L. N. DUNNAVANT
VICE PRESIDENT AND
MANAGER OF OPERATIONS

SOUTHWESTERN NATURAL GAS, INC.
900 BUILDING OF THE SOUTHWEST
MIDLAND, TEXAS 79701

June 16, 1970

New Mexico Oil Conservation Committee
P. O. Box 2088
Santa Fe, New Mexico   87501

Attention: Mr. A. L. Porter, Jr.

Re: Allowable Assignment, Mershon Gas Comm., Well No. 1,
     Indian Basin (Up Penn) field, Eddy County, New Mexico.

Dear Sir:

The subject well was drilled by Southwestern Natural Gas, Inc.
in August 1969. The well was completed in the Upper Pennsyl-
vanian formation as a gas condensate well in the subject field
on September 22, 1969. At that time negotiations with proposed
gas purchasers were commenced. A Gas Purchase Contract was
finalized with Natural Gas Pipeline of America effective
October 1, 1969. Natural Gas Pipeline purchases the gas from
a number of wells in this field and by prior contract, Marathon
Oil Company operates a liquid recovery plant which processes
the gas purchased by Natural Gas Pipeline from these wells.
This plant is owned and operated by several entities. Prior to
construction and tie-in of a gas sales line to the subject well,
approval of the majority of the owners of this plant was
required. Considerable delay was encountered by Marathon in
obtaining these approvals and further delays were encountered
in the final construction and tie-in of the sales line to the
well. The well was finally tied-in on June 4, 1970 or 255 days
after completion of the well. Gas separation and treating equip-
ment could have been installed and operating for this well by
the date of completion, but due to the above mentioned delays
was not installed until February 16, 1970.

The contract allowable for this well based on purchasers take
for a 360 acre unit of a 640 acre standard unit, is set at
1,851 MCF per day and during peak demand periods a take of 2,320
MCF per day. Based on the contract allowable, a total of
472,000 MCF of production has been delayed due to the delays