

J. GREGORY MERRION
PETROLEUM ENGINEER

March 20, 1962

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

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
Appl.	EXHIBIT NO. <u>2</u>
Case	NO. <u>2574</u>

Dear Sir:

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

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

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

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

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

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

Yours very truly,

J. GREGORY MERRION & ASSOCIATES

By:

J. GREGORY MERRION

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

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

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

P. O. BOX 871
SANTA FE

June 15, 1962

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

Re: Case No. 2574
Order No. R-2264
Applicant:
J. Gregory Merrion & Associates

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

ir/

Carbon copy of order also sent to:

Hobbs OCC X

Artesia OCC

Aztec OCC X

OTHER Kay Kimball - Box 1540, Fort Worth, Texas

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2574
Order No. R-2264

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 7, 1962, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 14th day of June, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, J. Gregory Merrion and Associates, seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool in the W/2 of Section 35, Township 25 North, Range 6 West, NMPM, Rio Arriba County, New Mexico.

(3) That although the applicant has been diligent in its efforts to form the proposed proration unit, there remain non-consenting interest owners in the subject proration unit who have not agreed to the pooling of their interests.

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

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

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CASE No. 2574
Order No. R-2264

(6) That the applicant seeks permission to withhold the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of the costs of said well has been recovered, plus 50 percent thereof as a charge for the risk involved in the drilling of the well.

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

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

(9) That any non-consenting working interest owner should be afforded the opportunity to pay his share of well costs within 30 days from the date the schedule of well costs is furnished him by the applicant in lieu of paying his share of costs out of production.

(10) That any non-consenting working interest owner not electing to pay his share of well costs within 30 days from the date said schedule is furnished him should have his share of the well costs withheld from production, plus 25 percent thereof as a reasonable charge for the risk involved in drilling the well.

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

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

IT IS THEREFORE ORDERED:

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

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

(3) That J. Gregory Merrion and Associates is hereby authorized to collect the proceeds from production attributable to each non-consenting working interest until such time as each interest's share of well costs has been recovered, plus 25 percent thereof as a charge for the risk involved in the drilling of the well.

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

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

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

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

(8) That any non-consenting working interest owner shall have the right to pay his share of well costs to J. Gregory Merrion and Associates within 30 days from the date the schedule of well costs is furnished him by J. Gregory Merrion and Associates, in lieu of paying his share of well costs out of production. In the event any such owner elects to pay his share of well costs as provided for in this paragraph, he shall remain liable for operating costs but shall not be liable for risk charges.

(9) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The Commission shall be notified as to the name and address of said escrow agent.

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

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Handwritten signature of Edwin L. Mechem in black ink.

EDWIN L. MECHEM, Chairman

Handwritten signature of E. S. Walker in black ink.

E. S. WALKER, Member

Handwritten signature of A. L. Porter, Jr. in black ink.

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