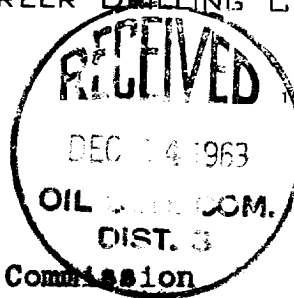


16/1/63

BENSON-MONTIN-GREER DRILLING CORP.

GENERAL OFFICE:
1390 FIRST NATIONAL BLDG.
OKLAHOMA CITY 2, OKLAHOMA
PHONE CENTRAL 5-0546



PETROLEUM CENTER BUILDING
FARMINGTON, NEW MEXICO
PHONE DAVIS 5-8874

December 23, 1963

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

Re: Puerto Chiquito Pool, Rio Arriba
County: Spacing Regulations

Gentlemen:

We have discussed with Mr. Emery Arnold the application of Dr. Sam G. Dunn for the drilling of a well in the northwest quarter of the southwest quarter of Section 26, Township 26 North, Range 1 East, which would be contrary to Order R-2565. We are deeply concerned about the possible interpretation by the Commission staff of spacing regulations under this Order.

Our primary concern resulting from this conversation is that, although the Commission would allow only one well to be produced on a standard 160-acre unit, it might nevertheless allow the drilling of more than one well on a unit. It is our understanding that the Commission has the statutory right to limit the number of wells which can be drilled on a spacing unit, and in Case No. 2881 we asked the Commission to apply this right and allow not more than one well to be drilled on a 160-acre tract, other than the exceptions permitted in the Order. This principle was the main issue in Case No. 2881, and it was our definite understanding that it was approved by the Commission, and Rule 2 of Order R-2565 clearly states that each well shall be located on a standard 160-acre unit. It was on the strength of the assurance by the Commission that only one well would be permitted on each 160-acre tract that the owners of Llaves Pipeline Ltd. agreed to build, and did build, a pipeline to serve this area.

We are now distressed to learn that the Commission staff might interpret the regulations to allow the drilling of more than one well on a 160-acre tract that was not listed as an exception in Order R-2565. We believe that if the Commission allowed the drilling of more than one well on a 160-acre tract, even though the Commission planned that only one well be allowed to produce, the ultimate result would be complete invalidation of the 160-acre spacing.

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