

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 9, 1962

Mr. Jason Kellahin
Kellahin & Fox
Box 1713
Santa Fe, New Mexico

Re: Case No. 2504
Order No. R-2259-A
Applicant:
Consolidated Oil & Gas, Inc.

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. W. A. Keleher

GOVERNOR
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SECRETARY - DIRECTOR

P. O. BOX 871
SANTA FE

June 7, 1962

Mr. Jason Kellahin
Kellahin & Fox
Box 1713
Santa Fe, New Mexico

Re: Case No. 2504
Order No. R-2259
Applicant:

CONSOLIDATED OIL & GAS CO.

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 Printed copies of order will be sent to all interested parties.

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission



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

1000 RIO BRAZOS ROAD
AZTEC

May 3, 1962

Mr. A. L. Porter
Oil Conservation Commission
Santa Fe, New Mexico

Re: Case No. 2504

Dear Mr. Porter:

The attached is a copy of an exhibit Elvis presented relative to minimum allowables in subject case.

I have extrapolated Elvis' figures toward payout. The "Finds" cannot show "payment" as a reason for minimum allowables. They are only the "Economic facts of life" as Bill Russell said in his project allowable case earlier.

I do not have the basic figures that Elvis used; therefore, I cannot make similar calculations using the proposed 60%-40% formula. Such minimums ~~are~~ ^{be} not needed under the proposed formula.

Yours very truly

A. R. Kendrick
Engineer, District #3

ARK:ks

Attachment

didn't know our law-guaranteed a payout. Only President's aban-
donment & Waste.

EXAMPLE OF INCOME FOR VARIOUS MINIMUM ALLOWABLES
BASIN-DAKOTA GAS POOL

	<u>2000</u> <u>Minimum</u>	<u>2500</u> <u>Minimum</u>	<u>3000</u> <u>Minimum</u>	<u>8000</u> <u>Minimum</u>
Gas @ .13 MCF	\$260.00	\$325.00	\$390.00	1040.00
Less Royalty @ .125	32.50	40.62	48.75	130.00
Less Well Operating cost	100.00	100.00	100.00	100.00
Gross Monthly Income	\$127.50	\$182.38	\$241.25	\$810.00
Average Well Cost	\$90,000.00	\$90,000.00	\$90,000.00	\$90,000.00
Rayout - using the minimum allowable as average allowables				
Months	705.9	493.5	373.1	111.1
Years	58.8	41.1	31.1	9.3

The Ohio Oil Co.

1962 APR 1 11 31

Legal Department

W. Hume Everett
Division Attorney

April 23, 1962

Casper, Wyoming
P. O. Box 120

Mr. A. L. Porter, Jr.,
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

In re: Case No. 2504

Dear Mr. Porter:

Prior to the time I left Santa Fe I handed the reporter in the above case Ohio's Exhibits "A" and "B", with the request that she furnish me photostatic copies thereof.

Pursuant to the courtesy extended to me I withdrew from the reporter Ohio's Exhibits "C," "D," "E," and "F," the originals of which are enclosed herewith, and described as follows:

Exhibit "C" -- 1960 Annual Report of Consolidated Oil & Gas, Inc.

Exhibit "D" -- 1961 Annual Report of Consolidated Oil & Gas, Inc.

Exhibit "E" -- Letter of transmittal to shareholders of Consolidated Oil & Gas, Inc. dated January 18, 1962.

Exhibit "F" -- Notice of Special Meeting of Stockholders of Consolidated Oil & Gas, Inc., dated January 19, 1962.

Again let me thank you personally, and through you the other Commissioners and the members of your staff for the many courtesies extended

Mr. A. L. Porter, Jr.

April 23, 1962
Page 2.

to all of us, particularly for the extra time spent permitting the completion of the hearing on this case during the one trip.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Hume Everett". The signature is written in dark ink and is positioned to the right of the typed name "Hume Everett".

WHE:jp
Enc.

Via Certified Mail,
Return Receipt Requested

La fonda

the inn at the end of the trail

April 20, 1962

Due to the length of this hearing, this is a statement from Carl W. Smith, General Superintendent, authorized to speak for Southwest Production Company. Southwest Production Company began its operations in what is now the Basin Dakota Gas Pool in the fall of 1959, and now operates some 70 Dakota wells, approximately 12 of which were drilled in 1962 and approximately 35 drilled in 1961. Southwest is the sole working interest owner in these wells, except where it was necessary to communitize or pool tracts owned by the leaseholders within the drilling unit.

Southwest did the major part of the development under the present proration rules, and has found them fair and workable, allowing us to produce our share of recoverable reserves.

If our sand development is so poor that we cannot drain the gas under our acreage, we do not feel that an offset operator with better sand can drain our gas from the same poor sand and that no violation of correlative rights occurs. Therefore we feel that the present formula giving much value to deliverability is equitable, and that no change in the formula should be made at this time.



CARL W. SMITH
General Superintendent
Southwest Production Co.

VERITY, BURR & COOLEY
ATTORNEYS AND COUNSELORS AT LAW
SUITE 152 PETROLEUM CENTER BUILDING
FARMINGTON, NEW MEXICO

APR 16 1962
GEO. L. VERITY
JOEL B. BURR, JR.
WM. J. COOLEY

NORMAN S. THAYER
RAY B. JONES

April 16, 1962

TELEPHONE 325-1702

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

Re: Case No. 2504, Application of
Consolidated Oil & Gas, Inc. for
an amendment of Order R-1670-C

Gentlemen:

Please enter our appearance in the captioned matter on behalf of Aztec Oil & Gas Company. Mr. Kenneth A. Swanson, of the Dallas Bar, will appear in this case and we will appreciate your allowing his appearance at the Commission in our absence.

Very truly yours,

VERITY, BURR & COOLEY

By 

Geo. L. Verity

GLV/dh

cc: Mr. Kenneth A. Swanson

ATWOOD & MALONE

LAWYERS

1962 APR 13 11 23

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

P. O. DRAWER 700
TELEPHONE MAIN 2-6221
ROSWELL PETROLEUM BUILDING
ROSWELL, NEW MEXICO

April 12, 1962

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

Re: Docket of April 18, 1962,
Cases No. 2504, 2049 and 1641

Gentlemen:

As local counsel for Pan American Petroleum Corporation, we enclose herewith our Entry of Appearance with Guy Buell of the Texas Bar, in the cases referred to above.

Very truly yours,

Ross L. Malone
for ATWOOD & MALONE

RLM:ps

encl.

cc: J. K. Smith, Esquire
Pan American Petroleum Corp.
Oil and Gas Building
Fort Worth, Texas

THE BRITISH-AMERICAN OIL PRODUCING COMPANY

Pom

DENVER CLUB BUILDING

DENVER 1, COLORADO

Coffey

PRODUCTION & ENGINEERING DEPT.

ADDRESS ALL CORRESPONDENCE TO
POST OFFICE BOX 180

April 12, 1962

New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Re: Case 2504 - Docket 12-62
Regular Hearing - April 18, 1962

Gentlemen:

The British-American Oil Producing Company will be unable to have a representative present during the hearing of Case 2504. Since our company operates wells in the Basin-Dakota Gas Pool, San Juan County, New Mexico, we wish to reiterate our position in this case. Our company's position to all concerned is herewith quoted from our telegram of March 13, 1962, sent to the New Mexico Oil Conservation Commission on subject case which was to have been heard on March 14, 1962.

"As one of the many operators active in the Basin-Dakota Gas Pool, The British-American Oil Producing Company recognizes that under the present proration formula, the continuously decreasing well deliverability, coupled with the current limited gas market, results in well allowables that might be construed as inequitable. The fixing of a minimum and maximum allowable has some merit. British-American, however, does not feel that a change to a predominantly acreage proration formula or the instigation of a minimum or maximum allowable is justified for the following reasons:

1. Gas purchase contracts and pool development to date have been motivated by well deliverability, thus penalties should not now be inflicted by changing to a predominantly acreage proration formula.
2. Predominance of well deliverability in the proration formula is necessary to provide incentive and reward for employment of best well completion methods.
3. Any consideration in proration for minimum and maximum well allowables could conceivably encourage pool development on an unsound and an uneconomical basis, resulting in the drilling of unnecessary wells.

It is therefore urged that the Commission retain the current gas proration formula. In the alternative, should a change in the proration formula be dictated, deliverability should continue to be the predominant factor. No maximum or minimum allowable limitation is recommended."

Respectively yours,

THE BRITISH-AMERICAN OIL PRODUCING COMPANY

Thomas M. Hogan
Thomas M. Hogan
District Superintendent

BRUCE ANDERSON
OIL AND GAS PROPERTIES
SUITE 930
THE PETROLEUM CLUB BUILDING
DENVER 2, COLORADO

Case 2504
PJM

April
9
1962

Oil Conservation Commission
Santa Fe
New Mexico

Dear Sirs:

As of this date, we are commencing the drilling of a well in the Basin gas pool of San Juan County, New Mexico, in Section 29-31N-13W.

We have locations for approximately five wells in this immediate area, but, under the present proration formula, we will only be able to drill one well which is drilled primarily to hold our lease. Both the Beard Oil Company, of Oklahoma City, who is joining with me in this well and myself feel that the present formula gives far too much credit to initial deliverability. In a fractured reservoir such as the Dakota, it allows certain wells and areas to unfairly drain the reserves of their neighbors.

While our wells are shut-in because of the formula, the gas from our lease migrates to other leases where they may have a better frac pattern but no better reserves to be giving them higher allowables.

Both the Beard Oil Company and myself join in earnestly requesting that you change the formula whereby it is based 75% on land and only 25% on deliverability. This would seem infinitely more fair to us. We make this statement before we have completed our first well, and, if we are one of the lucky ones who happen to get a frac pattern that would give us high deliverability, I would still stand by my statement that the present formula is definitely inequitable. Should you change the present formula, I am quite sure that we would go ahead with the drilling of our lease since the economics of our payout would then be present.

Sincerely yours,


BRUCE ANDERSON

BA-sam

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

Case
2504
fm

March 21, 1962

C
O
P
Y

Mr. A. M. Wiederkehr, Vice-President
Exploration & Gas Supply
Southern Union Gas Company
Fidelity Union Tower
Dallas 1, Texas

Dear Mr. Wiederkehr:

Although it is possible that Consolidated Oil & Gas Company's application may not be heard until the morning of April 19th, it was definitely continued to April 18th, and if the other cases on the docket are disposed of in time, a portion of the testimony in the Consolidated case will be heard on the 18th.

At the time the Commission decided to continue the case, we considered continuing it to the 19th, but due to the tight schedule of the governor and Land Commissioner we decided that a portion of the case should be heard on the 18th if at all possible.

As you probably know, the Angels Peak and Devils Fork cases are scheduled for the same day.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

cc: Mr. Jason Kellahin
P. O. Box 1713
Santa Fe, New Mexico

SOUTHERN UNION GAS COMPANY

FIDELITY UNION TOWER

DALLAS 1, TEXAS

March 19, 1962

RECEIVED OFFICE 000
A. M. WIEDERKEHR
VICE-PRESIDENT
EXPLORATION & GAS SUPPLY

PM 1 34

Mr. A. L. Porter
New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Dear Mr. Porter:

It is my understanding that Consolidated Oil & Gas Company's application to change the Dakota proration rules has been re-scheduled for April 18th at the regular state wide hearing.

Southern Union Gas Company and Southern Union Production Company are materially interested in this case, but will have some difficulty being represented on the 18th due to the fact that we are having our annual stockholder's meeting on that date. It would be very much appreciated if this hearing could be set for the following day in order to allow us to be totally represented.

Your consideration to the above request will be appreciated.

Yours very truly,

SOUTHERN UNION GAS COMPANY



AMW:t

cc: Mr. Jason W. Kellahin
54½ E. San Francisco
Santa Fe, New Mexico

La fonda

the inn at the end of the trail

3-14-62

W.M. Oil Conserv. Comm.

Santa Fe. N.M.

Re Basin Dakota Hearing

Gentlemen:

As an operator in the Basin Dakota Pool
we wish to be recorded as opposing a
change in the proration formula at this
time.

Redfern & Herd, Inc

John J. Redfern Jr.

CLASS OF SERVICE
This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION

TELEGRAM

SYMBOLS
DL = Day Letter
NL = Night Letter
IN = Internal Letter Telegram

MAIN OFFICE OCC

W. P. MARSHALL, PRESIDENT

1220 R-4.00

1962 MAR 13 PM

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1962 MAR 13 PM 1:55

XL DVA201 RX LONG PD=K DENVER COLO 13 118 P MST=
NEW MEXICO OIL CONSERVATION COMMISSION=
STATE LAND OFFICE BLDG SANTAFE NMEX=

Asm
Che
2504

RE: CONSERVATION COMMISSION HEARING, MARCH 14, 1962,
DOCKET 8-62, CASE 2504, PROPOSED CHANGE OF PRORATION
FORMULA, BASIN-DAKOTA GAS POOL, SAN JUAN, RIO ARRIBA
AND SANDOVAL COUNTIES, NEW MEXICO.

AS ONE OF THE MANY OPERATORS ACTIVE IN THE
BASIN-DAKOTA GAS POOL, THE BRITISH-AMERICAN OIL PRODUCING
COMPANY RECOGNIZES THAT UNDER THE PRESENT PRORATION
FORMULA, THE CONTINUOUSLY DECREASING WELL DELIVERABILITY
COUPLED WITH THE CURRENT LIMITED GAS MARKET RESULTS IN
WELL ALLOWABLES THAT MIGHT BE CONSTRUED AS INEQUITABLE.
THE FIXING OF A MINIMUM AND MAXIMUM ALLOWABLE HAS SOME
MERIT. BRITISH-AMERICAN HOWEVER DOES NOT FEEL THAT A
CHANGE TO A PREDOMINANTLY ACREAGE PRORATION FORMULA OR
THE INSTIGATION OF A MINIMUM OR MAXIMUM ALLOWABLE IS
JUSTIFIED FOR THE FOLLOWING REASONS:

1. GAS PURCHASE CONTRACTS AND POOL DEVELOPMENT TO
DATE HAVE BEEN MOTIVATED BY WELL DELIVERABILITY, THUS
PENALTIES SHOULD NOT NOW BE INFLICTED BY CHANGING TO A
PREDOMINANTLY ACREAGE PRORATION FORMULA.
2. PREDOMINANCE OF WELL DELIVERABILITY IN THE
PRORATION FORMULA IS NECESSARY TO PROVIDE INCENTIVE AND
REWARD FOR EMPLOYMENT OF BEST WELL COMPLETION METHODS.

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WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1220
R-4-60

SYMBOLS

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3. ANY CONSIDERATION IN PRORATION FOR MINIMUM AND MAXIMUM WELL ALLOWABLES COULD CONCEIVABLY ENCOURAGE POOL DEVELOPMENT ON AN UNSOUND AND AN UNECONOMICAL BASIS, RESULTING IN THE DRILLING OF NECESSARY WELLS.

IT IS THEREFORE URGED THAT THE COMMISSION RETAIN THE CURRENT GAS PRORATION FORMULA. IN THE ALTERNATIVE, SHOULD A CHANGE IN THE PRORATION FORMULA BE DICTATED, DELIVERABILITY SHOULD CONTINUE TO BE THE PREDOMINANT FACTOR. NO MAXIMUM OR MINIMUM ALLOWANCE LIMITATION IS RECOMMENDED=

THOMAS M HOGAN DISTRICT SUPERINTENDENT
THE BRITISH-AMERICAN OIL PRODUCING CO=

1962 MAR 13 PM 1:55
MAIN OFFICE OCC

CLASS OF SERVICE
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WESTERN UNION TELEGRAM

SYMBOLS
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W. P. MARSHALL, PRESIDENT

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1220
R-4-60

1962 MAR 13 AM

LA009 KA062

Tom

K DVA131 LONG NL PD=FAX DENVER COLO 12=
NEW MEXICO OIL CONSERVATION COMMISSION=
SANTAFE NMEX=

RE: HEARING OF CASE NO. 2504 TN MARCH 14: THE FRONTIER REFINING COMPANY SUPPORTS THE APPLICATION OF CONSOLIDATED OIL & GAS, INC. RECOMMENDING AN ALLOCATION FORMULA FOR THE BASIN-DAKOTA GAS POOL BASED 60 0/0 ON ACREAGE AND 40 0/0 ON ACREAGE TIMES DELIVERABILITY.

WE BELIEVE THE PROPOSED FORMULA WILL MORE EQUITABLY ALLOCATE ALLOWABLE PRODUCTION FROM THIS RESERVOIR, WITHOUT CONTINUED DISCRIMINATION AGAINST WELLS WITH EQUAL ORIGINAL RESERVES BUT WITH LOWER DELIVERABILITY=

THE FRONTIER REFINING CO BY E B GRANVILLE
SUPERINTENDENT OF DRILLING AND PRODUCTION...

1962 MAR 13 AM 9:40

MAIN OFFICE OCC

Don

AMERADA PETROLEUM CORPORATION

P. O. BOX 2040

TULSA 2, OKLA.

LEGAL DEPARTMENT

March 12, 1962

New Mexico Oil Conservation Commission
State Land Office Building
P. O. Box 871
Santa Fe, New Mexico

Re: Case No. 2504 - Application by Consolidated
Oil & Gas, Inc., to amend the allocation
formula in the Basin-Dakota Gas Pool

Gentlemen:

Amerada Petroleum Corporation, owner and operator of three wells and part owner of eleven wells in the area covered by caption cause, supports the applicant in Case No. 2504.

Although we oppose the inclusion of a deliverability factor in any allocation formula, we support the applicant's position here because he is asking for greater weight of the acreage factor in the amended order.

Very truly yours,

AMERADA PETROLEUM CORPORATION

By

H. D. Bushnell
H. D. Bushnell, Attorney

HDB:1

cc Consolidated Oil & Gas, Inc.
Suite 2112 Tower Bldg.
1700 Broadway
Denver 2, Colorado
Att.: Mr. Robert B. Tenison

OF SERVICE

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WESTERN UNION TELEGRAM

SYMBOLS	
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31

MAIN OFFICE OCC

W. P. MARSHALL, PRESIDENT

1201 (4-80) 1962 MAR 12 10 10

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LAC 1962 MAR 22 AM 10:54

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 NEW MEXICO OIL CONVERSATION COMMISSION=
 BOX 871 SANTA FE NMEX=

2504

PURSUANT TO YOUR MARCH 14TH. MEETING, KAY KIMBELL SHOULD LIKE TO GO ON RECORD AS OPPOSING THE PRESENT ALLOWABLE FORMULA IN THE SAN JUAN BASIN. IT IS CLEAR TO SEE THE FALLACY IN THIS FORMULA WHEN 10 0/0 OF THE WELLS GET 40 0/0 OF THE TOTAL ALLOWABLE. WE FEEL THE COMMISSION SHOULD ADOPT A NEW FORMULA WHICH WOULD PERMIT THE WELLS IN THE LOWER DELIVER ABILITY RANGE TO PAY OUT. THE MAJORITY OF THE OPERATORS ARE NOW HARNESSSED WITH

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

SS OF SERVICE

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WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

SYMBOLS

DL=Day Letter

NL=Night Letter

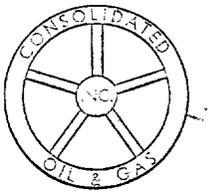
LT=International Letter Telegram

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SUCH WELLS. WE RECOMMEND A NEW FORMULA BASED ON
A HIGHER ACREAGE FACTOR=

KAY KIMBELL OIL OPERATOR BY : SAM W SIMS JR.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE



Feb
MAIL OFFICE OCC
8-19
1962 FEB 5

Consolidated Oil & Gas, Inc.

February 2, 1962

Executive Offices

SUITE 2112 TOWER BLDG.
DENVER-U. S. NATIONAL CENTER
1700 BROADWAY
DENVER 2, COLORADO
PHONE AMHERST 6-1306

Mr. F. D. Gorham, Jr.
Pubco Petroleum Corporation
P. O. Box 1419
Albuquerque, New Mexico

Dear Mr. Gorham:

With reference to your letter of January 31, we would like to bring to your attention the fact that the Dakota formula has been in effect for one year to date, and was put into effect with the proviso that further study would be given to the necessity or desirability for affixing a maximum and minimum allowable per well. To date no hearing has been held with respect to this matter. Our intention is to demonstrate the present inequities which our study has revealed and to have an open discussion of any approach to what we feel is a common problem.

Representation has been indicated from a substantial number of the operators and additionally, Mr. Jack Cooley of Verity, Burr and Cooley in Farmington, has requested an opportunity to present support for the pending application for Basin-wide Dakota oil well spacing. Regardless of your apparent lack of sympathy for a change in the Dakota formula, we again extend to you, or your representative, an invitation to the meeting and would appreciate the opportunity to review any evidence you desire to present supporting continuation of the present formula. It is not our intention to bring up any discussion as to the application of the formula to Mesa Verde and Pictured Cliffs proration.

Very truly yours,

CONSOLIDATED OIL & GAS, INC.

Robert B. Tenison
Vice President

RBT:bw

cc: San Juan Basin Operators
New Mexico Oil & Gas Conservation Commission
United States Geological Survey

F BCO PETROLEUM CORPORATION

MAIN OFFICE OCC

1962 JAN 1 AM 9:14

January 31, 1962

*Did you know
about this?
ECC*

C

Consolidated Oil and Gas Company
2112 Tower Building
1700 Broadway
Denver, Colorado

O

Attention: Mr. Robert Tenison

Gentlemen:

P

This is to acknowledge your letter of January 19 inviting us to attend a meeting which you are calling for the purpose of proposing a change in the proration formula as it pertains to the Dakota Formation in the San Juan Basin.

Y

Since the establishment of this formula by the New Mexico Oil Conservation Commission, we have continuously followed developments in the San Juan Basin and are even more convinced now than at the time of the adoption of the formula that it is fair and equitable to everyone concerned. Under these circumstances we see no reason for any consideration or attempt to change the formula which has worked satisfactorily for a number of years.

In view of our position and the belief that there is no reason for the meeting, we do not propose to attend and, if necessary, we plan to oppose any change in the formula to the maximum extent.

Very truly yours,

Frank D. Gorham, Jr.
bygt
Frank D. Gorham, Jr.
Executive Vice President

FDGJr:GJSJr:gt

cc: New Mexico Oil and Gas Conservation
San Juan Operators

D. W. Reeves