trans Western Pipeline Company connect this Gushwa No. 1 Well, did they ever connect to it?



A Yes, on August 12, 1961.

Q Are they still connected to the well?

A Yes.

Q Was this Atoka-Pennsylvanian Gas Pool placed on gas prorationing effective July 1st, 1961?

A It was.

Q And the period between July 1 and August 12, 1961, this Gushwa No. 1 well was not connected to the pipeline?

A That's right.

Q Did Yates Petroleum Corporation or you on their behalf make any efforts to have this well connected?

A About the time we completed the well in February, 15th to the 20th of February, we made numerous phone calls.

Q From your notes, do you have the dates of the phone calls you made to Trans Western and the people that you talked to about connecting this well?

A February the 15th we called Mr. Copas in Houston.

Q Do you know what his capacity is with Trans Western?

A Well, he's the top man. I don't know exactly what we call him, but he's the head of the list; and Mr. Wooten, who is their engineer.

Q In Houston?

A In Houston.

Q What was the date -- go ahead, this was on February 15?

A That was February 15. Then we called a fellow named

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Kutzinger.

Q Did you call these people?

A Yes, I did. Then the 24th of March we called Mr. Wooten again. The 24th of May we called Mr. Wooten again.

Q Were all of these calls made by you in an effort to connect this well?

A Yes.

Q Did you have any correspondence with Trans Western, trying to get this well connected?

A February 15th -- we have numerous letters.

Q Let's refer to what's been marked Applicant's Exhibit 5a, which is the copy of a letter dated February 15, 1961, to Mr. Copas. Did you mail that letter to him?

A Yes.

Q And part of that is a request to connect this well?

A Right.

Q Does that show the urgency because of your fee leases that were expiring?

A Yes. We were anxious to get them on production so that we wouldn't have to pay shut-in royalty.

Q Then what's been marked Applicant's Exhibit 5b, a letter dated February 16 to Mr. Wooten, is that also requesting that your well be connected?

A Yes, it is.

Q Then Applicant's Exhibit 5c is a letter dated April 6,

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1961, from your office enclosing four point test forms?

A Right.

Q Was the original of that letter mailed to Trans Western?

A Yes.

Q Applicant's Exhibit 5d is an original letter from Trans Western dated April 8th from Mr. J. T. Wooten. Would you read that letter into the record, please?

A "We are in receipt of the four point test and the completion forms relating to the Bob Gushwa Well. This well connection will be worked into our schedule immediately."

Q That's sufficient. On June 30th is a copy of a letter from our firm to Trans Western; is that letter again requesting a connection for this well?

A Yes, it is.

Q Does it outline the problems that you were undergoing by way of shut-in royalty and drainage?

A Yes, it does.

Q Then refer to Applicant's Exhibit 5f, which is a letter from Trans Western Pipeline with a schedule attached to it. Does this schedule set up and show the date of the completion of the Bob Gushwa Well and the fact that it has not at that date sold any gas?

A Yes, it does.

Q What does it show as the completion date for the well?

A March, 1961.

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Q Does it show any date of first delivery of gas?

A No, sir.

Q Does that schedule also set up Yates Petroleum Corporation's Linemeier Well, and what is the completion date of that?

A It shows the completion date to be March, 1961.

Q What is the date of first delivery of that gas?

A April 15, 1961.

Q On July 1st, 1961, had Yates Petroleum Corporation furnished everything that Trans Western had required to connect this well?

A Yes, we had.

Q Between July 1st of 1961 and August 12th of 1961, were there any wells completed in the Atoka-Pennsylvanian Gas Field that were not then connected to a pipeline?

A Not to my knowledge.

Q This well was completed along the middle of March of 1961 and not connected until August the 12th, is that approximately five months in duration?

A Right.

Q Do you know of any other wells in the Atoka-Pennsylvanian Gas Field that had to wait five months for a connection?

A No, I don't.

Q During all of this correspondence and telephone conversations with Trans Western, did they give you any reason for their delay in connecting this well?



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A Well, no.

Q Does it seem to to you they were just stalling in the connection?

A Yes.

Q In this application, Yates Petroleum Corporation has requested that the Commission find that this Gushwa No. 1 Well, although there was a gas transportation facility in the field capable of handling gas produced from the well, that the well was unreasonably discriminated against; and as a result, assign an allowable to the well for the period from the time the field first went on proration, July 1st, to the first sale of gas, August 12th. In your opinion, is the relief requested in this application necessary to protect the correlative rights of the working interest and royalty interest owners underlying this well?

A I believe it is.

Q Applicant's Exhibit 1 was prepared by you or under your direction, was it not?

A Yes.

Q The other exhibits are either correspondence or copies of contracts in which your employing company was either the recipient of a letter, or the writer, is that correct?

A Right.

MR. LOSEE: Applicant moves for the introduction of its Exhibit 1 through 5. We request that we be permitted to withdraw Exhibit 3, which is the original gas contract with Trans

Western.

MR. UTZ: You have copies of Exhibit 3?

MR. LOSEE: Yes, and substitute a conformed copy for it.

(Whereupon, Applicant's Exhibit 3 was marked for identification.)

MR. UTZ: Without objection, the stated exhibits will be entered into the record of this case.

(Whereupon, Applicant's Exhibits 1 through 5 admitted in evidence.)

MR. LOSEE: That is the Applicant's case.

CROSS EXAMINATION

BY MR. UTZ:

Q I believe you stated that all testing was completed on this well by March the 20th, 1961, is that true?

A We tested later, but our first test was completed at that time.

Q What testing are you referring to, the four point testing?

A Yes.

Q Completion tests?

A Yes.

Q Did you file a copy of this four point test with the Commission?

A I'm sure we did.

Q That test would be submitted to us on or before March 20th?

A Yes.

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Q At that date, was the completion status of this well in such a manner that Trans Western could have hooked on to it and started producing gas?

A Yes, it was.

Q Does Trans Western furnish all connections up to your wellhead?

A They furnish up to the separator.

Q You have a separator on the lease?

A Yes.

Q Ready to be hooked onto?

A I don't believe the separator was up at that time, but it was immediately after we got through testing.

Q At any rate, before July 1st was the separator on your lease?

A Definitely.

Q Ready for Trans Western to connect to?

A Yes.

Q At that time, speaking of July 1st, how near was Trans Western's gathering system to your well?

A About, less than a quarter of a mile.

Q Was it connected to the Olsen Townsite well?

A Yes.

Q Do you know offhand what date they connected to the Olsen well?

A I believe it was the 20th or somewhere around the 20th



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of February.

Q So between the 20th of February, and August the 12th, the length of time it took them to connect the well less than a quarter of a mile to their gathering system?

A Right.

Q Is your well connected to that same gathering system?

A Yes, it is now.

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

MR. MORRIS: Yes.

BY MR. MORRIS:

Q Mr. McCall, you stated that Pan American also has a pipeline in this pool?

A Yes.

Q Are there any other pipelines gathering Pennsylvanian gas in this area?

A None besides Pan American's.

Q Did Yates Petroleum Corporation ever make any overtures toward Pan American with respect to getting hooked up with their pipeline?

A With the contract we have, there was no -- we couldn't.

Q In other words, you had the contract already signed with Trans Western?

A Right.

Q What was the effective date of that contract?

A December 6, 1960, I believe.



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Q So it was signed and in effect before your well was actually completed?

A Yes.

Q This would have precluded you from making any overtures toward Pan American?

A Yes, sir.

Q Does Trans Western Pipeline in this area handle any other gas besides Pennsylvanian gas?

A You mean in the Atoka Pool?

Q Yes.

A No.

Q In this particular area, it's taking only from the Atoka Pool?

A Right.

Q Then it would follow, of course, that it is reasonably capable of handling this type of gas?

A Yes, sir.

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

BY MR. UTZ:

Q Is there any particular topography between the Olsen well and your well which would make the laying of a gathering line impractical or difficult?

A No, sir.

Q It's all sandy hills?

A Well, it's kind of -- it isn't sandy, it's just kind of

gyppy.

Q But no different from any other part of the system?

A No different from any of the rest of it.

MR. UTZ: Any other questions of the witness? The witness may be excused.

(Witness excused.)

MR. UTZ: Are there any other statements in this case? The case will be taken under advisement.

\* \* \* \* \*

STATE OF NEW MEXICO )  
COUNTY OF BERNALILLO ) ss

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 Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and 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.

WITNESS my Hand and Notarial Seal this 3rd day of July, 1962.

*Ada Dearnley*  
NOTARY PUBLIC

My Commission Expires:  
June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2587, heard by me on June 7, 1962.

*Thos. D. Kelly*  
Examiner  
New Mexico Oil Conservation Commission



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NEW MEXICO OIL CONSERVATION COMMISSION

Examiner hearing - Elvis A. Ute

Santa Fe, NEW MEXICO

REGISTER

HEARING DATE June 28, 1962 TIME 9 A.M.

NAME:	REPRESENTING:	LOCATION:
SAUL A. YAGER	SELF	902 CENTRAL BLVD
Ralph L. Gray	Hill & Meeker	WLSA, OKLA
Hal Potts	Walter F. Knott Assoc Inc	Artisan N.D.
Jack A. McCar	Gates Pet Corp	Artisan N.D.
Loose	Loose & Stewart	Artisan N.D.
James Kellahy	Kellahy & Fox	Artisan N.D.
George W. Selinger	Indusa Oil Co	Artisan N.D.
Ronald J. Gaudin	Abelby Oil Co	Artisan N.D.
Charles B. Davis	Shelly	Artisan N.D.
C.R. Black	Texasco Inc	Artisan N.D.
Geo C. Hammaker	16100 Tower	Artisan N.D.
Bill Webb	" "	Artisan N.D.
Harvey Bindage	Chaco Oil	Artisan N.D.
Wm. G. Clark	J. G. Clark & Son	Artisan N.D.
Leah	Santa Fe	Artisan N.D.