

EXHIBIT
PAN AMERICAN PETROLEUM CORPORATION
APPLICATION FOR AN UNORTHODOX GAS
WELL LOCATION IN THE RED LAKE
PENNSYLVANIAN GAS POOL FOR ITS
MALCO 'M' NO. 1, 330 FEET FROM
SOUTH AND EAST LINES OF SW/4 NE/4
SEC. 4, T-18-S, R-27-E,
EDDY COUNTY, NEW MEXICO
EXAMINER HEARING CASE NO. 2340 -
JULY 19, 1961

DISCUSSION

Pan American Petroleum Corporation respectfully requests that the New Mexico Oil Conservation Commission approve drilling its Malco "M" No. 1, a Red Lake Pennsylvanian well at an unorthodox gas well location 330' from the south and east lines of the southwest quarter, of the northeast quarter of Section 4, Township 18 South, Range 27 East, Eddy County, New Mexico.

Pan American desires to drill Malco "M" No. 1 as a Red Lake Pennsylvanian (Gas) well. The location is unorthodox for gas development in that it conflicts with Statewide Rule No. 104 (d) (1) which in part states that each well drilled in a defined gas pool shall not be drilled closer than 660 feet to the outer boundary line of the drilling tract which shall consist of a governmental quarter section. Since the proposed location is only 330 feet from the southline of the northeast quarter of Section 4 it is unorthodox for a gas well drilled under this Statewide Rule.

Pan American is now negotiating with various parties in order to communitize the three tracts of land which comprise the east half of Section 4, T-18-S, R-27-E. Upon completion of these negotiations the east half of Section 4 will be assigned to Malco "M" No. 1 and all owners therein will share in Pennsylvanian production from the well. Although these negotiations are presently incomplete, Pan American desires to proceed with drilling of this well as soon as possible.

Attachment I is a plat of the area showing the proposed location, the present limits of the Red Lake Pennsylvanian Field as defined by Commission Order No. R-986 and amended by Order No. R-1340 and Order No. R-1532, and nearby Red Lake Pennsylvanian and Empire Abo Wells.

Attachment II is a list showing ownership in the three tracts comprising the east half of Section 4 as indicated by Pan American's records. This location is desired since the working Interest Owners wish to consider the possibility of dually completing the well as an Empire Abo (Oil) - Red Lake Pennsylvanian (Gas) well after review of logs. The location is considered the most favorable location on Unit G of Section 4, T-18-S, R-27-E for Abo development and is orthodox for Abo development.

Completion of Malco "M" No. 1 as a dual Pennsylvanian (gas)-Abo (oil) well will cost an estimated \$153,000. The estimated cost of a singly completed Abo well is \$69,000 and the estimated cost of a singly completed Pennsylvanian well is \$131,000. Thus, granting of this application will permit savings of \$47,000 as compared to the cost of two single wells located at orthodox locations.

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ATTACHMENT II

Owners of interest in East Half of Section 4, T-18-S, R-27-E, Eddy County, New Mexico, as indicated by Pan American's records:

Tract No. 1: N/2 NE/4 and SW/4 NE/4 Section 4, T-18-S, R-27-E

Working Interest:

Pan American Petroleum Corporation	1/2 of 82 1/2%
Hondo Oil and Gas Company	1/2 of 82 1/2%

ORRI: A total of 5% ORRI is owned as follows:

Hattie D. Mann	22.5/100
F. G. Keyes and wife	
Amy J. Keyes, J. D.	
Atwood whose wife is	
Olga M. Atwood	7.5/100
Harry Thorne and wife, Myrtle	
Thorne; Carl McNally and	
wife, Rosemary McNally; Jaffa	
Miller and wife, Marie H.	
Miller; and Laura G. Ballard,	
a widow	30/100
Hondo Oil & Gas Company	40/100

Tract No. 2: SE/4 NE/4 Section 4, T-18-S, R-27-E

Working Interest:

Pan American Petroleum Corporation	1/2 x 80%
Hondo Oil & Gas Company	1/2 x 80%

ORRI; A total of 7 1/2% ORRI is owned as follows:

Hattie D. Mann	1/8
Carl McNally	1/8
Laura G. Ballard, a widow	5/64
Bert Ballard	3/128
Laura B. Lodewick, whose husband	
is Stanley W. Lodewick	3/128
Harvey E. Yates	1/32
Martin Yates, III	1/32
S. P. Yates	1/32
John A. Yates	1/32
F. G. Keyes	1/16
J. D. Atwood	1/16
Myrtle Irene Thorne, a widow	1/8
Esther Russel, a widow	5/64
Dora Mildred Russel	3/128
Chester Russell	3/128
Jaffa Miller	1/8

Tract No. 3: SW/4 Section 4, T-18-S, R-27-E

Working Interest:

Pan American Petroleum Corporation	1/2 x 80%
R. F. Windfohr	1/4 x 80%
Robert H. Ziegler, Sr.	1/8 x 80%
Anne Valliant Burnett Windfohr Trust	1/8 x 80%

ORRI: A total of 7 1/2% ORRI is owned as follows:

Hattie D. Mann	1/8
Carl McNally	1/8
Laura G. Ballard, a widow	5/64
Bert Ballard	3/128
Laura B. Lodewick, whose husband is Stanley W. Lodewick	3/128
Harvey E. Yates	1/32
Martin Yates, III	1/32
S. P. Yates	1/32
John A. Yates	1/32
F. G. Keyes	1/16
J. D. Atwood	1/16
Myrtle Irene Thorna, a widow	1/8
Esther Russell, a widow	5/64
Dora Mildred Russell	3/128
Chester Russell	3/128
I. F. Roebuck	1/8

All of the above described leases are United States of America Leases and have no pooling provision. The overriding royalty interest owners under said leases, except Hondo Oil & Gas Company who has executed the Communitization Agreement, will ratify the Communitization Agreement so as to commit such overriding royalty interest to the communitized area, insofar as it covers dry gas in the Pennsylvanian Formation in the communitized area.