

CASE 3174: Application of PAN AM.
for force-pooling, San Juan
County, New Mexico.

CASE NO.
3174

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

PAN AMERICAN PETROLEUM CORPORATION

P. O. Box 480, Farmington, New Mexico
November 8, 1965

File: H-771-400

Subject: Forced Pooling Order R-2848
Sanchez Gas Unit "B" Well No. 1

MAILED
9 65 NOV

File 3171
Ch...

Mr. A. L. Porter, Jr. (2) ✓
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Dear Sir:

In accordance with provisions of the subject order, we are forwarding herewith an attachment reflecting the costs incurred to drill and equip the Sanchez Gas Unit "B" Well No. 1, exclusive of the tank battery.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION

L. O. Speer, Jr.
L. O. Speer, Jr.
Area Superintendent

GLH:ep
Attachment

cc w/attach: Tenneco Oil Co.
201 Wall Building
Midland, Texas

Mr. M. E. Gimp
1919 E. 30th Place
Tulsa, Oklahoma

Mr. Saul Yager
902 Enterprise Bldg.
Tulsa, Oklahoma

Mr. Morris Mizel
4112 East 11th Street
Tulsa, Oklahoma

Mr. Sam Mizel
615 Kennedy Bldg.
Tulsa, Oklahoma

Mrs. Barbara Ann Witten
535 East 86th Street
New York, New York

PAN AMERICAN PETROLEUM CORPORATION
 ROCKY MOUNTAIN DIVISION
 SCHEDULE OF WELL COSTS APPLICABLE TO THE SANCHEZ GAS UNIT "B" NO. 1

INTANGIBLE COSTS

Day Work--Drilling Contract	\$ 1,537.27
Turnkey Contracts	26,500.00
Truck and Service Equipment	2,942.14
Automobile	71.56
Power, Fuel, and Water	38.78
Drilling Mud and Related Material	1,370.02
Bits and Equipment Rental	1,014.72
Well Surveys and Test Services	3,874.67
Acidizing, Shooting and Perforating	7,045.60
Cementing Casing	7,678.03
Geological and Engineering	199.58
Roads, Bridges and Canals	1,533.85
Losses on Retirements, Sales, Transfers and Other Charge-Offs	7.68
Material and Supplies Other	926.56
Other Labor--Company	262.85
Other Labor--Contract	454.76
Other Drilling Costs	16.28
Total Intangible	<u>\$ 55,474.35</u>

TANGIBLE COSTS

WELL EQUIPMENT

Well Head	\$ 1,653.98
Casing	11,343.92
Tubing	4,525.97
Other Noncontrollable Tangible Material	898.28
Valuation Reserve	<u>(1,104.38)</u>
Total Tangible	<u>\$ 17,317.77</u>
Total Well Costs	<u><u>\$ 72,792.12</u></u>

ROUTE TICKET

1 NMOCC, SANTA FE, N.M.

LOCATION _____ FLOOR NO. _____

REMARKS: _____

FROM _____ DATE _____

FORM 8 8-48

_____/_____/_____
DATE

TO: Mr. A. L. Porter, Jr. (2) FLOOR NO. _____

New Mexico Oil Conservation Commission

REMARKS P. O. Box 2088

Santa Fe, New Mexico

FROM _____

PAN AMERICAN PETROLEUM CORPORATION

P. O. Box 480, Farmington, New Mexico
January 6, 1965

File: H-8-400

Subject: Forced Pooling Order R-2848
Sanchez Gas Unit "B" Well No. 1

Mr. A. L. Porter, Jr (2)
New Mexico Oil Conservation Commission
Box 2088
Santa Fe, New Mexico

Dear Sir:

In accordance with the provision of the subject order, we are forwarding herewith two copies to the Commission and one copy to each known working interest owner the estimated well cost. You will note, we have indicated on each of our Form 850 an estimated additional ten thousand dollars for surface lease equipment.

A schedule of actual well cost incurred will be furnished the Commission and each known working interest owner on completion of the well.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION

T. M. Curtis

T. M. Curtis
District Superintendent

JCG:bg
Attachment

cc w/attach: Tenneco Oil Co.
Midland, Texas

Mr. Saul Yager
902 Enterprise Bldg.
Tulsa, Oklahoma

Mr. Sam Mizel
615 Kennedy Bldg.
Tulsa, Oklahoma

Mr. E. E. Gimp
1919 E. 30th Place
Tulsa, Oklahoma

Mr. Morris Mizel
4112 East 11th Street
Tulsa, Oklahoma

Mrs. Barbara Ann Witten
535 East 86th Street
New York, New York

FORM 9 9-49

DATE

TO: Mr. A. L. Porter, Jr. FLOOR NO.

REMARKS NRMOCC

Santa Fe, New Mexico

FROM

Printed in U.S.A.

PAN AMERICAN PETROLEUM CORPORATION

WELL AUTHORIZATION

OPERATOR Pan American Petroleum Corp.

BUDGET ITEM NUMBER

☒ DRILL ☐ RECOMPLETE ☐ REPAIR ☒ DEVELOPMENT WELL ☐ EXPLORATORY WELL
☐ DUAL COMPLETE ☐ CANCEL ☐ SUPPLEMENT NO.

UNIQUE WELL NUMBER

LEASE NO. _____ NAME Sanchez Gas Unit "B" WELL NO. 1 FIELD Basin Dakota
COUNTY San Juan STATE New Mexico AREA Farmington
LOCATION NE/ 4 Section 28, T-29N, R-10W

DEPTH 6400 FORMATION akota SPACING PATTERN - ACRES/WELL 320

OIL OUTLET _____ GAS OUTLET El Paso Natural Gas Company

LOCATION MEETS ☐ STATE REGULATIONS ☒ FIELD RULES ☐ EXCEPTION REQUIRED ESTIMATED ALLOW/CAL DAY 4.4 BOD 435 MCFD ☒ PRORATED ☐ NONPRORATED

PAN AMERICAN'S INTEREST: BEFORE ROYALTY 69.6% (approx.) AFTER ROYALTY _____ OTHER WORKING INTERESTS _____
Tenneco 17.9% (approx.) and Saul Yager, et al 12.5%

LEASE EXP. DATE HBP MUST COMMENCE ☐ OPERATIONS ☐ DRILLING BY _____ 19____

QUARTER TO START _____ QUARTER TO COMPLETE _____ TIME REQ'D TO MEET LAND REQUIREMENTS _____

☐ FEDERAL LEASE OR UNIT

EXECUTIVE ORDER 10925 ☐ IS ☐ IS NOT APPLICABLE

DATA ON OFFSET OR NEARBY WELLS

COMPANY, LEASE, AND WELL _____ Pan American Sullivan Gas Unit "C" No. 1 Pan American Maddox Gas Unit "C" No. 1
PAY, THICKNESS, AND PROD. INTERVAL _____ Dakota 6201 Dakota 6262

	POTENTIAL	LATEST TEST	POTENTIAL	LATEST TEST
DATE	<u>3-30-64</u>		<u>6-2-64</u>	
ALLOWABLE <input type="checkbox"/> BBLs <input checked="" type="checkbox"/> MCF	<u>Prorated on Del. & Acreage</u>		<u>Prorated on Del. & Acreage</u>	
PROD. - OIL - WATER - GAS	<u>294.8 MCFD</u>		<u>455.4 MCFD</u>	
HOURS - CHOKE - GAS/OIL RATIO	<u>3 hrs. 3/4" Ch.</u>	<u>Deliverability</u>	<u>3 hrs. 3/4" Ch.</u>	<u>Not Connected</u>
PRODUCING METHOD AND PRESSURES	<u>Flow</u>	<u>2750 MCFD</u>	<u>Flow</u>	
CUMULATIVE <input checked="" type="checkbox"/> OIL-BBLs <input checked="" type="checkbox"/> GAS-MMCF	<u>To 9-1-64: 851 BC & 44 MMCF</u>			

DRILLING INTANGIBLES

	FEET @ \$	Turnkey	PER FOOT	EST. AMOUNT
DRILLING COST				\$ 26,500
DAY WORK	<u>1 @ \$900, 3 @ \$600</u>			2,700
LOCATION <u>in Turnkey</u> SURVEYS <u>1700</u> MUD <u>in Turnkey</u> STIMULATION <u>9000</u> OTHER <u>6800</u>				17,500
TOTAL DRILLING INTANGIBLES				\$ 47,200

WELL EQUIPMENT - TANGIBLES

	NET-DRY HOLE	NET-PRODUCER	EST. AMOUNT
CASING AND TUBING <u>800' - 8-5/8"; 6400' - 4-1/2" (10.5#); 6400 - 2-3/8"</u>			12,000
WELLHEAD, ETC.			800
TOTAL WELL EQUIPMENT - TANGIBLES			12,800

TOTAL THIS AUTHORIZATION	\$	\$	60,000	65,000
BUDGET ESTIMATE				
PREVIOUSLY AUTHORIZED				
TOTAL PREVIOUSLY AUTHORIZED PLUS THIS SUPPLEMENT				

REMARKS

An additional amount estimated to be \$10,000.00 will be required for surface lease equipment.

<input type="checkbox"/> AUTHORIZED <input type="checkbox"/> RECOMMENDED	DIVISION APPROVALS:		ACTION IN GENERAL OFFICE	
FIELD SUPERINTENDENT _____ DATE _____	PRODUCING _____ GEOLOGICAL _____ LAND _____	ACTION BY DIVISION MANAGER (THROUGH DIVISION COMMITTEE):		
<input type="checkbox"/> AUTHORIZED <input type="checkbox"/> RECOMMENDED <input type="checkbox"/> REJECTED	<input type="checkbox"/> AUTHORIZED <input type="checkbox"/> RECOMMENDED <input type="checkbox"/> REJECTED			
SUPERVISOR IN CHARGE OF DISTRICT _____ DATE _____	DATE _____	FOR PRODUCING DEPT. _____ DATE _____ FOR EXPLORATION DEPT. _____		

EST. ULT. RECOVERY _____ BBLs _____ MMCF _____ MONTHS TO PAY OUT _____ ROI _____ P.I. _____
SEC/PRIM. RATIO _____ SALES DELAY _____ MOS. _____ ESTIMATED SUCCESS _____ %

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

P. O. BOX 871
SANTA FE

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

December 21, 1964

Mr. Guy Beall
Pan American Petroleum Corporation
Post Office Box 1410
Fort Worth, Texas

Re: Case No. 3170
 3171
 3172
 3174✓
Order No. R-2836, R-2837,
Applicant: R-2847 and R-2848
PAN AMERICAN PETROLEUM CORP.

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.
Secretary-Director

ix/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Antec OCC x

OTHER (R-2847 to C.M. Paul Oil Account)

(R-2848 to Jason Kellahan)

Copy of orders entered in Cases 3170
and 3174 sent to interested parties
attached to Pan American's application.

**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. 3174
Order No. R-2848**

**APPLICATION OF PAN AMERICAN PETROLEUM
CORPORATION FOR COMPULSORY POOLING, SAN
JUAN COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on December 15, 1964, at Santa Fe, New Mexico, before Examiner Daniel S. Matter.

NOW, on this 21st day of December, 1964, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Pan American Petroleum Corporation, seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool underlying the N/2 of Section 28, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well in the N/2 of said Section 28 to the Basin-Dakota Gas Pool.

(4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

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CASE No. 3174

Order No. R-2848

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 25% thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that said actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$75.00 per month should be fixed as the reasonable cost of operating the subject well and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production.

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

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CASE No. 3174
Order No. R-2848

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying the N/2 of Section 28, Township 29 North, Range 10 West, NMPN, San Juan County, New Mexico, are hereby pooled to form a 320-acre gas proration unit to be dedicated to applicant's Sanchez Gas Unit "B" Well No. 1, to be located 1650 feet from the North line and 2100 feet from the East line of said Section 28.

(2) That Pan American Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 30 days following the date of this order.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 60 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 90 days following completion of the well, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 90-day period, the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 30 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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CASE No. 3174

Order No. R-2848

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 25% of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$75.00 per month is hereby fixed as the reasonable cost of operating the subject well, and the operator is hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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CASE No. 3174

Order No. R-2848

(13) 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

Jack M. Campbell

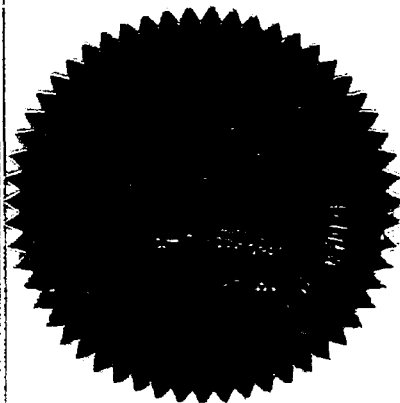
JACK M. CAMPBELL, Chairman

E. S. Walker

E. S. WALKER, Member

A. L. Porter, Jr.

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



esr/

PAN AMERICAN PETROLEUM CORPORATION

P. O. Box 480, Farmington, New Mexico
November 6, 1964

File: N-713-986.510.1 *See 3114*

Subject: Application of Pan American
Petroleum Corporation For a
Compulsory Pooling Order
Basin Dakota Pool
N/2 Section 28, T-29-N, R-10-W
San Juan County, New Mexico

Mr. A. L. Porter, Jr. (3)
New Mexico Oil Conservation Commission
P. O. Box 2038
Santa Fe, New Mexico

Dear Sir:

Pan American Petroleum Corporation hereby makes application for a hearing to consider the compulsory pooling of all mineral interests in the Basin Dakota Pool underlying the N/2 of Section 28, T-29-N, R-10-W, San Juan County, New Mexico. The above unit will be known as the Sanchez Gas Unit "B".

All owners of interest except the owners of a 40-acre tract in this proposed unit have agreed to voluntarily pool their interest. A list of the known owners and their last known addresses is attached.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION

T. M. Curtis
T. M. Curtis
District Superintendent

GWE:en
Attach.

DOCKET MAILED

Date *12-4-64*

SANCHEZ GAS UNIT "B"
N/2 SECTION 28, T29N, R10W

Tenneco Oil Company ✓
P. O. Box 1714
Durango, Colorado

Mr. Saul Yager
902 Enterprise Building
Tulsa, Oklahoma 74103

Mr. Sam Mizel
615 Kennedy Building
Tulsa 3, Oklahoma

Mr. M. E. Gimp
1919 East 30th Place
Tulsa, Oklahoma

Mr. Morris Mizel
4112 East 11th Street
Tulsa, Oklahoma

Mrs. Barbara Ann Witten
535 East 86th Street
New York, New York 10028

DOCKET MAILED

Date 12-4-64

9V

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION)
OF PAN AMERICAN PETROLEUM COR-)
PORATION FOR FORCE-POOLING ALL)
MINERAL INTERESTS IN THE BASIN)
DAKOTA POOL UNDERLYING THE N $\frac{1}{2}$ OF)
SECTION 28, TOWNSHIP 29 NORTH, RANGE)
10 WEST, SAN JUAN COUNTY, NEW MEXICO.)
_____)

No. 3174

ENTRY OF APPEARANCE

The undersigned, Atwood & Malone of Roswell, New Mexico,
a firm of attorneys, all of whose members are duly licensed to
practice law in the State of New Mexico, hereby enters its appearance
as local counsel with Guy Buell, Esquire, of the Texas Bar, for Pan
American Petroleum Corporation in the above entitled cause.

DATED at Roswell, New Mexico, this 9th day of December,
1964.

ATWOOD & MALONE

BY 

Attorneys for Pan American
Petroleum Corporation
Post Office Drawer 700
Roswell, New Mexico

DOCKET: EXAMINER HEARING - TUESDAY - DECEMBER 15, 1964

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM, STATE LAND OFFICE

BUILDING - SANTA FE, NEW MEXICO

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

- CASE 3154: (Continued from the November 24th examiner hearing)
Application of Atlantic Refining Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Culwin Queen Unit Area comprising 820 acres, more or less, of State and Federal lands in Townships 18 and 19 South, Ranges 30 and 31 East, Eddy County, New Mexico.
- CASE 3155: (Continued from the November 24 examiner hearing)
Application of Atlantic Refining Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Shugart Pool in its Culwin Queen Unit Area by the injection of water into the Queen formation through six injection wells in Section 36, Township 18 South, Range 30 East, Section 31, Township 18 South, Range 31 East, Section 1, Township 19 South, Range 30 East, and Section 6, Township 19 South, Range 31 East, Eddy County, New Mexico.
- CASE 3163: Application of Gulf Oil Corporation for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 120-acre non-standard gas proration unit comprising the E/2 SE/4 of Section 28, and the NE/4 NE/4 of Section 33, Township 21 South, Range 37 East, Blinbry Gas Pool, Lea County, New Mexico. Said unit to be dedicated to its J. N. Carson Well No. 6 located in Unit P of said Section 28.
- CASE 3164: Application of Gulf Oil Corporation for a waterflood expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its W. A. Ramsay (NCT-A) waterflood project, South Eunice Pool, to include one additional water injection well to be located approximately 1320 feet from the South and West lines of Section 34, Township 21 South, Range 36 East, Lea County, New Mexico.
- CASE 3165: Application of Sam Boren & Major & Giebel Oils for a non-standard proration unit, Lea County, New Mexico. Applicants, in the above-styled cause, seek approval of a 104.18 acre non-standard oil proration unit comprising all of lots 1 and 2 of Section 1, Township 11 South, Range 33 East, South Lane Pool, Lea County, New Mexico, to be dedicated to a well to be drilled within 150 feet of the center of said lot 1.
- CASE 3166: Application of Tenneco Oil Company for four non-standard proration units, Lea County, New Mexico. Applicant in the above-styled cause, seeks the approval of the following four non-standard oil proration units in the South Lane Pool:
- Unit No. 1, 93.61 acres comprising the E/2 SE/4 and Lot 1 of Section 6, dedicated to applicant's State "E" Well No. 1 located in Unit P of Section 6;
- Unit No. 2, 93.24 acres comprising the W/2 SE/4 and Lot 2 of Section 6, dedicated to applicant's State "E" Well No. 2 located in Unit J of Section 6.

December 15th Examiner Hearing

Unit No. 3, 92.87 acres comprising the E/2 SW/4 and Lot 3 of Section 6, dedicated to applicant's State "F" Well No. 1 located in Unit K of Section 6;

Unit No. 4, 81.76 acres comprising Lots 4, 5, and 6 of Section 6, dedicated to a well to be drilled 100 feet North of the center of Lot 5 of Section 6, all in Township 11 South, Range 34 East, Lea County, New Mexico.

CASE 3167: Application of IMC Drilling Mud, a division of International Minerals and Chemical Corporation for an amendment of Rule 107. Applicant, in the above-styled cause, seeks an amendment to Rule 107 of the Commission Rules and Regulations to provide an administrative procedure whereby oil-base casing packing material could be used in lieu of a portion of the portland cement normally used in cementing oil well casing.

CASE 3168: Application of Jake L. Hamon for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres, Glorieta and Yeso formations through the open hole interval from 5000 feet to 9000 feet in its Fannye M. Holloway Well No. 1 located in Unit B of Section 13, Township 17 South, Range 38 East, South Knowles Devonian Pool, Lea County, New Mexico.

CASE 3169: Application of Pan American Petroleum Corporation for force-pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin Dakota Pool underlying the E/2 of Section 14, Township 29 North, Range 11 West, San Juan County, New Mexico.

CASE 3170: Application of Pan American Petroleum Corporation for force-pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin Dakota Pool underlying the E/2 of Section 8, Township 30 North, Range 13 West, San Juan County, New Mexico.

CASE 3171: Application of Pan American Petroleum Corporation for force-pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin Dakota Pool underlying the S/2 of Section 23, Township 29 North, Range 11 West, San Juan County, New Mexico.

CASE 3172: Application of Pan American Petroleum Corporation for force-pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin Dakota Pool underlying the S/2 of Section 21, Township 29 North, Range 10 West, San Juan County, New Mexico.

CASE 3173: Application of Pan American Petroleum Corporation for force-pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin Dakota Pool underlying the S/2 of Section 31, Township 30 North, Range 12 West, San Juan County, New Mexico.

- CASE 3174: Application of Pan American Petroleum Corporation for force-pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin Dakota Pool underlying the N/2 of Section 28, Township 29 North, Range 10 West, San Juan County, New Mexico.
- CASE 3175: Application of Pan American Petroleum Corporation for an amendment of Order No. R-2424, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Order No. R-2424, Special Pool Rules for Fowler Blinebry Pool to provide a limiting gas-oil ratio for oil wells in said pool of 6000 cubic feet of gas per barrel of oil.
- CASE 3176: Application of Texaco Inc. for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the triple completion (tubingless) of its C. C. Fristoe "b" (NCT-2) Well No. 9, located in Unit C of Section 35, Township 24 South, Range 37 East, Lea County, New Mexico, to produce oil from the Langlie Mattix, Justis Blinebry and North Justis Tubb-Drinkard Pools through 2-7/8 inch casing cemented in a common wellbore.
- CASE 3177: Application of Sinclair Oil & Gas Company for an amendment of Order No. R-1148, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment of Order No. R-1148, which order authorized a 160-acre non-standard Tubb gas pool proration unit comprising the W/2 SW/4, SE/4 SW/4, and SW/4 SE/4 of Section 26, Township 21 South, Range 37 East, Lea County, New Mexico, to be dedicated to its J. R. Cone Well No. 1 located in Unit M of said Section 26. Applicant seeks the rededication of said unit and the allowable accrued thereto to its J. R. Cone Well No. 2 located in Unit L of said Section 26.
- CASE 3178: Application of Shell Oil Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Comanche (San Andres) A Unit Area comprising 16,895 acres, more or less, of Federal, State and Fee lands in Townships 6 and 7 South, Ranges 25 and 26 East, Chaves County, New Mexico.
- CASE 3179: Application of Shell Oil Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Comanche (San Andres) B Unit Area comprising 20,456 acres, more or less, of Federal, State and Fee lands in Township 7 South, Range 26 East, Chaves County, New Mexico.
- CASE 3180: Application of Shell Oil Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Comanche (San Andres) C Unit Area comprising 15,081 acres, more or less, of Federal, State and Fee lands in Townships 7 and 8 South, Range 25 East, Chaves County, New Mexico.
- CASE 3181: Application of Shell Oil Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Comanche (San Andres) D Unit Area comprising 15,925 acres, more or less, of Federal, State and Fee lands in Township 8 South, Ranges 25 and 26 East, Chaves County, New Mexico.

December 15th Examiner Hearing

- CASE 3182: Application of Shell Oil Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Comanche (San Andres) E Unit Area comprising 12,323 acres, more or less, of Federal, State and Fee lands in Townships 8 and 9 South, Range 25 East, Chaves County, New Mexico.
- CASE 3183: Application of Shell Oil Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Comanche (San Andres) F Unit Area comprising 22,049 acres, more or less, of Federal, State and Fee lands in Townships 8 and 9 South, Ranges 25 and 26 East, Chaves County, New Mexico.
- CASE 2660: (Reopened and continued from the November 12, 1964 examiner hearing) In the matter of Case No. 2660 being reopened pursuant to the provisions of Order No. R-2348-A, which continued the original order establishing 80-acre proration units for the Middle Lane-Pennsylvanian Pool, Lea County, New Mexico, for an additional year. All interested parties may appear and show cause why said pool should not be developed on 40-acre proration units. Midwest Oil Corporation also requests that the Middle Lane-Pennsylvanian Pool Rules, in addition to being made permanent, be amended to provide the definition of the vertical limits of said pool and the deletion of the fixed well location requirements as provided by said Order No. R-2348.
- CASE 3184: Application of Benson-Montin-Greer Drilling Corporation for an amendment of Order No. R-2565, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an amendment of Order No. R-2565 to permit the shutting-in of wells for interference tests, to permit the accumulation and transfer of back allowables for said shut-in wells, and to permit a transfer well to produce its own allowable plus a transferred allowable up to 100% of 1 top unit allowable for the Puerto Chiquito-Gallup Oil Pool at anytime during the period of one year after the original assignment of said allowable.

Well Location and Acreage Dedication Plat

Section A.

Operator PAN AMERICAN PETROLEUM CORPORATION SANCHEZ GAS UNIT E
 Well No. 1 Unit Letter G Section 28 Township 29 NORTH Range 10 WEST NMPM
 Located 1650 Feet From the NORTH Line 2100 Feet From the EAST Line
 County SAN JUAN G. L. Elevation REPORT LATER Dedicated Acreage 320 Acres
 Name of Producing Formation DAKOTA Pool BASIN DAKOTA

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below?
 Yes _____ No X _____
2. If the answer to question one is "no", have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes _____ No _____ If answer is "yes" Type of Consolidation _____

3. If the answer to question two is "no", list the owners and their respective interests below.

Owner

Land Description

Section B.

This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

PAN AMERICAN PETROLEUM CORP.
 (Operator)

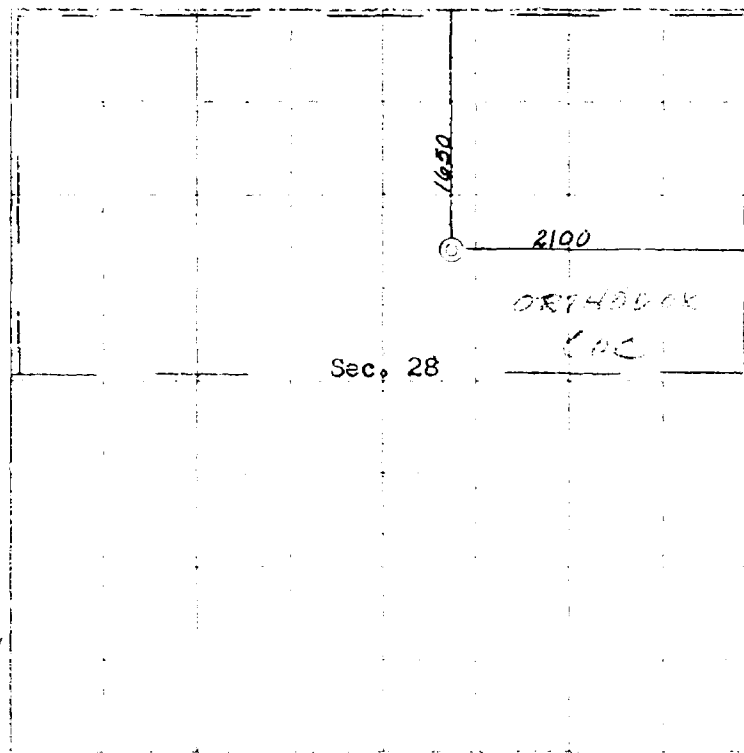
(Representative)

P. O. Box 480
 (Address)

Farmington, New Mexico

Ref: GLO plat dated April 19, 1937

Note: All distances must be from corner boundaries of section.



0 320 640 960 1280 1600 1920 2240 2560 2880 3200 3520 3600 0

Scale in horizontal feet



Farmington, New Mexico

This is to certify that the plat was prepared from field notes and actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

Date Signed: November 4, 1937

James P. Leese
 Registered Professional Engineer and/or Land Surveyor
 James P. Leese, N. Mex. Reg. No. 1463
 San Juan Engineering Company

SAUL A. YAGER
ATTORNEY AT LAW
602 ENTERPRISE BUILDING
TULSA, OKLAHOMA 74103
TELEPHONE: LUTHER 2-8882

Bernie

October 12, 1964

Pan American Petroleum Corporation
P. O. Box 480
Farmington, New Mexico 87401

Attention: Mr. B. F. Pracko

RE: AFE - 40,119
Sanchez Gas Unit "B"
N/2 Sec. 28-29N-10W
San Juan County, New Mexico

Dear Mr. Pracko:

Mr. M. E. Gimp and Mrs. Barbara Ann Witten
have asked me to give you their answer, along with
my own, to your letter of October 1, 1964. We are
not willing at this time to join in the drilling of
the well.

Sincerely,

Saul A. Yager
Saul A. Yager

SAY:jp

ccs: Mr. M. E. Gimp
1919 East 30th Pl.
Tulsa, Oklahoma

Mrs. Barbara Ann Witten
535 East 86th Street
New York, N. Y. 10028

Handwritten notes:
10/12/64
6-4
C-110-7-11

Sam Mizel
Oil Producer
615 Kennedy Building
Tulsa 3, Oklahoma
October 6, 1964

12.1.64
af 40119
37P

Pan American Petroleum Corporation
J. W. Durkee, District Landman
Post Office Box 480
Farmington, New Mexico 87401

ATTENTION: Mr. B. F. Pracko

Dear Mr. Pracko:

At the present time Morris Mizel and myself are
not interested in going along with you on the drilling of
the Dakota well.

Very truly yours,

Sam Mizel
Sam Mizel

SM/llw

cc: Morris Mizel
4112 East 11th Street
Tulsa, Oklahoma

Paula
6
Q. A. H.

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EXAMINER HEARING

APPLICATION OF PAN AMERICAN PETROLEUM CORP-
ORATION FOR FORCE-POOLING, SAN JUAN COUNTY,
NEW MEXICO

Case No. 3170

APPLICATION OF PAN AMERICAN PETROLEUM CORP-
ORATION FOR FORCE-POOLING, SAN JUAN COUNTY,
NEW MEXICO

Case No. 3173

APPLICATION OF PAN AMERICAN PETROLEUM CORP-
ORATION FOR FORCE-POOLING, SAN JUAN COUNTY,
NEW MEXICO

Case No. 3174

BEFORE:

DANIEL S. NUTTER

TRANSCRIPT OF HEARING

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MR. NUTTER: We will call Case Number 3169--application of Pan American Petroleum Corporation for force-pooling, San Juan County, New Mexico.

MR. BUELL: If it please the Examiner, I am Guy Buell for Pan American Petroleum Corporation--we have the next six cases on the docket. Three of these cases--we have been successful in three of the cases since the last hearing to voluntarily pool these units. For that reason I would like to formally move now that Cases Number 3169, 3171 and 3172 be dismissed, in that we have been successful in voluntarily pooling and forming a standard basin.

MR. NUTTER: Do you want to consolidate the other three?

MR. BUELL: I was going to make that motion next.

MR. NUTTER: We will call Cases Number 3170, 3171, 3172, 3173 and 3174. The style of each is "application of Pan American Petroleum Corporation for force-pooling, San Juan County, New Mexico." Counsel moves that Cases Number 3169, 3171 and 3172 be dismissed. These cases are dismissed. Is there an objection to consolidation of Cases Number 3170, 3173 and 3174? Those cases will be consolidated for hearing.

MR. BUELL: Thank you, Mr. Examiner. We have two witnesses--Mr. Eaton and Mr. Galligan.

* * *

GEORGE W. EATON, JR., the witness, having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BUELL:

Q State your complete name, by whom you are employed and in what location and what capacity.

A George W. Eaton, Jr., senior engineer, Pan American Petroleum Corporation, Farmington, New Mexico.

MR. BUELL: I believe we have another appearance in these cases.

MR. NUTTER: Are there other appearances in Cases Number 3170, 3173 and 3174?

MR. KELLAHIN: If the Examiner please, Jason Kellahin. I would like to enter an appearance in Case Number 3174 in behalf of Saul A. Yager, Mrs. Barbara Ann Witten, M. E. Gimp, Sam Mizel and Morris Mizel.

MR. BUELL: Mr. Eaton, you testified at a prior hearing, and your qualifications as a petroleum engineer are a matter of public record?

A Yes, I have testified previously and my qualifications are a matter of record.

Q In order to expedite the conduct of this hearing, Mr. Eaton, I'm going to ask you to refer to what has been identified as Exhibits 1, 2 and 3. What are those exhibits?

A Exhibits 1, 2 and 3 are plats of a portion of the Basin Dakota gas pool in San Juan County, New Mexico, showing the area surrounding each of the units which are the subject of these four pooling applications. It particularly shows that area in Township 30 North, Range 13 West, showing the proposed Farnsworth Gas Unit B. Exhibit 2 shows that area in Township 29 North, Range 10 West, showing the area around Sanchez Gas Unit B, and I would like to correct that to show that to be Exhibit 3.

Q Exhibit 3 is the area of the Sanchez Unit?

A That's correct, and Exhibit 2 is the area showing the Quine Gas Unit in the vicinity of the eastern limits of the town of Farmington, New Mexico, being shown as Section 31, Township 30 North, Range 12 West.

Q On each of these exhibits you have outlined the proposed unit in red, have you not?

A Yes, I have. Also on each of these exhibits the completed Basin Dakota gas pool wells are colored in brown. The acreage for which we have been unable to obtain voluntary joinder in a pool unit is shown in green on Exhibits 1 and 3.

Q Why didn't you designate the unpooled acreage on Exhibit 2 for the Quine unit?

A The unpooled acreage on Exhibit 2 in the Quine unit consists of town lots in the town of Farmington, and they are too small to show on the scale map. Mr. Galligan has a map

which shows that in more detail.

Q Let me ask general questions with regard to each one of these proposed units. Are all of them surrounded by producing Basin Dakota wells?

A In each case the area around the unit is essentially fully developed in the Basin Dakota Gas Pool.

Q Is there any doubt in your mind as to the productivity of this acreage?

A In my opinion every acre of each unit is productive of gas from the Basin Dakota Gas Pool.

Q Since these units are surrounded by a producing basin is development of these units necessary to protect correlative rights?

A Both to protect correlative rights and to prevent waste.

Q Is there any way, in the absence of forced pooling, that these various interests and these proposed units could be protected?

A I suppose in the case of the Farnsworth Gas Unit B and the Sanchez B, an additional well could be drilled on the unpooled acreage. I am not sure an additional well could be drilled in the unpooled acreage in the Quine.

Q You're not sure there is enough room?

A I don't know if there's enough room for a well locat-

ion, with mud pits and so forth.

Q In your opinion, would drilling more than one well in any of these three units be unnecessary?

A It would.

Q In your opinion do you feel that approval of all three well requests by the Commission would prevent waste?

A Yes, sir, by preventing the drilling of an unnecessary well, which would be an economic waste.

Q So not only will the correlative rights of all interested owners be protected, but conservation also would be served?

A That is correct.

Q Would you look now, Mr. Eaton, to what has been identified as Pan American Exhibits 4, 5 and 6.

A Yes. Exhibits 4, 5 and 6 are copies of New Mexico Oil Conservation Commission Form 128, showing acreage to be dedicated to each of the wells to be drilled on these forced pool units, together with the location of the well. Specifically, Exhibit 4 shows the acreage to be dedicated to the Farnsworth B to be the east half of Section 8, Township 30 North, Range 13 West. The well location is shown in the southeast quarter of Section 8. It is an orthodox location and is known to be a drillable drill site. Exhibit 5 is a copy of NEMOCC 128 for the Quine gas unit showing that unit to consist of the south

half of Section 31, Township 30 North, Range 12 West. The location of the well will be in the southeast quarter of Section 31--it is an orthodox location, known to be a drillable drill site.

Exhibit 6 is a copy of Form C 128 for the Sanchez Gas Unit B, showing the Sanchez Gas Unit B to consist of the north half of Section 28, Township 29 North, Range 10 West. The location of the well to which this acreage will be dedicated is the northeast quarter of Section 28. It is an orthodox location for the Basin Dakota Gas Pool and is known to be a drillable drill site.

Q You said there was no doubt in your mind about the wells that will be drilled on each of these three units being productive of gas in the Basin Dakota Pool?

A That is correct.

Q You are not recommending any risk penalty from the standpoint of productivity?

A Yes.

Q Are you recommending any risk penalty?

A We are recommending 25%, to cover the inherent hazards in drilling any well.

Q Do you have any recommendations to the Examiner with regard to the time limit in which Pan American will furnish well costs?

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A Yes. In the past forced pooling orders have been prepared requiring operators to furnish final well costs within thirty days following completion. This simply is not adequate time for our accounting department to accumulate costs. As a consequence, it has always been necessary to furnish a cost statement at the end of thirty days, and then later on a supplemental cost statement. Therefore it is my recommendation that if the Commission sees fit to grant these orders, they be written with a requirement that cost data be furnished within sixty days following well completion.

Q In view of the physical limitations we have been faced with in the past, do you see how granting of an additional thirty days for supplying this information would work to the adverse interest of anyone?

A I can't see how it could, particularly with regard to gas wells--it is normally a period of in excess of sixty days before a well is connected and put on production.

Q Do you have anything else you'd like to add at this time, to the record of this hearing?

A I don't believe I do.

MR. BUELL: I'd like to call as the next witness Mr. Calligan.

MR. NUTTER: I might want to ask some questions. Mr. Eaton, actually an extension of time in which to file

a cost statement simply means that Pan American would be

carrying the cost for an additional thirty days before the people who are included in the unit would have to make their decision as to whether they would pay a lump sum or take it out of production?

A That is essentially correct.

Q Then you would not recommend deviation from past action, where it has been provided that after receipt of the cost statement they have thirty days to make up their minds as to what they want to do?

A No, sir, there is no recommendation to change that. In that regard, as a practical matter it would be satisfactory with Pan American if the operator wanted to pay his share in cash at any time, and avoid this 25% penalty.

Q Now, what is your estimate at this time of the cost of drilling and completing the wells?

A Approximately \$70,000.00 to \$75,000.00, including the installation of surface equipment.

Q For each of the wells?

A Yes.

Q What is your estimate as to the cost of operating the well after the well has been completed?

A The overhead costs, in Pan American's experience in the San Juan Basin area, have been in excess of \$75.00 per month. In addition to that, I estimate the direct operating

cost to be approximately \$50.00 per month per well; making a total of approximately \$125.00 per well per month.

Q This has been Pan American's actual observation in operating Dakota wells in the San Juan Basin?

A Yes, sir.

Q \$75.00 for office expenses and overhead?

A Yes, sir.

Q And the direct costs of well operation are \$50.00 a month?

A That is correct. With regard to overhead costs, of course, within the past year the Pan American has drilled more than 100 wells to the Basin Dakota Gas Pool. With more wells there is a larger denominator by which essentially fixed overhead costs are to be divided, so in the future perhaps there may be some adjustment in overhead rates, but I see no reason to expect that direct costs will decrease in the future.

Q Has Pan American, to your knowledge, been involved in any forced pooling in the San Juan Basin for the Dakota formation, prior to this?

A As an operator who is instigating forced pooling?

Q Either way.

A Yes, we have been, in several Basin Dakota pools where Pan American was the instigator of the forced pooling action. We had one occasion in which we were forced-pooled by another

operator.

MR. BUELL: We were the "force-pooler."

MR. NUTTER: Mr. Eaton, do you have off-hand knowledge as to what well operating costs for the Dakota wells were fixed by the Commission?

A I believe they were fixed at \$75.00 per well per month in each case.

MR. BUELL: That's my recollection too, Mr. Examiner.

WITNESS: I only mention that it is my opinion that that's not enough to cover costs, but in view of the fact that only smaller interests are involved in each case, it's a relatively minor problem.

MR. NUTTER: Do you know what the risk factor was which was fixed by the Commission in those other cases?

A In each case I believe the risk factor was fixed at 125%, saving one in which the risk factor was divided into two parts, totaling 15%, I believe--my memory isn't quite good enough for me to describe just what two parts that risk factor was divided into, but it occurs to me that it was divided into a 10% piece and a 5% piece.

MR. NUTTER: Would Pan American have any objection to the Examiner taking administrative risks from other gas files in this regard?

MR. BUELL: We would recommend that he so do.

MR. NUTTER: I believe that's all I have. Are there any other questions of this witness?

MR. KELLAHIN: In the other cases you referred to, do you know whether or not units that were force pooled were offset on all sides by production or not?

A Mr. Kellahin, it is my recollection that they were essentially offset on all four sides by production. In some cases I am certain they were, and in others I'm not quite sure but what there might have been one side which didn't have a well.

Q In arriving at your operating costs, you said \$75.00 a month. Is that based on company calculation that has been made to determine cost operation of each well in the Basin Dakota Pool?

A Yes, sir.

Q What is included in that figure?

A Operation of our various levels of organization, such as down through and including the principal supervisory personnel of our field operation. The costs attributable to the operation of the well below that level are charged directly to the well and come in as direct costs.

Q That would be the \$50.00?

A Yes.

Q But your \$75.00 figure--you say you are operating in excess of 100 wells in the Basin Dakota?

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A Yes, sir.

Q And so your overhead runs 100 times \$75.00 per month, is that correct?

A That is correct. Now, I want to make it perfectly clear that I'm not talking just about the Farmington overhead; I'm talking about company overhead. The allocated portion for a Basin Dakota well must bear to the entire company overhead.

Q Who made the allocation?

A Our accounting department.

Q Do you have a copy of it here?

A No, sir.

Q That's just the figures they give you--\$75.00 a month?

A That is correct. The more recent operating agreements that have been prepared call for \$95.00 a month combined overhead rate.

Q Plus the \$50.00?

A The \$50.00 varies a little bit from month to month, depending on what actual costs are. The \$95.00 is the fixed overhead rate called for in the operating agreements and accounting procedure.

MR. KELLAHIN: That's all I have.

MR. NUTTER: Are there other questions of Mr. Eaton?
... He may be excused.

(The witness thereupon was excused and withdrew from the stand.)

GERALD G. GALLIGAN, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. BUELL:

Q Mr. Galligan, would you state your complete name, by whom you are employed and in what capacity and what location, please.

A Gerald G. Galligan, senior landman, Pan American Petroleum Corporation, Farmington, New Mexico.

Q In your capacity with Pan American have you been active in attempting to voluntarily form these three units which are the subject matter of this consolidated hearing here today?

A Yes.

Q First let me direct your attention to our Exhibit 1, which relates to the Farnsworth Unit area. Who owns that 40-acre tract that is not at this time voluntarily in our Farnsworth Unit?

A That is owned by the C. M. Paul Oil Account.

Q Have you made contacts with these people in an effort to get them voluntarily into the unit?

A We have.

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Q Rather than go through the various procedures you have been through, since the last letter you have received from them is so definitive, I will ask if you have received from these people a letter dated November 25, 1964?

A That's right.

Q What does that letter say?

A The letter pointed out that due to Mr. Paul's tax situation and a rather involved lease burden which we have not completely analyzed but which is, I think, self-explanatory, that they do not want to join in the drilling of the well at the present time.

Q He pointed out a 30% outstanding royalty and overrides, and a further burden of a 75% oil payment?

A Right. The economics of that I don't understand

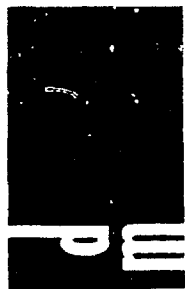
Q Just in the interest of saving time, this letter more or less asks that Pan American do force pooling?

A He says, "The only other alternative I see is for you to force pool us and go ahead and drill your well."

Q We will identify that as Exhibit 7. And that takes care of the only unsigned interest in the Farnsworth B Gas Unit?

A Yes.

Q The next one I want to direct your attention to is the Quine Unit. Do you have a detailed plat with you on that one?



A Yes.

Q Let me have your detailed plan. Do you need to look at this during your testimony, or are you sufficiently familiar with it?

A I think I'm familiar enough with it.

MR. BUELL: Mr. Examiner, this will be Exhibit 8, and is a large scale plat of the area in the vicinity of our Quine Unit, showing in particular detail the small town lots in the town of Farmington. On Exhibit 8, how have you designated these two small town lots that are not now voluntarily in the unit?

A They are outlined in red.

Q Which one of those would you like to discuss first here today?

A The southernmost one, the Keith Davidson tract. That comprises 26/100 of an acre. At the time we initiated the investigation for unleased or other interests other than owned by Pan American, Pan American owned some interest in that unit --we determined that there were about 40 unleased tracts in that south half. I was successful in leasing all except the two outlined in red.

Q Would you briefly detail some of the experiences you had in attempting to commit the Keith Davidson tract.

A Keith Davidson had been gone from Farmington for a

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period of about two years. It was extremely difficult to establish contact with him--in fact, I went through several different sources before I was able to even find an address for him. We made approximately fifteen telephone calls in connection with this search. I finally determined that he was employed by a real estate firm in Albuquerque, but before that I had gone to the--knowing he had been in the insurance business and real estate business in Farmington, I checked through the Insurance Commissioner in Santa Fe and he gave me the information that he had renewed his insurance license in May of 1964, and gave me the name of the insurance company in Denver which he purportedly represented. At that time I had not located him in Albuquerque, and I called the insurance company in Denver and they advised me that they had never heard of him, so we came to a dead end on that. Then later on, he had been active in a church group in Farmington, and I had the church secretary check the old records, and they determined that the last correspondence they had was from Albuquerque, but the address they had wasn't effective then. We started eliminating various possibilities, and I finally determined the company he was working for. He would not accept any telephone calls at his place of employment; however, I learned that he made various regular trips to Gallup, New Mexico, and stayed at the El Rancho Hotel in Gallup; so after a couple false

tries I did get him to answer a telephone call from Gallup, and did discuss the lease with him; told him the price we were offering--

Q In that connection, did you offer him the going price in that area?--The price you offered all the other town owners?

A I offered him the same price which was accepted by all the other owners, approximately forty, who were either Farmington residents or lived on the land, and were thoroughly familiar with the going prices and other offers that had been made.

Q What was this price?

A \$50.00 an acre. The best previous offer I had been able to determine was prior to the time we went in the area-- a local broker had attained a price which was larger. The more easily acquired tracts were at perhaps \$25.00 to \$35.00 an acre. I picked up, as I remember, about four or five, and the rest of them had refused to lease at that price, but they all accepted our price of \$50.00 an acre.

Q And you made this offer to Mr. Davidson?

A Yes.

Q And then what happened?

A He called back to some friend in Farmington to verify the price I had offered, in relation to this other owner. Then the next time I talked to him on the phone he said he

would lease, and at that time I pointed out to him that he had a tax delinquency on this, and that at \$50.00 an acre, 26/100 of an acre, we were offering \$13.00 for the lease.

Q What was the amount of the tax lien?

A \$12.92. It's contrary to company policy to lease a tract that is in jeopardy for delinquent taxes, and I told him at the time that if he would send me a tax receipt indicating that these delinquent taxes had been paid, we would go ahead and pay him the agreed price. That apparently was acceptable to him, and I forwarded lease forms for his signature. I forwarded the lease form shortly before I went on vacation late in July, and was fully expecting them to have been paid off at the time I got back. When I got back, however, I found out that no one had heard from him, so I tried to re-establish contact. At that time we reconsidered the restriction of not taking a lease from him with this tax delinquency unsatisfied, simply for the reason that our lease provides that if a tax delinquency exists we have the right to pay it off and to deduct that from State royalties; and in hopes of avoiding a forced pooling hearing on such a small tract, I sent him a telegram advising him that the requirement that he pay the taxes would be waived; that we would take our own chances on him either paying the taxes at a later date, or that we would pay the taxes and recover it from royalty. Then Western Union

advised me that they were unable to deliver this message at an address in Albuquerque which he had given me, very reluctantly, and only on the promise that I not disclose it to anyone.

Q We won't ask what the address was--we'll let you keep your confidence with Mr. Davidson.

A However, later Western Union advised us that the telegram had been delivered. I waited a few days, and there was no response, and I contacted a friend of his in Farmington who had formerly been associated with him in the real estate and insurance business, and he advised me that he had recently had contact with him and that he had gone to Tucson, Arizona with another branch of the same company he was working for in Albuquerque. I attempted to contact him down there but couldn't get him to answer a telephone call at Tucson. A few days after that I talked to the same friend again, and he said he had seen him since our last conversation and that he had been advised that this man was leaving the States and would be gone from six weeks to two months, and I assumed he went to Old Mexico--I don't know that as a fact, but since he was working in Tucson and he was out of the States, I assumed he went to Old Mexico.

Q Do you feel that you made a sincere, dedicated effort to voluntarily bring Mr. Keith Davidson into our unit?

A I feel that a reasonable effort has been made.

Q I don't think you'll ever get any pay on all those

phone calls.

A It left me with a sense of frustration.

Q Let's go to the other small tract now, which was not voluntarily committed. What tract was that?

A It is shown on the map in the name of Lonnie Haggis.

Q Would you relate some of your experiences in attempting to get Mr. Haggis to voluntarily join the unit.

A Mr. Haggis is a dirt contractor who lives at Gyena, New Mexico, north of Cuba, New Mexico. His father lives in Farmington. I was able to contact him initially at his father's house. We discussed the lease and its provisions and terms, and the price, and he seemed willing, at least at that time, and asked me to prepare the lease forms and he would take them back to his home and have his wife sign them, and he advised me that he would be back in Farmington in a week or ten days and would then deliver the lease personally. Some time went by--I was busy, and not following this from day to day, and a considerable length of time went by and then I called his father and asked if he had returned to Farmington. He said yes, he had, but he had forgotten to bring the lease. So he has a telephone--and I think he has the only telephone in Gyena--and I called him and talked to him, and he said his plans had been changed--he wouldn't be able to come to Farmington within a reasonable time, but he would send the forms

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over by his brother. Again I waited quite a little time and neither Lonnie nor his brother showed up, and I called again and he said that he had sent it to Farmington by his brother but that his brother wound up in Albuquerque. So I said, "Well, if you can get the lease back, mail it to me, and let's cut out the middle man, and I'll mail you a check for the lease." So again a length of time passed, and I called again and the same thing happened...the upshot was that he supposedly tried to get the lease to me on three different occasions and twice it wound up in Albuquerque and once in Gallup, and I never did see the lease. The last time I called him he began to hedge on the price. This was the first indication he had given that he had any objection or was even considering an objection to the price we offered.

Q You had offered him the same price you offered for all the town lots?

A That's right--every person I contacted was made the same offer. Then the last conversation I had with him he said, "Well, I think I should get more money for the lease," so it was too long a discussion to go into over the telephone, and I wrote him a letter indicating that approximately forty people had accepted the same price in this area and that we felt that the situation didn't justify an increase in lease price on this small tract. I advised him that if we didn't hear from him and

he didn't elect to accept the lease offer he had the privilege of joining the unit, committing his interest as a working interest commitment. Because the hearing was approaching, at that time I set a time limit to hear from him on December 8th, and I have had no response either by telephone or by him sending the lease, or by offering any objection to the alternative of forced pooling. I simply have heard nothing more, and I think we can assume that he is refusing the offer.

Q Do you feel you made a diligent effort to do all that was humanly possible to voluntarily commit him to the unit?

A I think so.

Q Let's go to the third unit, the Sanchez unit. Like in our Farnsworth unit, there is a forty-acre tract at this time not committed to our Sanchez unit. I direct your attention to our Exhibit 3. In that forty-acre tract is the northeast quarter quarter of the south half of that section--

A Northwest of the northwest.

Q Northwest of section 23?

A Yes.

Q I believe the owners of interest in this particular tract not voluntarily in the unit are the people Mr. Kellahin stated he represented?

A Right--the Yager group. Let's call it the Yager group, to save time.

Q Did you make an effort to voluntarily get them in the unit?

A Yes, they have been approached with the request that they voluntarily join the unit.

Q Is it your understanding that this Yager group owns several small tracts in the San Juan Basin area and Colorado?

A That is true.

Q Is it your further understanding that, as to each one, they have never voluntarily joined a unit?

A That's right.

MR. BUELL: To expedite this portion of our testimony, Mr. Examiner, let me simply offer letters from each of the people that constitute the Yager group, refusing to join the unit. Do you have a copy of those letters, Mr. Kellahin?

MR. KELLAMIN: No. I'd like to see them. Do you have an extra copy I might look at?

MR. NUTTER: Are these going to be exhibits, Mr. Buell?

MR. BUELL: Yes, sir, those will be Exhibits 9 and 10, Mr. Examiner. Could I have them read to make sure I give Mr. Kellahin a copy?

MR. NUTTER: The Paul Yager letter will be identified as Exhibit 9 in Cases 2470, 2471 and 2472. Mr. Nizer's letter will be Exhibit 10.

MR. BUELL: Do you have anything else you would care to offer at this time, Mr. Galligan?

MR. GALLIGAN: No, nothing further.

MR. BUELL: Mr. Examiner, that concludes the direct testimony, and I would like to formally offer Pan American Exhibits 1 through 10, inclusive.

MR. NUTTER: Pan American Exhibits 1 through 10, inclusive, are admitted into evidence. Are there any questions of Mr. Galligan?

CROSS-EXAMINATION

BY MR. KELLAHIN:

Q The letters introduced from Saul Yager and Sam Mizel which you say refused to go along with the drilling of the well--

A Yes.

Q Did you offer to buy the lease from them?

A In this case, no, because past experience which we have had in other instances where they have been involved in forced pooling hearings--we have attempted to purchase leases from them and they have refused to lease.

Q You didn't make the effort this time?

A I believe not, in this case.

MR. KELLAHIN: Thank you.

REDIRECT EXAMINATION

BY MR. BUELL:

Q Let me ask---Pan American will be happy to take a lease from them, wouldn't they?

A We would be very glad to.

MR. BUELL: Are you offering at this time to lease to Pan American?

MR. KELLAHIN: Certainly not--it's a little late to be offering to buy the lease when you haven't made an offer heretofore.

MR. NUTTER: Mr. Galligan, I note that Pan American's application in Case Number 3173 lists the interested parties as being Mr. Anthony F. Zarlingo, Attorney at Law, Majestic Building, Denver, and Mr. Keith Davidson, Paradise International.

A The Zarlingo interest wasn't discussed here--they have voluntarily agreed to join.

Q At the time of the application they had not?

A Not at that time, but they have agreed to join.

Q Is this address for Keith Davidson a fairly recent address? We sent a copy of this docket to him at that address.

A That's the only one I can give you without violating his confidence, as far as he is concerned. This is his business address--he asked that I not disclose his residence address.

Q Has it been possible for mail mailed to him at his business address to be forwarded?

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A Yes, we sent alternate lease forms at the time he was headquartering in Gallup for two days out of each week; just in case the lease forms missed him at Gallup we sent a duplicate to his address in Albuquerque, and they were not returned.

Q The 3174 application has attached to it a list of interested parties, being the Yager group of five persons and Tennaco Oil Company. What is the status of Tennaco at this time?

MR. EATON: Tennaco voluntarily joined the unit. At the time of the application I believe they had already joined, and they were listed simply to be a complete listing of the known owners.

MR. NUTTER: In Case Number 3170--let me get back to the Quine Unit, Number 3173. That application for the interested parties mentioned Mr. Warlingo, who has since pooled his acreage, and Mr. Davidson; however, no mention was made of the Haggis people.

MR. GALLIGAN: At that time Mr. Haggis had not brought up the question of increased lease. At that time we were assuming that his lease would come in.

MR. NUTTER: So in effect the Commission wasn't notified that he was a party to this pooling lease?

MR. GALLIGAN: That is true.

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MR. NUTTER: And no docket was mailed to him.

MR. GALLIGAN: No, because we only learned of his objection to going ahead with the lease--he had no objection previously, until just a few days before, when we were preparing the exhibits for this hearing.

MR. NUTTER: Mr. Buell, would Pan American have any objection to not taking this case under advisement at this time, and reopening the case at a future hearing, after Mr. Haggis has been notified of the forced pooling?

MR. BUELL: I would recommend that the Commission keep the case open, re-advertise it and send him a copy of the docket, and in the event no one shows up, to just adopt the record of this hearing.

MR. NUTTER: And this record would be incorporated?

MR. BUELL: I would recommend that, sir.

MR. NUTTER: And Case Number 3170 application had attached to it a list of interested parties. The C. M. Paul situation was explained. Southern Union was also listed.

MR. EATON: Southern Union Production has voluntarily joined the Barnworth unit. They were simply listed, again, for a complete address list of the known owners.

MR. NUTTER: If no one has any further questions of Mr. Galligan, he may be excused.

(The witness thereupon withdrew from the stand.)

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MR. KELLANIN: Do you have anything further in these three cases, Mr. Tuell?

MR. RUELL: No, Mr. Examiner, that concludes our presentation.

MR. KELLANIN: May I make a brief statement, if the Examiner please. The application asks for a risk factor of 25%. I feel that the Commission should consider the fact that the Sanchez B Unit is surrounded by production, and the witness has testified that in his opinion there is no risk involved in drilling for a producing well, other than the inherent risks involved in drilling any well; and in that connection, I don't believe the Commission has ever granted in excess of 125%, under any conditions; and I think these factors should be considered by the Commission in assigning a risk factor. In addition, there have been statements made as to the cost of operation. The testimony is based on information supplied by an accountant who is not present, based on information that is not available before this Commission, and we don't feel that it can properly be considered by the Commission as a basis for granting anything in excess of that operating cost which has been approved in other cases heard before this Commission. In other words, to put an operating cost of \$11.25 per month would be far in excess of anything supported by the evidence in this case, in our opinion. The Yager group is the owner

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of the 8/8 mineral interest in the forty acres involved in the forced pooling in Case Number 3174, and in accordance with the statute and rules of the Commission, the forced pooling would affect only the 7/8 interest; but we feel that that should be pointed out.

MR. BUELL: Let me make one statement in response to Mr. Kellanin. It is our opinion that a 25% penalty is not burdensome or exorbitant for inherent risks. With regard to particular overhead as to which you asked Mr. Eaton, he had to tell you they were in excess of \$75.00 per well--that's just a fact that exists.

MR. NUTTER: Is there anything further? If not, we will take Cases Number 3170 and 3174 under advisement, and continue Case Number 3173 to the Examiner hearing at this same place on January 6, 1964, at which it will be reopened.

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

I, ELIZABETH K. KENN, Notary Public and Court Reporter, do certify that the foregoing transcript in Cases Number 3170, 3173 and 3174 was made by me and is a true and accurate record of proceedings to the best of my knowledge, skill and ability.

Witness my hand and seal of office this 29th day of December, 1964.

My commission expires May 21, 1968.

I do hereby certify that the foregoing is a complete record of the proceedings in

the Examiner Hearing in Case No. 3170-3173-3174 heard by me on 12/15, 1964.

[Signature], Examiner
New Mexico Oil Conservation Commission