

200 Petroleum Club Plaza
Farmington, New Mexico

July 10, 1962

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

Re: Gallegos Canyon Unit #122, Section 18,
T-28N R-12W, San Juan County, New Mexico

Dear Mr. Porter:

Sunray Oil Company has attempted to secure a market for the casinghead gas produced by the Gallegos Canyon Unit #122 since its completion on February 23, 1962.

Following your Administrative Order NFO-537 dated May 31, 1962, which authorized the flaring of gas until June 30, we redoubled our efforts to secure a gas connection. This well is located approximately 10,500' from the nearest compressor unit of the Jalou Company's gas gathering system. The terrain in this portion of the field is extremely rough, and pipelaying expenses are unusually expensive; however, we have estimated the following cost to lay a line down to the nearest compressor unit and secure a sales outlet for the Gallegos Canyon Unit #122:

Cost of line, installation and compressor unit estimated at \$15,000.
The payout period on an estimated \$.05 per MCF income would be approximately 8.2 years at the estimated 100 MCF per day rate.

Because we do not expect the gas rate to continue for a period of 8.2 years, the line would probably not return the investment.

The attached letter has been received from Christie, Mitchell and Mitchell on behalf of the Jalou Gas Company in which various reasons have been extended for not wishing to connect the Gallegos Canyon Unit #122 to the gas gathering system for a temporary period.

In recognition of the obstacles to an immediate gas connection for this well, Sunray Oil Company respectfully requests approval of an exception to Order #R2103 (Flaring of Gas Prohibited) for the Gallegos Canyon Unit #122 until such time as gas gathering facilities become available.



Mr. A. L. Porter

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Sunray Oil Company will continue to exert every available effort to connect this well to a gas sales line.

Yours very truly,

SUNRAY OIL COMPANY

ORIGINAL SIGNED BY

E. H. RAMSEY

E. H. Ramsey

District Manager

FHR:jm

Attachment

cc: Mr. F. C. Arnold ✓

July 5, 1962

Sunray D X Oil Company
4th Floor
101 University Blvd. Bldg.
Cherry Creek Center
Denver 6, Colorado

Attention: Mr. A. W. Madman, Jr.

In re Sale of casing head gas, Sunray-
Gallegos Canyon Unit well No. 122,
Totah Gallup Pool, San Juan County,
New Mexico.

Dear Sir:

You have requested tying in your subject well to Jalou's gas gathering and compressor system of the Totah and Cha Cha Fields. Your well is located as a Southeast extension of the Totah Field which is served by our Totah No. 2 compressor system. Due to the recent development, increased gas deliverability and increasing gas/oil ratios, the compressor capacity of this part of Jalou's system is extremely overloaded. We would most seriously desire to purchase your gas but at the present time we do not have the facilities to handle same.

Christie, Mitchell and Mitchell Company has assumed the operations and management of Jalou Gas Company effective July 1, 1962. As a part of our program we are earnestly planning to relieve the overloading situation now existing in certain parts of the Jalou gas gathering system. When this is accomplished, which we hope will be in the near future, we will be able to handle the gas from your well No. 122. In the interim we regret causing you an inconvenience in not being able to dispose of your casing head gas.

Yours very truly,

CHRISTIE, MITCHELL AND MITCHELL CO.

M. D. Thompson, Jr.
Vice President

MDT:jn

cc: Mr. R. A. Peagan, Jr. - Pan American Petroleum Corp.
Mr. David L. Farrington - Jalou Gas Company

INTER OFFICE ROUTE SLIP

S-278 A

DATE 7-10-62

TO

E.C. Arnold

- ☐ FOR YOUR INFORMATION
☐ FOR YOUR ATTENTION
☐ FOR FILING

- ☐ FOR MAILING
☐ FOR APPROVAL
☐ FOR RECOMMENDATION

- ☐ FOR SIGNATURE
☐ SHOW CHARGE
☐ RETURN

REMARKS

*Application for
VFO*

FROM