

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 27, 1962

Mr. Guy Buell
Pan American Petroleum Corporation
Box 1410
Fort Worth, Texas

Re: Case No. 2603
Order No. R-2294
Applicant:

Pan American 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.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC X

Artesia OCC

Aztec OCC X

OTHER Mr. Jason Kellahin

Jm R

REDFERN & HERD, INC.

WILCO BUILDING
MIDLAND, TEXAS

POST OFFICE BOX 1747

TELEPHONE MUTUAL ~~XXXXX~~ 35184

July 23, 1962

IN REPLY REFER TO

FILE: San Juan
10/139 L

AIRMAIL

Re: Case No. 2603

Oil Conservation Commission
Santa Fe, New Mexico

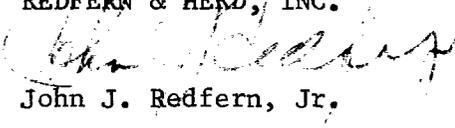
Gentlemen:

We are the holders of sixty (60) acres of the leasehold under the S/2 of Section 30, T-29-N, R-10-W, San Juan County, New Mexico, which interest is subject to the above case, wherein Pan American is requesting a forced pooling order.

We understand that Pan American has an early expiring lease and they have been delayed in working out a voluntary pooling because of a title question on one tract in this proposed unit. We have no objection to being included in this application, however, we wish to advise that we have agreed to join in this unit, subject to satisfactory operating agreement.

Very truly yours,

REDFERN & HERD, INC.


John J. Redfern, Jr.

JJR:lk

ATWOOD & MALONE
LAWYERS

JEFF D. ATWOOD (1883-1960)
ROSS L. MALONE
CHARLES F. MALONE
RUSSELL D. MANN
PAUL A. COOTER
BOB F. TURNER
ROBERT A. JOHNSON

P. O. DRAWER 700
TELEPHONE 505 622-6221
SECURITY NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO

JULY
20th
1962

Oil Conservation Commission
Post Office Box 871
Santa Fe, New Mexico

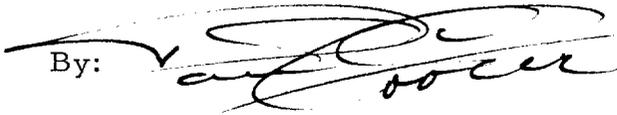
Re: Case No. 2603

Gentlemen:

We enclose our Entry of Appearance in
behalf of Pan American Petroleum Corporation in the
above numbered cause.

Very truly yours,

ATWOOD & MALONE

By: 

P
C

*

v

Encls.

Cc: J. K. Smith, Esquire

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
PAN AMERICAN PETROLEUM CORPORATION
FOR FORCE-POOLING OF ALL MINERAL
INTERESTS IN A GAS PRORATION UNIT
COMPRISING THE S/2 OF SECTION 30,
TOWNSHIP 29 NORTH, RANGE 10 WEST,
N. M. P. M., SAN JUAN COUNTY, NEW MEXICO,
WITHIN THE BASIN-DAKOTA GAS POOL.

NO. 2603

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 in the above styled and numbered cause as co-counsel with Guy Buell, Esquire, of Fort Worth, Texas, for Pan American Petroleum Corporation, Petitioner.

DATED at Roswell, New Mexico, this 20th day of
July, 1962.

ATWOOD & MALONE

By 

Post Office Drawer 700
Roswell, New Mexico

PAN AMERICAN PETROLEUM CORPORATION

P. O. Box 480, Farmington, New Mexico
August 3, 1962

File: N-677-400.1

Subject: NMOCC Order No. 2294
Abrams Gas Unit "E" No. 1
San Juan County, New Mexico

Oil Conservation Commission
State of New Mexico
Capitol Annex Building
Santa Fe, New Mexico

Owners of Interest
Dakota Spacing Unit
S/2 Sec. 30-T29N-R10W
(See Attached Addressee List)

Gentlemen:

In compliance with Paragraph 10 of Order No. R-2294, Case No. 2603, Pan American Petroleum Corporation respectfully submits an itemized schedule of estimated well costs pertaining to the drilling of the Abrams Gas Unit "E" No. 1 at a location in the S/2 of Section 30, T-29-N, R-10-W, San Juan County, New Mexico.

Inasmuch as the above well has not been drilled, these well costs represent estimated expenditures only. At such time as the well is completed and costs are finalized, a supplemental schedule will be furnished each of the addressees, itemizing all expenditures applicable.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION

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

*File no.
Case no.
2603*

CKD:ep
Attachment

ABRAMS GAS UNIT "E" NO. 1
S/2 SECTION 30-T29N-R10W

OWNERS DAKOTA RIGHTS

Skelly Oil Company
P. O. Box 4115
Station A
Albuquerque, New Mexico

Redfern and Herd, Inc.
P. O. Box 1747
Midland, Texas

Mr. R. B. Sullivan
P. O. Box 1178
Durango, Colorado

Mr. John P. Wiedemer
Empire States Drilling Corporation
1020 Simms Building
Albuquerque, New Mexico

Estate of Alfred E. McLane
Mr. Lewis Chandler
Turner, White, Atwood, Meer and Francis
1900 Mercantile Dallas Building
Dallas 1, Texas

Mrs. Dixie McLane
3116 Southwestern
Dallas 1, Texas

PAN AMERICAN PETROLEUM CORPORATION

P. O. Box 480, Farmington, New Mexico
November 26, 1962

File: H-1182-400.1

Subject: NMOCC Order No. 2294
Abrams Gas Unit "E" No. 1
San Juan County, New Mexico

*File
2603*

Oil Conservation Commission
State of New Mexico
Capitol Annex Building
Santa Fe, New Mexico

Owners of Interest
Dakota Spacing Unit
S/2 Sec. 30-T29N-R10W
(See Attached Addressee List)

Gentlemen:

As a supplement to our letter of August 3, 1962, File: N-677-400.1, Pan American Petroleum Corporation respectfully submits an itemized schedule of final well costs pertaining to the drilling of the Abrams Gas Unit "E" Well No. 1 at a location in the S/2 of Section 30, T-29-N, R-10-W, San Juan County, New Mexico.

Drilling Costs

Day Work - Drilling Contract	\$ 4,725.95	
Footage - Turnkey Contract	31,500.50	
Truck and Service Equipment	2,829.21	
Drilling Mud and Related Material	2,315.60	
Bits and Rental Equipment	771.62	
Well Surveys and Test Services	1,922.18	
Acidizing, Shooting and Perforating	5,722.08	
Cement Casing	706.04	
Squeeze Jobs	397.80	
Geological and Engineering	98.18	
Losses on Retirement, Sales, Transfers, and Other Charge-Offs	13.12	
Material and Supplies - Other	1,155.12	
Other Labor - Company	400.34	
Other Labor - Contract	1,151.11	
Other Drilling Costs	<u>236.70</u>	\$53,945.55

Well Equipment

Construction	\$ 220.93	
Well Head	2,261.89	
Casing	9,762.79	
Tubing	5,086.19	
Noncontrollable Tangible Material	575.13	
Valuation Reserve	<u>(1,243.24)</u>	16,663.69

Oil Conservation Commission
Owners of Interest-Dakota Spacing Unit

November 26, 1962
File: H-1182-400.1

<u>Lease Equipment</u>			
Pipe	\$	273.61	
Gate Valve		615.00	
Noncontrollable Tangible Material		346.31	
Valuation Reserve		<u>(319.35)</u>	\$ 915.57
 <u>Overhead Charges</u>			
Administrative	\$	276.56	
District		246.57	
Miscellaneous Charges and Credits		<u>(29.07)</u>	494.06
 <u>Operation</u>			
Well Expense			<u>15.16</u>
Total			<u>\$72,034.03</u>

This well was completed as a Dakota gas well on September 14, 1962. Gas sales have not commenced. When well actually starts producing, further expenditures will be required for various surface equipment.

In compliance with Topic 9 of Order No. 2294, if for any reason proceeds from the production cannot be disbursed in our regular course of business when sales commence, we will at that time advise of the designated escrow agent in San Juan County, New Mexico. A copy of this letter is being furnished each of the addressees on the attached list.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION


T. M. Curtis
District Superintendent

CKD:ep
Attach.

ABRAMS GAS UNIT "E" NO. 1
S/2 SECTION 30-T29N-R10W

OWNERS - DAKOTA RIGHTS

Skelly Oil Company
P. O. Box 4115
Station A
Albuquerque, New Mexico

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Estate of Alfred E. McLane
Mr. Lewis Chandler
Turner, White, Atwood, Meer and Francis
1900 Mercantile Dallas Building
Dallas 1, Texas

Mrs. Dixie McLane
3116 Southwestern
Dallas 1, Texas

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

July 26, 1962

EXAMINER HEARING

IN THE MATTER OF:

Application of Pan American Petroleum Corporation for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in a gas proration unit comprising the S/2 of Section 30, Township 29 North, Range 10 West, Basin-Dakota Gas Pool, San Juan County, New Mexico.

CASE NO.
2603

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 2603.

MR. DURRETT: Application of Pan American Petroleum Corporation for compulsory pooling, San Juan County, New Mexico.

MR. BUELL: For Pan American Petroleum Corporation, Guy Buell. We have one witness, Mr. Rundell.

MR. UTZ: Will you swear the witness, please?

(Witness sworn.)

MR. UTZ: Any other appearances in this case?

MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, appearing for the estate of Alfred E. McClain.

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PHONE 243-6691



MR. UTZ: Other appearances?

You may proceed.

JERRY RUNDELL,

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

DIRECT EXAMINATION

BY MR. BUELL:

Q Mr. Rundell, will you state your complete name, by whom you are employed, in what capacity, and at what location, please?

A My name is Jerry Rundell; I'm employed by Pan American Petroleum Corporation, and I'm located in Farmington, New Mexico.

Q How do you spell your name, please?

A R-u-n-d-e-l-l.

Q And you are employed as a petroleum engineer, are you not?

A Yes, that is correct.

Q You have testified at a prior Commission hearing and your qualifications as a petroleum engineer are a matter of record, are they not?

A Yes, sir, they are.

MR. BUELL: Any questions of his qualifications, Mr. Examiner?

MR. UTZ: No, sir, he's qualified.

(Whereupon Applicant's Exhibit No. 1 marked for identification)

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PHONE 243-6691



Q (by Mr. Buell) Mr. Rundell, will you look at what's been marked as Pan American's Exhibit No. 1 and briefly state for the record what that exhibit reflects, please?

A Exhibit No. 1 is the location map which shows a Township 29 North, Ranges 10-11 West, in San Juan County, New Mexico. In the center of the exhibit, outlined in red, is the South half of Section 30, Township 29 North, Range 10 West. Surrounding this South Half of Section 30, colored in yellow, are the various Basin-Dakota field wells in this area.

Q Mr. Rundell, with respect to the half section in question, the South half of Section 30, is that a standard half section in that it contains exactly 320 acres?

A No, sir, this half section actually contains only 319.80 acres. However, it's so close, in my further testimony I'll refer to it as a standard half section.

Q Now, Mr. Rundell, in the event the Commission approves our application here today to compulsory pool all the mineral interest in this half section, what will Pan American designate as the name of this unit?

A This unit will be known as the Abrams Unit E.

Q How do you spell Abrams?

A A-b-r-a-m-s.

Q All right, sir. It might be well at this time to briefly relate the ownership of the individual tracts that compose this South Half of Section 30. You might start, Mr. Rundell, with the



acreage that Pan American owns and controls.

A Pan American owns the acreage colored in red and orange, and it consists of a total of 135 acres. There are 115 acres colored in red and 20 acres colored in orange. Skelly Oil Company owns 80 acres and it's colored in green on this map. Redfearn - Heard owns 65 acres and it's colored in blue. In the Northwest quarter of the Southwest quarter of Section 30 is uncolored and this particular 40-acre tract is subject to a title dispute at the present time.

Q There are several people, insofar as you know, who are claiming leasehold ownership of that acreage?

A Yes, sir, that is correct.

Q Why have you colored the majority of Pan American's acreage in red and the 20-acre tract in orange?

A The 20-acre tract which is colored in orange is set aside because it expires on August 22, 1962.

Q And since that lease does have an early expiration date, you thought you would distinguish it by a different color from the other Pan American acreage?

A Yes, sir, that is correct.

Q Why, Mr. Rundell, is it necessary for resort of compulsory pooling to form this Basin-Dakota unit that we are requesting?

A Well, first I would like to point out we were aware of our early expiring lease, but what happened was, at the outset

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we thought we would have no difficulty whatsoever in forming a standard unit in this area. As a matter of fact, Skelly and Mr. Redfearn and one of the claimants on this Northwest quarter of the Southwest quarter were all eager to form a unit and drill a well.

Q I see. At the outset all the apparent lease holders were willing and ready and actually wanted to form this unit and get a well drilled to the Dakota?

A Yes, sir, that is correct.

Q Then what happened?

A Then we found out that the Northwest quarter of the Southwest quarter was actually subjected to a title dispute, and we didn't know who owned that lease, so we waited in hopes the dispute would soon be settled, but time finally ran out and we were unable to get Skelly and Redfearn in a voluntary unit.

Q Did Pan American, in other words, delay preparing the operating agreement and the communitization agreement in the hopes that this title dispute would be resolved and one drawing of instruments would suffice for the whole standard unit?

A Yes, sir, that is correct.

Q And time just got away from you?

A Time got away and we were negotiating to do that.

Q Well, with respect to Skelly and Redfearn and Heard, the two working owners of interest in this half section, are they aware of our Hearing here today? Did we advise them of what our plans were in regard to their interest in the South half of Section 30?



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A Yes, sir, both Skelly and Mr. Redfearn are fully aware of our present hearing, and it's my understanding they agree entirely with this course of action that we are taking today.

Q They are completely agreeable in view of the circumstances of our early expiring lease to be force pooled so that we can initiate drilling of our well and protect our lease?

A That is correct.

Q In view of that, Mr. Rundell, in all probability there will be no difficulty at all in arriving at an operating agreement with Skelly and Redfearn and Heard, would you recommend that, if the Commission should approve our request here today, they include a provision in the order such that any owner of interest in this South half of Section 30 who would like to pay his share of well cost in cash could do so without any risk penalty being applied?

A Yes, sir, I recommend that the order provide this, any person who wishes to pay his share of the well cost in cash be allowed to do so within thirty days after they are presented with the well cost and that they will not suffer any risk.

Q While we are speaking of a risk penalty, Mr. Rundell, what is your recommendation to the Commission in that regard?

A I would recommend 25 percent risk factor.

Q Let me ask you this: In view of that recommendation, where does Pan American propose to locate the well that will serve this proration unit?



A This well will be located 1790 feet from the South line and 890 feet from the east line, and it's shown on Exhibit No. 1 as a small circle on the R. A. Abrams lease.

Q Is that in the Northeast quarter of the Southeast quarter?

A Yes, sir, that is correct.

Q All right, sir. In your engineering opinion, Mr. Rundell, what do you think is the chance of this well being non-productive in the Basin-Dakota reservoir.

A Well, as shown on Exhibit No. 1, you can see that the South half of Section 30 is completely surrounded by completed Dakota wells on three sides. It's my opinion that this location has very little risk as far as being non-productive. However, I would say that the risk factor would be for the inherent risk of drilling a well.

Q You are recommending a risk factor primarily based on the inherent risks in drilling, although there is some slight risk that this location would be non-productive?

A That is correct, sir.

Q But you actually anticipate a productive, at least average or better, Dakota well at that location?

A That is right.

Q What is your recommendation to the Commission with regard to monthly operating cost?

A I would recommend the monthly operating cost be set at

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\$75 a month.

Q Do you feel that if the Commission approves our request here today and issues their order compulsory pooling all mineral interest in this South half of Section 30, do you feel that that will prevent waste as well as protect the correlative rights of all the owners of interests in this half section?

A Yes, sir; as a matter of fact, I believe that the issuance of this order would be the only way in which we could absolutely prevent waste and protect correlative rights and at the same time prevent the drilling of unnecessary wells.

Q Do you have anything else that you would like to offer at this time, Mr. Rundell, in the way of direct testimony?

A No, sir, I don't.

MR. BUELL: That's all we have at this time, Mr. Examiner, and I would like to formally offer Pan American's Exhibit No. 1.

MR. UTZ: Without objection, Pan American's Exhibit No. 1 in Case 2603 will be entered in the record.

(Whereupon Applicant's Exhibit No. 1 admitted in evidence.)

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

CROSS EXAMINATION

BY MR. UTZ:

Q The only acreage in question are about -- it's an even 40 acres?

A It's actually 39.85 acres.

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Q You are asking for \$75 operating cost?

A Yes, sir.

Q A hundred and twenty-five percent?

A Yes, sir.

MR. UTZ: Any other questions?

The witness may be excused.

(Witness excused.)

The case will be taken under advisement.

Any statements?

MR. KELLAHIN: If the Commission please, the estate of Alfred E. McClain is one of those who claim in the leasehold interest in the Northwest quarter of the Southwest quarter which is involved here. The estate is willing to, able, has so advised Pan American that they have no objection to the formation of the unit and would like the opportunity before establishing their title to pay their share of the well costs in cash without a penalty provision. They would be willing and ready to join the unit as soon as their title can be established.

MR. UTZ: They don't want any risk factor?

MR. KELLAHIN: That is correct.

MR. UTZ: Any other statements?

MR. DURRETT: Yes, sir, Mr. Examiner. I have a statement in our files from Skelly Oil Company and also a statement from Redfearn and Heard, Incorporated, stating that they have no objection to this application.

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PHONE 243-6691

FARMINGTON, N. M.
PHONE 325-1182

MR. UTZ: Skelly and Redfearn and Heard?

MR. DURRETT: Yes.

MR. UTZ: Any other statements?

The case will be taken under advisement.

* * * *



