

Case Number

4392

Application
Transcripts.

Small Exhibits

ETC.

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BEFORE ME
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 5, 1970

EXAMINER HEARING

IN THE MATTER OF:

Application of Southwestern
Natural Gas, Inc., for the
assignment of back allowable,
Eddy County, New Mexico

Case No. 4392

BEFORE ME: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 4392

MR. HATCH: Case 4392, application of Southwestern Natural Gas, Inc., for the assignment of back allowable. Eddy County, New Mexico.

MR. HINKLE: Clarence E. Hinkle, Hinkle, Bondurant, Cox and Eaton, Roswell, appearing on behalf of Southwestern Natural Gas, Inc., and the Western States Gas Company.

MR. UTZ: Other appearances.

MR. MORRIS: Mr. Examiner, I am Richard Morris of Montgomery, Federici, Andrews, Hannahs, and Morris, Santa Fe, appearing on behalf of Marathon Oil Company.

MR. KELLAHIN: Mr. Examiner, Jason Kellahin, Kellahin and Fox, Santa Fe, appearing on behalf of Chevron Oil Company.

MR. UTZ: Other appearances.

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, your residence, and by whom employed.

A Don Bennett, Midland, Texas, employed by Western States Producing Company and Southwestern Natural Gas, Inc.

Q Have you previously testified before the New Mexico Oil Commission?

A No I haven't.

Q Are you a graduate petroleum engineer?

A Yes.

Q State briefly your educational background and experience

as a petroleum engineer.

A I graduated from Oklahoma State University in 1957 with a BS degree, worked for Texaco for approximately ten and a half years. I worked for Western States and Southwestern for two.

Q Has your experience been in West Texas and New Mexico?

A Yes, and south Louisiana.

Q Are you familiar with the application which has been filed in this case?

A Yes sir.

Q What are you seeking to accomplish by this application?

A We are seeking to obtain approval from the Commission for back allowable and above allowable producing rate and required makeup period to recover production losses suffered by the subject well on shut-in awaiting connection.

Q This application is made by Southwestern Natural Gas, Inc., and you stated that you are also employed by Western States Producing Company?

A That is right.

Q What is the relationship between Western States and Southwestern Natural Gas, Inc?

A Southwestern has become a wholly owned subsidiary of Western States.

Q Has there been any change in title to the lease or

interests involved since this application was filed?

A Yes, the well was assigned to Western States Producing Co. effective June 22, 1970.

Q In other words, as of the time application was filed the well was owned by the Southwestern Natural Gas, Inc?

A Yes.

Q And subsequent to that time it was assigned to the Western States Producing Co?

A Yes, this well was drilled by Southwestern Natural Gas as agent for Paul Mershon, Jr.

Q Now have you prepared or has there been prepared under your direction Exhibits for introduction in this case?

A Yes there has.

Q Refer to Exhibit No. 1 and explain what this shows.

A Exhibit No. 1 is a location map for oil and gas fields for Southeast New Mexico and in the left hand corner the Indian Basin Pool is outlined with a square. This is the field that the subject well was drilled and completed in.

Q And now refer to Exhibit No. 2 and explain this to the Commission.

A Exhibit 2 is an area map giving well and lease locations for wells drilled and completed in the Indian Basin Pool and the subject well and lease is designated on it as well as wells that are listed on Exhibit No. 3 and

and Exhibit No. 5.

Q This shows also the ownership of the acreage of the area?

A Shows the ownership acreage as of the date of the map which is approximately thirty days ago. Also exhibited on it are withdrawals taken from various wells in the area and these are designated on Exhibit 5.

Q Any further comment with respect to Exhibit No. 2?

A No.

Q All right. Refer to Exhibit No. 3 and explain that.

A Exhibit No. 3 is a tabulation of several wells operated by various operators producing in the Indian Basin Penn field and were selected at random following the date of completion of the Indian Basin plan operated by Marathon Oil. These wells were reviewed as to completion dates, Commission records were reviewed as to dates that gas sales were first made. This material was reviewed to determine the average or the usual delay period between completion of a well and its subsequent commitment to sales and subsequent sale period.

Q What would you say the average delay has been?

A The average delay is approximately two and a half to three months, ranges from one month to four months.

Q Refer to Exhibit No. 4, I guess it is.

A Exhibit No. 4 presents a chronological history from spud date to final hook up for sales purposes on the

subject well. The well was spudded on July 31, reached total depth on August 21. These are in 1969. The well was completed and ready for sales connection September, 1969. The other dates indicate subsequent correspondence involving the proposed purchaser, the selected purchaser, and dates of contracts all of which are presented to indicate the period lost due to actual physical connection delay and subsequent loss of production and loss of current income to the operator during the shut in period. It also presents the information on the well concerning its capacity to produce, their requested production rate, the current contract allowable rate, the subsequent net daily production above allowable requested, the required period to recover the delayed production volume that was lost due to connection delay of approximately two-hundred fifty-five days. The delayed volume shown on Exhibit 4 is based on a contract allowable of 1851 M.C.F. per day for a total of 472,000 M.D.F.

Q Now refer to Exhibit 5 and explain what this shows.

A Exhibit 5 is a tabulation of wells producing in the immediate area of the Mershon gas column No. 1. It is a tabulation of gas and condensate withdrawals made from the period October 1, 1969 to May 1, 1970 by eight wells producing in the immediate area of the subject well. It

exhibits the total hydrocarbon withdrawal from this area of the field while the subject well was shut in and unable to produce on a competitive basis.

Q Does this indicate in any way the gas that you may have lost by reason of delay in getting connection?

A It indicates the loss of gas and loss of current income. It does not indicate the loss of reserve suffered by drainage as there is insufficient data to determine the amount of actual volume that is not recovered.

Q But the fact stands this much gas was withdrawn from the area during this period of time?

A That is correct.

Q Refer to Exhibit No. 6.

A Exhibit 6 is a completion report and four point absolute open flow test taken of the subject well on June 7, 1970 after connection to sales line. The well had an absolute open flow of seven point four million.

Q Is this about an average well or better or worse than any of the other wells in the immediate area?

A It is an average well for the area.

Q Now refer to Exhibit No. 7 and explain what that is.

A Exhibit No. 7 is a tabulation of recent capacity flow tests taken on the subject well to exhibit the well's ability to produce the requested volume of three million cubic feet per day at adequate flowing pressure.

The line pressure in this area of this field is approximately eleven hundred pounds and the well flows at 1825 to 1840 P.S.I., delivers an average of three point one million cubic foot per day, twenty-eight barrels of condensate per day, one barrel of water per day. These tests were taken over a continuous period of four separate days from July 31 through August 3, 1970.

Q Now, after the completion of your well in the upper Pennsylvania zone, what efforts did you make to obtain a pipeline connection or market for the gas?

A Prior to completion of the well, Southwestern Natural Gas contacted available purchasers in the area, Southern Union Gas Company, Natural Gas Pipeline and Delhi. Contacts were made with these companies approximately September 1st of 1969 during the drilling of the well.

Q When did you complete your negotiations?

A Negotiations were finalized with Natural Gas Pipeline approximately December 1st.

Q Now refer to exhibit which has been marked Exhibit B and explain that to the Commission.

A Exhibit B is a letter from Natural Gas Pipeline of America to Southwestern Natural Gas Inc., and indicates that Natural Gas Pipeline has made final arrangements to indemnify Marathon for construction costs in connecting.

the subject well. This is based on the possibility to Marathon that the well would not be delivering enough volume of gas to pay for construction costs involved and requested indemnification of these costs. Marathon has indicated to both Southwestern and Natural Gas Pipeline it will proceed promptly with construction of necessary facilities to connect said well. Natural Gas Pipeline assured Marathon, Southwestern, that it would commence receipt of gas the moment the facilities were completed. This letter also requested Southwestern Natural Gas use its Small Producers Certificate to commence delivery of gas under said contract and continue to do so unless request for F.P.C. filing was made.

Q Was this letter accepted by Southwestern Natural Gas?

A Yes it was.

Q What efforts after December 1, 1969, the date of this letter, did you make to have the connection completed and gas marketed?

A Requests were made verbally, verbal contacts through Natural Gas Pipeline and through Marathon Oil Co., Midland office, trying to obtain an immediate connection since the ammerdization was complete, indemnification, rather. Natural Gas Pipeline and Southwestern Natural Gas agreed on a reserve assignment for the well. The price had been agreed upon and an agreement existed with

Natural Gas and Marathon that the liquids would be stripped through Marathon's plant prior to tailing gas sales to Natural Gas Pipeline. The well was completed and ready. Information was needed from Marathon and obtained on the type of equipment that would be necessary to connect the well to utilize their facilities and property produce the well within accordance with their requirements.

Q When did you complete your facilities at the well?

A These facilities were completed on February 16, 1970. They could have been completed at any time after completion of the well.

Q When did Marathon actually construct the line for gathering the gas to the well?

A The line was finally constructed during the latter part of May and connection made June 4 of 1970.

Q In your opinion, was any of this delay caused by any fault of the Southwestern Natural Gas or the Western States Producing Company?

A No sir.

Q Now do you have any information as to whether or not Natural Gas Pipeline Company and the Indian Basin gas line operated by Marathon can handle the back allowable you have requested if it is allowed?

A Yes I believe they can. Natural Gas Pipeline has

indicated they can and will take the gas if the allowable assignment is approved.

Q What do you figure would be equitable in the way of granting a back allowable under these circumstances?

A It is my opinion that the delayed production volume as shown on Exhibit 4 of 472,000 M.C.F. could be recovered at a rate of 3,000 M.C.F. per day in a period of four hundred and ten days and the well has an ability to produce at this rate at no danger to the well or to the reservoir and I feel it would be equitable for Southwestern or Western States Producing Company to produce this well to recover the income and to competitively produce in this area of the field that was lost during shut in period that was not the fault of Southwestern.

MR. HINKLE: We would like to offer into evidence Exhibits 1 through 7 and Exhibit B.

MR. UTZ: Without objection Exhibits 1 through 7 and Exhibit B will be entered into the record of this case..

MR. HINKLE: I might ask one other question. here. If this back allowable is not granted, do you feel that Western States will suffer considerable loss?

A Yes I do.

MR. HINKLE: That is all.

CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Bennett, you stated that in your original negotiations with purchasers for the sale of the gas from this well that you were in touch not only with Natural Gas Pipeline Company but also, I believe you said, Southern Union Gas Company and Delhi?

A Delhi, yes.

Q Did you make your arrangements immediately with Natural Gas Pipeline or did you negotiate with Southern Union and the Delhi group for some time?

A Arrangements were completed with Natural Gas Pipeline and the contract was signed in November with Natural Gas Pipeline. The offering from Delhi and from Southern Union was not commensurate with what we felt was adequate for the well. Natural Gas Pipeline's offering was and negotiations with the other purchasers were very short and we just asked them to submit an offer.

Q Actually, at the time you started negotiating with Natural Gas Pipeline, you were aware, were you not, that Natural Gas Pipeline actually took the gas from the tail gate of the Marathon operated processing plant?

A Yes.

Q And that if you were going to make a sale to Natural Gas Pipeline, it would also require making an arrangement

with Marathon Oil Company?

A This is true.

Q In your negotiations with Southern Union, Southern Union does not buy gas at the tail gate of the Marathon gate, does it?

A No.

Q They will buy it at the well?

A This is true.

Q Were you aware at that time that by making an arrangement with Southern Union that you could have gone ahead and gotten the well connected immediately?

A Yes.

Q And you were also aware that there would be some delay in having your well connected if you made a contract with Natural Gas?

A Yes, we were aware of this.

Q Were you also aware that any negotiations made with Marathon Oil Company for processing of the gas would have to be approved by the owners of that plant of which Marathon was the operator?

A Yes.

Q Do you know how many plant owners there are?

A Approximately fifty-five.

Q So you were aware at that time that this would take some time to negotiate?

A Yes, some time.

Q Now you were also aware if you made a sale to Natural Gas Pipeline that some form of Federal Power Commission authority was going to be required?

A This is correct.

Q When did you first make application to the Federal Power Commission for authority to sell to Natural Gas Pipeline?

A December 12, 1969.

Q And what was the nature of that application?

A That was for a temporary certificate.

Q Now was the temporary certificate required before you could actually make a sale?

A No, I don't believe so. We had a Small Producer's certificate and we had permission to produce if we so desired.

MR. UTZ: Dated 8-11-66?

A Yes.

Q But you made application to the Federal Power Commission for a temporary certificate?

A That is right.

Q When did you receive that temporary certificate?

A January 8, 1970.

Q And when did you receive the permanent certificate?

A I don't have that date.

Q Would April 17th sound about right?

A That might be right.

Q Now at the time you began negotiating with Marathon for processing the gas through the plant, you were, I think you have already said, you were aware at that time that whatever was worked out would have to be subject to the final approval of the plant owners?

A That is right.

Q When were negotiations worked out between your company and Marathon in a form that could be submitted to the plant owners?

A I think I have a letter transmitting our signed copies of the processing agreement with Natural Gas Pipeline and a letter transmitting the gas processing agreement with Marathon in November of 1969, November 26th, I believe.

Q All right. Had Marathon requested that you build your own line to connect your gas to Marathon's plant?

A As I understand it, they requested we indemnify construction costs of the line if the well should not produce sufficient gas to pay off the construction costs. Natural Gas Pipeline agreed to do this to expedite the contract.

Q All right. Are you aware that Marathon also suggested to your company that if that was not satisfactory with you that you build your own line?

- A They may have. I was not in on that discussion.
- Q That certainly was a possibility, was it not?
- A Yes.
- Q Did you consider building your own line to the plant?
- A I did not.
- Q Did your company consider it?
- A I am not aware that they did.
- Q Are you familiar with the guarantee that was made by Natural Gas Pipeline to Marathon and the other plant owners to cover the cost of Marathon building this line to your well?
- A To the extent that I have read a copy of the letter that says they agreed to indemnify the unamortized portion of the construction cost should the well fail to deliver sufficient reserve to pay it off.
- Q Are you familiar with the negotiations that took place between Marathon and Natural Gas Pipeline and, I assume, your company?
- A Yes.
- Q That imposed a further stipulation on that guarantee for payout within a three year period?
- A Not completely, no.
- Q You are not familiar with that?
- A No.

Q You did not take part then in the negotiations that took place between Natural Gas Pipeline and Marathon with respect to the terms and conditions under which this well would be connected to Marathon's plant?

A Only to the extent that to expedite it, the equipment, installation of it, make the well available for sales, and to be the go-between our company and Natural Gas Pipeline and Marathon as soon as negotiations were completed and our company had executed the contracts.

Q Did Natural Gas Pipeline get in touch with you asking for your assurance that the well would produce sufficient quantity in a three-year period to pay out the cost of this line?

A Not with me.

Q Not with you? Do you know whether they were in touch with anyone in your company concerning this matter?

A It was one of their requirements. I am sure they were in touch with someone in the company.

Q You have shown on your Exhibit 3, the delays encountered by the wells actually located within the plant area of Marathon's processing plant showing a range from one to four months and you have also stated that you believe that it's reasonable and equitable for your company to be given a back allowable for this well

from the date of connection clear back to the date of completion. Now under your proposal, to be fair with all the wells, every one of these wells would have to be given a back allowable for the amount of delay they suffered in being connected in order to be fair all the way around, wouldn't it?

A That is true.

Q Actually, if any back allowable is to be considered by the Commission, wouldn't it have to be reduced by the amount of time that appears to be beyond the limits of the delay encountered by wells actually in the plant area? In other words, what I am suggesting, isn't it unreasonable to ask here for more than a four months' extension?

A Well, I believe that Southwestern Natural Gas entered into and completed the well in a timely manner, entered into negotiations, completed their share and their phase of negotiations in a time and manner, in a three way negotiation, which was always a little more difficult to arrange. I notice the normal delay in many cases is only one month from this tabulation which means things can be expedited and apparently in this case it was not too expeditious for various reasons.

Q Well, now, for various reasons. These various reasons involved, did they not, what amounts to an extraordinary

negotiation. Was your well the only well connected to this plant that lies outside the plant of Marathon's area, is that correct?

A I don't know. We feel like effective December 1st we had indication from Natural Gas Pipeline that they and Marathon would then proceed promptly to connect it. We went ahead to arrange for our F.P.C. temporary certificate while we could have sold gas under the Small Producer's Certificate. We commenced negotiations during the latter part of November with a plant engineering group to determine type, size and rated pressure capacity of the vessels we would need, made arrangements to purchase them and felt at that time a connection was then imminent.

Q Now, Mr. Bennett, if things had proceeded in the normal course of events here, you knew that Marathon was going to have to submit this proposal to all of its plant owners before approval of your contract could be made, didn't you?

A Yes.

Q And you knew that would take some time then and you knew it would take some time for construction of the line?

A Yes.

Q Correct. How much time would you estimate it would take to build this line? How much did you think it would take?

A I figured somewhere in the neighborhood of a month, complete negotiations and construct the line.

Q So under that, even if there had been no delay in negotiations between Marathon and the purchaser, that is Natural Gas Pipeline about this guaranteed arrangement, it would still have taken probably until the first of March, wouldn't it, before you could reasonably have expected to connect this well?

A No, I don't think so.

MR. MORRIS: I have no further questions.

MR. UTZ: Further questions?

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Bennett, it's your contention that your Small Producer's Certificate, which was approved 8-11-66 or prior to the beginning of this well, would have been sufficient as far as your authority to sell gas as far as interstate commerce was concerned?

A Yes.

Q Was that acceptable by Natural Gas and Marathon?

A I have no knowledge of Marathon's position on it. Natural Gas Pipeline wrote us a letter in which they requested us to use our Small Producers Certificate so as soon as facilities were complete they could commence taking gas.

Q Do you have any evidence that this was satisfactory with the F.P.C?

A I believe so. I would have to check with Natural Gas Pipeline to be sure but I don't believe they would have written a letter to us requesting this.

Q At any rate, this was not a valid certificate. You did receive authority 1-8-70? Is that correct?

A Yes sir.

Q Now to kind of reiterate here, your well was completed and you say it was ready for sale 9-22-69?

A Yes sir.

Q Well now, you could not have sold gas, could you, until you had installed the proper well head equipment?

A This is true, separator and amine sweetener unit.

Q And that was not installed until 2-16-70?

A This is true and we did not install it until that date. We planned to install in November or December, whenever the connection was imminent and at this time we had a chance to buy equipment and we went ahead and put it in. It could have been put in in December or November.

Q Now you say the effective date of your contract with Natural Gas Pipeline was 10-1-69?

A Yes.

Q The contract was signed then?

A Yes sir, it was signed in November, November the 24th.

Q But then you had further negotiations between Natural Gas and Marathon and yourselves and Marathon?

A This is right.

Q And the negotiations between Natural Gas and Marathon began 9-1-69?

A That was the negotiations between Southwestern Natural and the various purchasers, in this case, Natural Gas Pipeline. We entered into negotiations between Marathon sometime during October or early November when it was decided that Natural Gas Pipeline would be the purchaser.

Q Well, then actually your negotiations with Marathon began when now? Ten what?

A Some time during October.

Q October, 1969 you say? And that was completed 3-19-70?

A That was when the contracts were returned to us from Marathon.

Q So that was a delay of approximately five months during negotiations between you and the purchasers and Marathon?

A That is true. We returned our executed contract of the processing agreement to Marathon for their handling and execution approximately November 26 of 1969.

On the other hand the well wasn't actually in the position to sell gas until 2-16-70?

A This is true and in that the equipment was not installed. The well was in position for installation of the

of the equipment at any time after 9-22-69 and it takes approximately three days to a week to install this type of equipment.

Q I understand that, but it actually wasn't there?

A That is right.

Q So that the period of time from 2-16-70 to 6-4-70 you could have been producing gas to the end of the line if the line had been laid?

A Yes.

Q When did they begin laying the line?

A The latter part of May, 1970.

Q And they connected 6-4-70?

A Yes sir.

Q So it didn't take very long to lay a line did it?

A No sir.

Q Now, why didn't they start laying the line before the latter part of May when the contract, that is, all the contracts, negotiations, were completed 3-19-70, were they not?

A I was informed verbally that they now had to take bids in getting the line bought and installed.

Q It took about two months to get bids?

A Yes sir.

Q Is this a reasonable length of time in your opinion to receive bids?

A No sir.

Q Do you know of your own knowledge how long it took in other instances in this field from the time they were ready to install a line until they actually began?

A No sir, I don't.

Q Now, another point, you are asking here for back allowable based on a contracted commitment.

A Yes sir.

Q You are aware, I am sure, that the oil Commission prorates gas in this pool and we prorate on the basis of market demand?

A Yes sir.

Q If the Commission decides that you are entitled to some back allowable, in your opinion, could we assign allowable based on a contract or on the actual allowable assigned to other wells?

A Well this well has a three-hundred and sixty acre pool proration unit as compared to a normal well of six-hundred and forty acres. The 1851 is a number assigned based on the reserves attributed to the well by the purchaser. The average production that we had available from information from them would be 2.1, 2.5 million based on the history of field production which indicates to me that the nominations in proration has always been above the bottom number that we are asking.

Q In other words, you are asking for a rate of three million a day which should be in the neighborhood of ninety million a month?

A Yes sir.

Q And your reduced allowable .56 acreage factor was in the neighborhood of seventy to eighty-five M.C.F. a month in the form of allowable had you been granted this allowable?

A It should be 1851 or approximately two million per day, six hundred.

Q I am not really sure whether I got an answer to my question. In your opinion, do you think we can assign allowable based on contract rather than actual equivalent allowable.

A I think the contract number would be adequate, yes.

Q MR. UTZ: Other questions of the witness?

MR. HINKLE: Yes.

REDIRECT EXAMINATION

BY MR. HINKLE:

Q I believe you testified in response to Mr. Morris' question that you negotiated with Southern Union as well as the Natural Gas Pipeline Company?

A Yes.

Q For pipeline connection?

A Yes sir.

Q Why did you select the Natural Gas Pipeline Company or enter into an agreement with them rather than Southern Union?

A The offering price was a little higher, their indicated production history of takes from wells that they serve was a little bit better. It's a little more efficient to strip liquids at a plant than go ahead and try to store high gravity liquids on a lease location and the resulting shrinkage.

Q Now is it true that all of the other wells shown on Exhibit No. 1 in the vicinity of your well are connected to Marathon and Natural Gas Pipeline Company?

A No. Pan American's wells are connected, I believe, to Southern Union Gas Company.

Q Now with respect to the delay that you encountered here in getting actual sale of your production in all of those cases where Marathon was taking the gas from the wells which you have indicated on Exhibit 3, they also have to get consent of fifty or sixty of the owners of the Marathon plant, did they not?

A As I understand it, this is true.

Q And they did that in a relatively short time as indicated by the date of connection, did they not?

A Yes sir.

Q So would you say that the delay in Marathon obtaining

the consent of the plant owners was unusual in this case?

A I believe it was unusual, yes.

Q Now refer to Exhibit No. 2, which is a plat. Does Marathon own any acreage in the partial proration unit where your well is located?

A Yes they do.

Q What do they own?

A They own, I don't know exactly how much acreage.

Q Eighty-eight acres?

A Approximately eighty acres.

Q Now does Marathon own a greater quantity of acreage around the other wells in the immediate vicinity?

A They own and operate several wells in the area.

Q But they do have considerable acreage where gas was being produced during this time of delay, is that right?

A Yes.

Q Do you have anything else you would like to bring out?

A I feel that in reviewing the history of connection an average delay is two and a half to three months and our well being completed in September of '69 an adequate delay period based on that would have been December '69, that any such time would have taken a week at the most to install our equipment and that if we were to just base the well on the average delay and assign back allowable on that basis that Western States Producing

Company would be agreeable to an allowable assignment effective January 1, 1970.

Q Which is a reasonable time after the agreement of December 1, 1969 showing that you had the certificate to produce and these contracts had all been entered into and everything was ready to go, is that right?

A Yes sir.

MR. HINKLE: I believe that's all we have.

MR. MORRIS: I have a couple more questions that were brought up on re-direct.

RECROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Bennett, you stated that one reason that you did not pursue your negotiations with Southern Union and instead went with Natural Gas Pipeline was that their history of takes by Southern Union was not as good and some shrinkage was involved in the liquids. I notice on Exhibit 5 that the Pan American production shown there, Pan American being connected to Southern Union, shows the greatest amount of production of gas, greatest amount of production of condensate for this entire period?

A That is true.

Q Will you explain that?

A When I say review of history of takes, it is not over a

seven or eight months' period shown there. It is a history of connection from the time that sales commenced.

Q Actually, your decision to go ahead with Natural Gas Pipeline was a business decision looking for a greater price for your gas even though you would experience some delay in connection?

A This is true.

Q One other point, Mr. Bennett, you mentioned on re-direct that the wells within the plant area before they could be connected had to be approved by the plant owners, is that what you said?

A I said I believe that this is true.

Q That is an assumption on your part?

A That is an assumption.

Q You don't really know if that is the case?

A No I don't.

MR. MORRIS: That is all.

MR. HINKLE: That is all

RECROSS EXAMINATION

BY MR. UTZ:

Q Regarding your Exhibit No. 5 where you listed the eight wells and the volumes that were produced by these wells during the eight months' period, if I interpret that correct?

A Yes sir.

Q From the date of completion of your well until the date it was connected -

A I didn't have any data for the month of May. Our well was not connected until June 4th. That would be approximately another - it looks like it's going to average over a million, approximately 8.8 and another nine thousand barrels of condensates.

Q Are all these wells listed direct offsets of yours?

A No.

Q Only four of them are direct offsets?

A This is true.

Q Actually, only three of them. One of the four to the north is removed, diagonally offset, is that correct?

A This is true.

Q Would it be fair to compare all eight wells with regard to the drainage you have suffered during this delay or should you only compare the three wells?

A As far as drainage is concerned, this is a pressure-type depletion reservoir. It is highly subject to volume withdrawals over large areas. Pressure in the area of our well is reduced and is reduced commensurately with wells producing in Section 11 as well as wells producing directly offsetting us which means to me that competitive production is established over a wide area not necessarily restricted to direct offset

production.

Q In your opinion, communication is pretty good?

A Yes sir.

MR. UTZ: Other questions? Witness may be excused.

MR. MORRIS: We have a witness to present.

MR. UTZ: We will adjourn the hearing
until 1:30 P.M.

(Whereupon a recess
was taken)

(Whereupon, at 1:30 o'clock P.M. August 5, 1970,
the taking of the testimony of Mr. Bennett was continued with
the same representatives of the parties being present, and
the following proceedings were had:)

MR. UTZ: The hearing will come to order,
please.

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Dowden, please state your name and where you reside.

A Curtis Dowden. I reside in Midland, Texas.

Q By whom are you employed and in what capacity?

A Marathon Oil Company, Petroleum Engineer.

Q Are you familiar with the Indian Basin processing plant
which Marathon operates in Eddy County, New Mexico?

A Yes sir.

Q In your job as petroleum engineer, with Marathon, does

does this fall within your duties?

A Yes sir, I am on the staff of the District Engineer of which my principal duty is to keep the District Engineer and District Manager informed on operation, on problems and operations in general.

Q Would you briefly state for the Examiner your education and experience in the petroleum industry?

A Well, I graduated with a BS degree from Texas A. & M.

MR. HATCH: I don't believe we have sworn the witness.

(Whereupon, the witness was sworn)

MR. HINKLE: In that connection I just learned that you didn't swear in Mr. Bennett. Now we would like to make the statement that all the testimony he has given has been under oath. All the testimony you have given, Mr. Bennett, in this case has been the truth and your oath applies to that, does it not?

MR. BENNETT: Yes it does.

Q (By Mr. Morris) Continue please.

A Graduate of Texas A. & I., Petroleum Gas Engineering in 1955, been employed by Marathon for fourteen years, majority of it operations on the Gulf Coast, Texas, Louisiana and for the last eleven months in Midland.

Q And for the last eleven months have you been familiar and active in the operations of the Indian Basin Processing plant?

A Yes sir.

MR. MORRIS: Are the witnesses qualifications acceptable?

MR. UTZ: Yes sir, they are.

Q (By Mr. Morris) Please refer to what is marked as Marathon's Exhibit No. 1 in this case. Please state what this exhibit is and what it shows.

A O.K., this is my general outline of the Indian Basin showing the wells, completion, and the red area outline is what is referred to as the plant area, Indian Basin Plant area.

Q Will you explain the well legend shown at the bottom of this map?

A Yes sir. Different colors representing the different completions of the Atoka gas, Mar gas, upper Penn and Dual upper Penn Mar gas wells and plant area in red.

Q And the red outline represents the plant area. Now is there a correction that needs to be made on that?

A Yes, there is a correction. Section 5, Township 20 South, Range 23 East should be within the plant area.

Q That is Section 5 in the extreme top left of the exhibit?

A Yes sir, that is correct.

Q Now what is meant by the plant area?

A The plant area was set up in the original construction operating agreement. I believe the date was March 5, 1965 and this area at the time was believed to be reasonably productive on gas.

Q This agreement that you have referred to that designates this plant area, is that the agreement among the owners for the construction of the Indian Basin processing plant?

A Yes sir.

Q And is that the same agreement that designates Marathon as the operator of the plant?

A Yes sir.

Q Now except for the subject well, are all of the wells now delivering gas to the Indian Basin gas plant located within this plant area?

A Yes sir, that is correct.

Q In connection with the construction of gathering facilities to these wells that are connected to the plant and that are located within the plant area, was approval of the plant owner a condition that had to be specifically met before construction of those facilities could be commenced?

A No sir, anyone of the plant area could be connected to the plant.

Q Was this according to the terms of the original construction agreement for this plant area?

A Yes sir.

Q As plant operator did Marathon have to obtain any additional authority other than that already given it under this construction agreement, original construction agreement, for connecting up wells located in the plant area?

A No sir, no other.

Q All right. The subject well is located outside the plant area, is that correct?

A Yes sir.

Q Under the terms of the construction agreement designating this plant area, what type of approval was required before Marathon as operator could hook up the subject well?

A Sixty-five percent. Plant operators had to approve the agreement.

Q All right. Now how many plant owners are there?

A Thirty-nine, thirty-nine at the present time.

Q Please refer to what has been marked as Marathon's Exhibit No. 2 and state what that is.

A It is a letter from Marathon to Southwestern Natural Gas Company of November 23, 1969 in which we submitted a contract, submitted a proposal, to process the gas

from subject well under the terms and conditions obtained in the gas processing agreement which were attached to the letter.

Q Would you read the first paragraph of that letter, please?

A "Marathon Oil Company as operator of Indian Basin Gas plant and in behalf of all owners of interest in said plant proposes to process your share of natural gas to be produced from the well described above under the terms and conditions contained in the gas processing agreement and supplemental agreement attached hereto. This proposal is subject to the express condition that it will not become effective until approved by the plant owners pursuant to plant construction and operations agreement."

Q As you explained a minute ago, this would require sixty-five percent of the interest among the plant owners to approve this proposal?

A Yes sir.

Q Following this letter, Mr. Dowden, did Marathon have further negotiations with Southwestern concerning the building of the gathering lines?

A Actually, we had asked Southwestern if they would consider building the line themselves.

Q How much line are we talking about, how much?

A Approximately sixty-three hundred feet.

Q Are we talking about one line or two?

A Two lines, there is a high-pressure gathering line for the gas. We have field separations where, about eleven hundred pounds, where you knock the condensate out to a low-pressure. It is metered into a P.V.C. plastic line, and goes under the plant. It is a two line system.

Q And is the prevalent over the plant area as well as in connection with this well?

A Yes sir.

Q (By Mr. Utz:) Two lines from the --

A Each well.

Q (By Mr. Utz:) well head or from the equipment?

A From the equipment at the well there.

Q (By Mr. Utz:) Clear to the plant there?

A Yes.

Q (By Mr. Utz:) What size?

A I'd be guessing if I told you.

Q (By Mr. Utz:) Approximately?

A I would say four and six inches on the gathering system itself. The P.V.C. line I believe is two inch plastic line and the other one is two or three line, I couldn't be sure.

Mr. Utz: Thank you.

Q (By Mr. Morris:) Did Marathon suggest to Southwestern that they consider building their own lines to make this connection?

A Yes sir.

Q And what response did you receive to that suggestion?

A They rejected the offer.

Q Did Marathon have negotiations with Southwestern concerning a guarantee to be made by Southwestern if Marathon would just go ahead and build the line?

A Yes sir, we offered them the same agreement that natural Gas Pipeline finally underwrote which was if the wells ceased to produce 1.2 billion feet of gas which would be an amount equal to 2.25 cents per M.C.F. multiplied by the difference between 1.2 billion and the actual volume, actually processed. I feel like I have fouled up here. What we were trying to do was get a payout on this line. It would come to 1.2 billion which is approximately equal to Twenty-seven Thousand Dollars which is the cost of the line and we had asked the well owners if they would pay the plant owners an amount equal to 2.25 cents per M.C.F. multiplied by the difference between 1.2 billion cubic feet and the total volume actually processed. This was to share the plant owners a payout line since Marathon at that time was depending on the production history and tests

being recorded on the subject well and were not sufficient for Marathon to ascertain whether or not the estimated costs of the gathering lines and related facilities were necessary to connect the well to the plant gathering system could economically be justified.

Q Now what response did you get from Southwestern to this guarantee stipulation that you proposed?

A They turned us down, too.

Q (By Mr. Hinkle:) They turned it down?

A Southwestern turned down our proposal.

Q (By Mr. Hinkle:) Did they guarantee it?

A Yes.

Q (By Mr. Morris:) Now, following that did you have negotiations with Natural Gas Pipeline Company along the same lines that you had been attempting to work out directly with Southwestern?

A Yes sir. Natural Gas Pipeline in order to assure this gas would not be a loss to a competitor did agree to send the burden of the payout and the same offer was offered Southwestern.

Q And so was a proposal developed and put into final form on that basis?

A Yes sir.

Q All right, and is that proposal reflected in the letter that is Exhibit No. 2 in this case, Marathon's

Exhibit No. 2?

A Yes sir.

Q The letter of November 21, 1969?

A Yes sir.

Q That was the one that was subject to the express condition that the proposal would not become effective until approved by plant owners?

A Yes sir.

Q Was this proposal then circulated among the plant owners?

A Yes sir.

Q When was that proposal sent out to the plant owners?

A On December 17, 1969.

Q And what response did you get from the plant owners?

A The proposal was rejected by the owners.

Q And for what reason?

A One of the main objections being that payout time was undefinable.

Q The payout time was undefined in the agreement?

A Yes sir.

Q And following that rejection was a new proposal developed?

A Yes, sir.

Q And how did it differ from the first proposal?

A Natural Gas Pipeline agreed to underwrite the cost

of the lines and assure payout of lines in three years.

Q The main difference here was just that they would agree that the line would payout in three years rather than just leave it completely open?

A Yes, sir.

Q All right. Was this proposal again circulated to the plant owners for approval?

A Yes sir, on February 13, 1970.

Q And what was the response to that second circulation?

A This proposal was approved by the plant owners.

Q When did you receive final approval from the plant owners?

A One of the last was on January 8, excuse me, this would be somewhere around - it is not the last one - was around three weeks from the date that we got it back.

Q Some time -

A First part of March, first week in March.

Q Following the determination that the proposal had been approved by the plant owners, was Southwestern advised that the proposal had been approved?

A Yes sir, on March 20, 1970, Marathon advised Southwestern that the plant owners had approved the proposal to process gas and Marathon returned to Southwestern at that time a fully executed original of the gas processing agreement dated March 19, 1970.

Q Following that approval then, was it necessary for Marathon to obtain a right of way authorization from the Bureau of Land Management to construct this line?

A Yes sir.

Q And when was that action taken?

A It was sometime - I'd say we had approval on April 8th so again during the first week in April.

Q When was Southwestern advised that this approval had been obtained from the Bureau of Land Management?

A On April 8, 1970.

Q (By Mr. Utz:) What was the first date when you started this negotiation?

A With the Bureau of Land Management, during the first week of April.

Q (By Mr. Morris:) Didn't take more than a week to get that approval?

A No.

Q (By Mr. Utz:) And the other time?

A April 8. This was the date that we sent the letter to Southwestern. I do not have a clear date as to the actual date we got right-of-way approved.

Q (By Mr. Morris:) Was Southwestern also advised at that time that materials had been ordered and that the work would commence at any given date?

A Yes sir, we stated that the materials were ordered and

work expected to be completed by May 15, 1970.

Q Now was it at this time that you had to put this line and the construction work involved with it out for bids?

A Yes sir, at this time.

Q And how long did it take to obtain those bids?

A Oh, I am going to say approximately two weeks by the time we got our bids back from our contractors.

Q And when did construction commence?

A Let's see -

Q As nearly as you can estimate.

A I am going to say around May 1st.

Q And when was the line completed?

A Completed June 1st.

Q Were there any unusual delays experienced in the construction of the line?

A No sir.

Q And when did gas deliveries into the line commence?

A June 5, 1970.

Q Are you familiar with the capacity of Marathon's processing plant, the Indian Basin Processing Plant?

A Yes sir.

Q And what is that capacity?

A It varies right now from summer to winter. We now state that the correct capacity, safe capacity, is

two hundred and ten but in the summer time with the prevailing temperature we have right now in this area due to the temperature having an adverse affect on our refrigeration system our plant capacity at the present time is limited to about a hundred and eighty-five million a day.

Q Is your plant operating at capacity at the present time?

A Yes sir.

Q During the winter months does your plant also operate at capacity?

A Usually yes sir, on demand. We are usually at capacity.

Q Is it within the capacity of your plant at the present time to accommodate the extra gas that would be represented by the back allowable that the applicant is seeking?

A At the present time, no.

MR. MORRIS: Mr. Examiner, we would offer into evidence Marathon's Exhibits 1 to 2.

MR. UTZ: Without objections Marathon's Exhibits 1 and 2 will be entered into the record of this case.

MR. MORRIS: That is all I have on Direct Examination.

Q (By Mr. Utz:) Let me get the plant capacity straight. The plant capacity is two hundred and ten million a day?

A Yes sir.

Q And that is the winter time capacity?

A They will, I am sure, suggest and nominate two hundred and ten in the winter time.

Q And only a two-hundred and eighty-five in the summer time?

A Right now, yes sir, that is limited to the mercaptan content in the gas goint into natural gas because of our refrigeration system at the present time, with the temperatures.

CROSS EXAMINATION

BY MR. HINKLE:

Q Mr. Dowden, I understand the gist of your testimony in reference to your Exhibit No. 1 is that it has not been necessary to obtain consent of all the plant owners to the areas within the plant area, is that right?

A That is correct, yes.

Q Does that also apply to marginal wells?

A Yes sir.

Q Have there been some marginal wells you have made connections with?

A Yes sir. We have got - I can point out split stream Odessa Natural Gas Line Company, J. C. Williams and Standard Federal Gas Column No. 1. We are connected to this one.

Q Did you obtain the consent of the plant owners for the

connections to those marginal wells?

A Not to my knowledge.

Q Now this plat indicates the acreage ownership, I take it, to, you show some acreage owned by Marathon?

A Yes sir on the different sections?

Q Yes.

A Yes sir.

Q Now you do not show Marathon as owning any acreage in Section 21 where the subject well is located, do you?

A No sir, we do not.

Q It does have some interest does it not?

A We have twenty-five percent working interest at payout, a hundred and thirty percent payout.

Q You forced pooled to go into the unit?

A Yes sir.

Q You elected not to pay but to let Southwestern recover your proportional part of the production?

A That is right.

Q Now Marathon does have an interest in the Standard Bogle Flats Unit which shows in Section 16 just above the subject well, does it not?

A This section is sixteen, Bogle Flats Unit.

Q As a matter of fact, Marathon contributed most of that Section to the unit, did it not?

A Working interest is 37.5 percent.

Q That is the whole unit?

A Yes sir.

Q You didn't answer my question. You contributed most of that Section to the Unit.

A I don't know sir.

Q So that you were also interested then by reason of the unit in the lands in Section 17 and 9 and 8 and 10, were you not?

A We are in 9. We are not in 8 and what was the other one, ten?

Q That is part of the Bogle Flats Gas. That may not be unit, that is communitized, I guess. You are also interested in Section 14?

A Yes sir.

Q Now was the area boundary drawn or agreed upon at the time you built the plant?

A Yes sir.

Q That didn't guarantee that there would be productive acreage outside the plant?

A It was arbitrary ground.

Q You think somebody ought to be penalized because there was acreage outside the area?

MR. MORRIS: I object to the form of that question.

Q (By Mr. Hinkle:) Now I think that you testified that the capacity of the Marathon plant, is it two hundred and

five you testified to or two hundred and ten?

A Two hundred and ten is the maximum safe capacity.
We had more go through the plant at the time.

Q Have you read the contract, the Gas Processing Agreement which was entered into with Southwestern?

A Yes sir.

Q And now I will read you Section 4.2. "The plant is designed to treat and process a maximum of a two-hundred and twenty thousand M.C.F. per gas per day." Now is that correct or is your statement correct?

A I am going to say my statement is correct as far as -

Q Why did you put it in the contract?

A I realize it was - I saw that.

Q Who is responsible for drawing this contract?

A Our Legal Department.

Q Do you think they would put it in there without knowing it was correct?

A Could be an oversight on their part.

Q Now isn't it a fact that you have produced, I think you said, your safe capacity of a hundred and eighty-five million a day?

A We are limited by Mercaptan content in the gas going to Natural Gas Pipeline.

Q Haven't you been producing two hundred and five all along?

A Not during the middle of the summer time, no sir, not

ever during the summer time.

Q Have you produced from one ninety-two to two-hundred and five during the summer?

A Not to my knowledge. It could be for a short period of time but during the hottest part of the summer it is one-hundred and sixty-five to one-hundred and eighty-five.

Q You say that in the winter time you feel you have a greater capacity?

A Yes sir.

Q Now when does this demand for additional gas come, along in September or -

A I understand Natural Gas Pipeline has nominated two-hundred and eight for September. Whether or not we can deliver two-hundred and eight under the Mercaptan I don't know that we can. I don't believe that we can.

Q Through the winter months the nominations would be greater?

A Yes sir.

Q And then you would have the capacity to take the excess gas or if this additional allowable is granted -

A We could possibly take this period. I am not going to say we couldn't but we possibly could in the winter time.

Q Your testimony has been directed, it appears to me, to

try to staisfy the Commission that you have acted efficiently in the operation of the plant and not so much objecting to the additional allowable, allowing the additional allowable, is that right?

MR. MORRIS: If I may interrupt briefly, Mr. Hinkle, it is Marathon's position as Plant Operator that it has acted properly and without undue delay and without discrimination in this matter but it is also Marathon's position that no back allowable should be granted in this case or any other case.

MR. HINKLE: I don't think that he has so stated.

MR. MORRIS: Just to clarify the position of Marathon in this matter I will get ahead of my statement to that extent.

MR. HINKLE: I believe that that is all.

MR. UTZ: Are there other questions?

Q (By Mr. Hatch:) When you spoke of sixty-five percent must agree, was that sixty-five percent of the owners?

A Right, plant owner's interest.

Q By numbers?

A By Interest.

Q Sixty-five percent of the ownership interest?

A Interest.

Q You said there were thirty-nine plant owners and sixty-five percent would not require sixty-five percent of

the thirty-nine, if I understand you correctly?

MR. MORRIS: I think I can clear this up. The plant owners own different percentage interests in the plant to make up a hundred percent. It is the total interest that must exceed sixty-five percent, not sixty-five percent of the number of owners.

MR. HATCH: I see.

Q (By Mr. Hatch) The next question is, what is the largest percent of ownership of the plant?

A Marathon.

Q What is their percentage?

A Twenty-two.

Q One other question. Were any of these other operators required to or approached on building their own pipeline?

A No sir.

Q Were any of them requested to give a guarantee for pay?

A No sir.

REDIRECT EXAMINATION

BY MR. MORRIS:

Q One other question along this same line. Has the original construction agreement been construed by Marathon, as operator, to mean that all wells located within the plant area as originally designated were to be hooked up without further approval by the plant

owners and without requiring any guarantees?

A Yes sir.

Q And the reason that this particular well had to be treated differently from that is that it lies outside the plant area?

A That's correct.

RECROSS EXAMINATION

BY MR. UTZ:

Q Mr. Dowden, does Gulf own an interest in this plant agreement.

A Yes, I am sure they do.

Q They have got some wells in the pool?

A No sir, they are not a plant owner.

Q They are not?

A No sir.

Q (By Mr. Morris:) Let me ask a clarifying question here. Is it necessary for all of the operators in the plant area to be plant owners?

A No sir, it is not necessary.

Q There are some plant operators in the plant area who are not plant owners but who have gas processed in -

A By the processing agreement.

Q - in the plant.

A Set up in the operator's agreement.

Q (By Mr. Utz:) Anybody in the red line in your Exhibit

No. 1 has the opportunity of participating in your plant agreement?

A Yes sir.

Q Without having to build their own lines or pay for their own lines?

A That's correct.

Q Referring to Section 22 and 22 South and 23 East, this is slightly hypothetical but a very distinct possibility. If Gulf had completed that dry hole in Section 22 what would their position have been?

A I am sure it would have been the same position. We wouldn't deviate from the operating agreement.

Q (By Mr. Morris:) You mean by that you would have had to submit a proposal and circulate it among the plant owners in order to hook them up because they lie outside the plant area?

A Yes.

Q (By Mr. Utz:) Now how did your agreement fit David Passkin?

A David Passkin is not connected to the plant. You are talking about the Marathon gas completions?

Q Not processed through the plant?

A No sir.

Q He just sells natural gas, doesn't he?

A Passkin's goes through natural gas.

Q Not processed anywhere?

A Not to my knowledge.

Q Directly into the line?

A That's right.

Q There were two dates here I didn't get. Now the first offer that you sent to Southwestern and just the one they rejected and I can't remember which one it was now - I believe to build their own line -

A That again I cannot-this was all done verbally. It's somewhere in October or the early part of November, it could possibly have been but I cannot possibly tell you the exact date. It was all a verbal communication.

Q First let me ask, does this map show all the wells that are completed in the Indian Basin Pool?

A Yes sir.

Q And all the wells are processed except for David Passkin's wells and the split connections?

A And the split connections. Southern Union Gas takes from Pan American Federal. Pan American, Smith Federal in Section 11, Pan American, Honolulu Oil Gas Corporation in Section 13, Township 22 South Range 23 East. Those are wet gas wells.

Q You are talking about plant capacity here. Is your testimony to the effect that your plant just doesn't have the capacity to handle any more gas including

the Mershon well?

A Anymore than we are handling at the present time.

Q Yes.

A And what we consider we are handling of theirs now?

Q Yes.

A And at the present time we feel like if we were to put 1.2 million of their gas in right now, it would cut 1.2 million cubic feet of gas a day from the plant owners in the plant area.

Q Any further gas in the form of back allowable would further cut the takes of people already connected?

A Yes sir.

Q This is something that does happen in any prorated gas pool, is that correct, every new well that comes in the pool cuts the allowable of everybody else in the pool?

A Natural Gas Pipeline did increase the D.C.Q. for this well when it was connected to the plant. They increased D.C.Q. from 165 to 167, somewhere in there.

MR. MORRIS: I think there may be a misunderstanding here. At the present time the well is connected and the plant is handling the current allowable. What we are talking about is what is the back allowable that would have to be handled if this application were approved.

MR. UTZ: It is not so much that the plant can't handle the back allowable, it's the question of this hearing,

but if it did handle it, it would cut allowables in the pool?

A Yes sir in the summer time, right now.

Q And further, that the volume of back allowable in question here could not be produced in a one year's time, over a year?

A Right, yes sir. Whenever we could handle it, as you say, it would have to be certain periods of time and probably in the winter time.

MR. UTZ: Any more questions?

RECROSS EXAMINATION

BY MR. HINKLE:

Q Back up allowable which they are requesting in this case would amount to around three million per day?

A No, they are asking for -

Q With the regular allowable all together around three million?

A Yes sir, that's my understanding.

Q Now isn't it a fact that you are already taking more than that from this well?

A Possibly it could be.

Q All right. Isn't it a fact that on July 31st you were taking at the rate of 3.1 M.C.F? On 8-1-70 you were taking at the rate of 3.15 M.C.F? On 8-2-70 you were taking at the rate of 3.15 and on 8-3-70 you were taking 3.15?

A I haven't seen those charts. I don't know.

Q Those figures which I gave you are from the measurements from the gas produced on this subject well and it has gone into your plant. This is contrary to your testimony that your plant could not run it?

A I can bet you for sure that when this is happening that we are going out and cutting back on one of our wells to take this gas.

Q You are taking it?

A I can't say we are. I haven't seen it. If Don says so, then it's probably right, it is right.

Q One other question I have. Now, I am not altogether clear how many of your plant owners would you have to contact under your agreement, plant ownership, before you could obtain approval to connect this well?

A There again, I go to sixty-five percent. We send out to everybody.

Q Does this mean sixty-five percent of the thirty-nine owners or -

A No sir.

Q - or owners in acreage?

A We own twenty-two percent of the plant. Chevron owns, I think, ten percent. You add those two, that's thirty percent and that would be the other operators within the plant would have smaller percentages.

Q How many in number was it necessary for you to contact to get permission to connect this well?

A I couldn't tell you that. We sent them out to all thirty-nine and we wait until we get sixty-five percent of the interest holders. When we get sixty-five percent -

Q Of the total number of owners?

A Not total number, sixty-five percent.

Q Of the total percentage of ownership?

A Yes.

Q But you can't say actually how many are involved?

A I can't say.

Q It could have been four or five or six or seven?

A Yes sir.

Q But it's not a great number of people, is it?

A Well, let me give you a few interests. It does -

Q (By Mr. Morris:) Do you have a current list of your ownership?

A I don't have a current percentage, no sir.

Q How current is your information?

A This is '66, 1966, September 1st, looking at .22 percent, Marathon, ten percent Chevron. The next highest is six, the next highest is seven percent from Pan American. The next highest - it would take, I am going to say, it is going to take as many as twenty. That

is just a round figure. Don't pin me down to that.

Q (By Mr. Hinkle:) Did Marathon vote for or against?

A Voted for on both ballots, on the first one and the second one.

Q On what date, if your records show, did you have sixty-five percent?

MR. MORRIS: Are you referring to the second ballot?

MR. HINKLE: Yes, whatever was necessary.

A Probably a three week lack by the time we got the last one back.

Q (By Mr. Morris:) What date would that have been?

A We sent it out on February 13, somewhere in the first week in March.

Q (By Mr. Hinkle:) You did have the consent?

A Yes sir.

Q And when did you notify Southwestern that you had the consent?

A March 20th.

MR. HINKLE: That's all I have.

MR. UTZ: Other questions?

MR. HATCH: I have one more question, suppose sixty-five percent had never approved, what would have been the situation? Would it have been Marathon's position that it was just too bad?

MR. MORRIS: I think I had better attempt to answer that. Well - if the witness can answer it, answer it.

A Really, the first one, Marathon, the first ballot we didn't get sixty-five percent interest. Marathon took it upon themselves to try and the gas coming into the plant means money to the plant owners. We get 2.25 cents per M.C.F. plant liquids. We can make money by pouring gas into the plant. As plant operators we have to be looking for the plant owners in order to increase revenue and if we hadn't got sixty-five percent on the second ballot, I feel sure that we would have tried to do something, yes sir. I don't know what it would have been but I think we have acted in good faith in trying to connect them to the plant. I don't know if I have answered your question.

MR. MORRIS: Let me point out that Marathon is not purchaser of this gas. Marathon is just the processor. It is Natural Gas Pipeline which imposed the condition upon Southwestern that it get its gas processed through this plant before Natural Gas Pipeline would buy it and all of the arrangements that Marathon had with Southwestern are specifically conditioned upon having to get the approval of the plant owners and it is entirely possible that Southwestern might have had to go back and make a contract with Southern

Union or Natural Gas Pipeline would have had to agree to take their gas into their facilities without processing or it is difficult to speculate on what might have been worked out. I did want to emphasize that sometimes we lose sight in discussing this problem that Marathon is not actually the gas purchaser involved.

MR. UTZ: They are the gatherer and plant operator.

MR. MORRIS: Yes.

MR. HATCH: They make the nominations.

MR. MORRIS: No.

MR. UTZ: Yes.

MR. MORRIS: I stand corrected.

MR. UTZ: They make nominations for Natural Gas.

They are the gatherer and make nominations.

MR. MORRIS: I am sorry. I stand corrected.

MR. UTZ: Other questions? The witness may be excused.

(Witness excused)

(Mr. Bennett recalled as a witness,

testified as follows:

REDIRECT EXAMINATION

BY MR. HINKLE:

Q Mr. Bennett, you have heard the testimony of Mr. Dowden?

A Yes.

Q That has just been given?

A Yes.

Q He testified with respect to the negotiations between Marathon and Southwestern Natural Gas Company. Were all of the negotiations between Southwestern and Marathon or between Natural Gas Pipeline Company and Southwestern and Marathon?

A Between all three parties.

Q I hand you a letter dated November 12, 1969 which we would like to have identified as Exhibit B.

(Whereupon, Applicant's Exhibit B was marked for identification.)

Q What does that letter show.

A This is a letter from Natural Gas Pipeline to Southwestern Natural Gas stating for purposes of contract any reserve volume to be assigned to the subject well and under the terms of this contract a certain contract nomination below which we would not be expected to produce although it could be a higher nomination than that.

Q Here is another letter dated November 14, 1969 from Natural Gas Pipeline to Southwestern which I would like to have identified as C.

(Whereupon, Applicant's Exhibit C was marked for identification.)

Q Please refer to that Exhibit and state what it shows.

A This is a request from Natural Gas Pipeline to

Southwestern Natural Gas that we approve the reserve estimation and application on nomination formula as presented by them.

Q Well, to all intents and purposes all the negotiations were concluded along about that time?

A With Natural Gas Pipeline, yes sir.

Q (By Mr. Utz:) What is the date of that letter?

A November 14, 1969, approved by Southwestern Natural Gas November 24, 1969.

Q (By Mr. Hinkle:) And then you had Exhibit B, you testified this morning, which showed that they had been completed as of December 1st?

A Right. This was the date that Natural Gas Pipeline informed us that they had agreed with Marathon to indemnify them against any non-payout of construction costs which they based on their reserve estimate of the well plus its initial and their estimated nomination and producing capacity.

Q Now, with regard to the testimony of Mr. Dowden as to the amount of gas running from this subject well at the present time, is that the amount which the well producing at the present time, around 3.15?

A Right. We had requested that the producing rate be set for a number of days so we could exhibit capacity of the well to produce the three thousand M.C.F. per

day we have requested.

Q And that has been approved and allowed and they are running the gas?

A Yes, this test has been conducted. The production from the well, to my knowledge, has not been below two thousand M.C.F. per day and has been running before we put this test on from twenty-seven hundred to twenty-nine hundred M.C.F. per day.

Q Do you have any further comments to make to the Commission?

A Yes, in regard to the capacity to the plant it is our understanding that production from the plant is currently running during the hot summer months from a hundred and ninety-two thousand M.C.F. per day to two-hundred and five thousand M.C.F. per day. The premise that we made in our original and in our current request for this back allowable assignment indicates a period of four-hundred and ten days based on contract allowable. We further stated in there this was subject to plant limitations and would have to be arranged during the periods the plant has the capacity to take the gas and would be capable of handling the gas with no problem to the plant.

Q In your opinion, with the winter months coming on would this additional allowable, if granted, could be

handled within the next year?

A Yes, I believe so. It could be taken care of in that length of time and we originally based the time period required on four-hundred and ten days on this one thousand eight-hundred and fifty-one as being some number that we could stay with to arrive at an approximate number of days. It could have been predicated on certain percent of nomination if nominations would vary significantly. Our information from the purchaser was that nominations would not vary significantly from the point set. To date they have varied from one thousand eight fifty-one which we have never produced to this high of 3.15 and 2.7 and 2.9.

Q Do you recall the testimony of Mr. Dowden with respect to the contract entered into with Southwestern which states they have a capacity of two-hundred and twenty thousand?

A Yes.

Q Have you ever been advised before that that is not correct?

A No sir.

Q Do you have anything else that you would like to state?

A Not at this time. That is all.

MR. UTZ: Questions of the witness?

Q (By Mr. Morris:) With reference to the capacity stated in the contract that that is the maximum capacity, is that correct?

A That is true.

Q Would you agree that the capacity would be considerably less than that during the summer months due to the quality requirements of the pipeline?

A It would be reduced a certain amount.

MR. MORRIS: That is all I have.

MR. HINKLE: They did not make any exception in the contract in stating the two twenty?

A No sir.

Q (By Mr. Utz:) Mr. Bennett, you have asked for four hundred and ten days to produce this gas. Are you familiar with our well balance and procedures and gas proration scheme?

A Not extensively.

Q If you were to receive this volume of back allowable, four hundred and seventy some thousand effective September 1st, you would have four months left out of this current proration period in which to produce this volume of gas. If it wasn't produced then you would have the first half of next year, from January to June 30 next year to produce it at which time if it was not produced it would be canceled. I don't think anywhere in these proceedings have you requested any

exception from that nor do I think it has been advertised to include that, has it?

A No.

MR. HINKLE: Would it necessarily advertised if that is the rule? I think the application would have to be subject to existing rules and we would have to abide, if this is granted, we would have to abide by the rules.

A At such time as it were granted should the allowable be granted on a certain period then the request for exception would be made if production could not be obtained. Again this is predicated on the plant's capacity to accept this.

MR. UTZ: Well, I won't try to testify, I want to be sure the record is clear in that regard, that you weren't under some misapprehension. Any other questions of the witness? You may be excused. Any further testimony, statements?

MR. KELLAHIN: My short statement gets longer and longer as the case progresses here. This is a case of considerable significance because of the legal questions involved here. Chevron Oil Company is the owner and operator of properties in the Indian Basin - Upper Pennsylvania gas pool and as such has an interest in this proceeding. As the testimony shows, they also have an interest in the plant. The point of our statement has little to do with that phase of it. I believe the exhibits in the case show the properties

as being Standard Oil Company of Texas. Those have been changed to Chevron Oil Company and they are the same properties. Chevron objects to the assignment of back allowable to Southwestern Natural Gas Company and request that this application be denied.

Now basically what we are concerned with here is the authority of this Commission to grant back allowable. Section 65313 makes provision for this Commission, under the proper circumstances to prorate allowable production in gas pools and it also makes a provision that the Commission can include on the proration schedule any gas well which it finds being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. The Commission rules 601 makes the same provision.

The Commission Rule 1104 provides the allowable assigned to a gas well shall be effective at 7 A.M. on the date of connection to the gas transportation facility.

Basically, the problem here is, was Southwestern Natural Gas Company, Inc., unreasonably denied access to a gas transportation facility? We submit the testimony in this case very clearly shows it was not. The witness, Mr. Bennett, testified that they had negotiated with Southern Union and could have connected immediately so therefore they had access to a gas transportation facility reasonably capable

of handling the type of gas being produced by this well. Instead they chose to negotiate with Natural Gas Pipeline. This was their choice and it was a matter of price, apparently, or the ability of the purchaser to take the gas. Those two things are not matters for the Commission to consider at this time. The Commission has absolutely nothing to do with price and if there is a problem in connection the ability of the pipeline to take, that is not to be resolved by the application for assignment of back allowable. That would be an entirely different type of proceeding. We submit under the current laws, rules and regulations of this Commission, the Commission has no jurisdiction to grant back allowable in this case and we request that the Commission assign its allowables in accordance with the laws and pool rules and provisions of Rules 1104 and 601 and that there be no back allowable granted in this case.

MR. HINKLE: I would like for the record to show, if I am not correct you can correct me on this, that Chevron is the operator of the Bogle Flats Unit in which Marathon and Standard of Texas, formerly, and Chevron now, have an interest and that is the acreage which was testified to by Mr. Dowden.

MR. KELLAHIN: Were you testifying? I am sure you are correct.

MR. MORRIS: I would like to repeat the position

PAGE 70

of Marathon, basically what I have stated earlier which is twofold in this case. First, that as operator of the Indian Basin processing plant and acting on behalf and speaking here on behalf of the plant owners, that there has been no undue delay, there has been no discrimination involved here in connecting this well into the facility. I believe that the testimony of Mr. Dowden has clearly showed that all the steps that they had to go through to get this well finally connected into the system and, if anything, the extraordinarily measures that Marathon took to negotiate directly with the pipeline purchaser, the necessary arrangements so that this well could be hooked up. It is a peculiar well in that it is the only well that is now hooked into the processing plant that lies outside the plant area and this unfortunately, but necessarily, required extensive negotiations to hook this well up.

I think it is very important to bear in mind that correlative rights of the applicant here have to be measured in terms of the opportunity afforded them to do certain things and at the bottom of the concept of correlative rights is the concept of self help. The applicant could have laid the line itself and been hooked up immediately. It could have negotiated with Southern Union Gas Company, but, as Mr. Kellahin has pointed out, a business decision was made to suffer the delay they knew that would be involved to get the better price from Natural Gas Pipeline. Now that is a business

decision that they certainly were entitled to make but once having made their bed they have to lie in it.

The second portion of our position, Marathon's position, and here again I am underscoring Mr. Kellahin who has already said that this Commission should deny this application if for no other reason on the grounds that it has no statutory authority to grant a back allowable in a case of this sort. Mr. Kellahin has pointed out the provisions of 65313 which says that, "The Commission shall include in the proration schedule of the pool any well which it finds as being unreasonably discriminated against through denial of access to a gas transportation facility." That simply is not true in this case and even it were true all we are talking about, this talks about acting prospectively, not granting a back allowable. If it is shown to the Commission that the well is being denied access to the facility then it can be put on the proration schedule but it says nothing about being put on retroactively and I find nothing in this statute or any other statute that grants the Commission the authority in gas prorationing to assign back allowables. The common purchaser's statute, 65313, is not applicable in this case obviously for the reason that Marathon is not the purchaser but even if we were talking about the common purchaser's statute, there the pertinent language is that the statute requires purchases from gas wells with which

its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to appoint on its gas transportation facilities. For several reasons, the common purchaser's statute is not applicable. To point out, Marathon is not the purchaser and we don't have a situation here where the gas was being tendered to a point on the gas transportation facility during the period of time for which the back allowable is being requested.

I think this case is extremely important as a matter of precedent to this Commission because of the Pandora's box that would be opened in the granting of back allowables to gas wells. By its very nature, gas prorationing must operate prospectively. The granting of back allowable^s can have no affect other than to cut into the allowable production for other wells in the pool and this whole idea of assigning back allowables or of assigning allowables to wells that are not yet connected to a gas transportation facility was fully explored in the life of this particular well in the Case No. 3237 at the regular hearing of this Commission held in April of 1965 in Hobbs. The Examiner will recall that representatives of Natural Gas Pipeline appeared at that hearing requesting, because of the delays that they were going to be facing in making connections, because of F.P.C. certification mainly, that allowables be assigned to all wells from the date of first production regardless of whether

they were hooked up or not and regardless of whether the pipeline purchaser was capable of taking it and the whole concept of gas prorationing and the assignment of allowables to wells in that situation was explored in that hearing and the Commission at that time entered its order denying that portion, not denying, I shouldn't say that, not making any provision for the assignment of wells of gas allowables to wells not connected and capable of producing. That case resulted in Order No. RL670 F which does provide the formula for assignment of allowables to wells in this pool and we submit that there is no reason for this Commission in this case to deviate from that general order.

If the Commission should begin making exceptions, deviations, in its gas prorationing rules in connection with back allowables, as I say, the Pandora's box is truly open. It doesn't take too much imagination to think of all the various applications that could then be brought to the Commission, many of them meritorious, for the assignment of back allowables - delays involved in drilling of a well, I'd say unusual delays in completing a well, delays of innumerable nature involved in getting the gas on the line and getting F.P.C. certification and getting the well actually on production and we certainly suggest to the Commission that when it thinks long and hard about making an exception in this regard that it will recognize that back allowables

cannot be administered properly and will result in extreme confusion in the system of gas prorationing. We strongly recommend to the Commission that this application be denied.

MR. HINKLE: I agree that the Statute 65313 does not apply because it does not apply to prorated areas in my opinion. I haven't made a study or a brief of 65313, that Mr. Morris refers to, but I submit that the rules of the Commission do provide for make-up allowable of this kind and I think that the rules are valid and can be sustained and they ought to be followed unless the Commission has a hearing and repeals the rules.

MR. UTZ: Any other statements?

MR. HATCH: I have a letter from Gulf Oil Corporation which should be read into the record. It is addressed to the Oil Conservation Commission dated August 3, 1970 and states:

"Re: Application of Southwestern Natural Gas, Inc.

for the Assignment of Back Allowable,

Eddy County, New Mexico, Case No. 4392

Examiner Hearing August 5, 1970

Gentlemen:

Gulf Oil Corporation is offset by the Mershon Gas Com Well No. 1, Indian Basin-Upper Pennsylvanian Gas Pool, for which Southwestern Natural Gas, Inc., is asking for a back allowable from the date of completion of the well on September 22, 1969 to date of connection of said well on

June 4, 1970.

We strongly object to this application because the request for an allowable from the date of first completion is contrary to Statewide Rule 1104, which provides that allowables assigned to gas wells shall be effective at 7 A. M. on the date of connection to a gas transportation facility. Possibly this is a harsh rule, but owners of gas wells in New Mexico have always operated under the provision that allowables to newly completed gas wells shall commence on the date of connection to a transportation facility without the justification for a changed rule being advocated, although many cases of hardship have been encountered.

We believe the granting of Southwestern's request is not in the interest of correlative rights because relief of this nature has never been granted to other operators in the past. It should be summarily denied. If relief of this nature is required in the opinion of the Oil Conservation Commission, then it should be provided for by changing the rules to provide that in future cases the owner of a gas well shall be entitled to receive an allowable from the date of completion.

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Yours very truly,

GULF OIL CORPORATION

By M. I. Taylor."

MR. UTZ: Case will be taken under advisement.

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) SS

I, SOVEIDA GONZALES, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Soveida Gonzales
Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 4392, heard by me on Aug 5, 1970.
W. H. [Signature], Examiner
New Mexico Oil Conservation Commission

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J. O. SETH (1883-1963)

A. K. MONTGOMERY
WM. FEDERICI
FRANK ANDREWS
FRED C. HANNAHS
RICHARD S. MORRIS
SUMNER G. BUELL
SETH D. MONTGOMERY

FRANK ANDREWS III
OWEN M. LOPEZ

MONTGOMERY, FEDERICI, ANDREWS, HANNAHS & MORRIS

ATTORNEYS AND COUNSELORS AT LAW

350 EAST PALACE AVENUE
SANTA FE, NEW MEXICO 87501

October 13, 1970

POST OFFICE BOX 2307
AREA CODE 505
TELEPHONE 982-3876



New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico 87501

Attention: Mr. Elvis Utz, Examiner

Re: Application of Southwestern Natural Gas, Inc.
Case No. 4392
Hearing Date: 8/5/70

Gentlemen:

At the hearing of this application, Marathon Oil Company opposed the applicant's position and offered evidence through its witness and employee, Mr. Curtis Dowden. A review of that testimony has raised the possibility that Marathon's position on several aspects of the case may not have been fully explained. Accordingly, we wish to clarify Mr. Dowden's testimony in the following respects:

At various places in the transcript of the hearing (one particular instance appearing at pages 34-36) Mr. Dowden testified concerning the limitations placed upon Marathon as Plant Operator in making expenditures. His testimony was to the effect that approval of Plant Owners was necessary prior to making any expenditure outside the Plant Area. A complete and proper explanation of this point is as follows:

"Approval of Plant Owners was not a specific condition before gathering lines could be built to wells located in the Plant Area, however, Marathon as Plant Operator cannot make any expenditure in excess of \$10,000.00 without the Plant Owners prior approval. If an estimated expenditure exceeds \$10,000.00, then Marathon must obtain Owners approval. If the estimated cost is less than \$10,000.00, Marathon can, if it chooses, make the decision as to whether or not to make the expenditure. The \$10,000.00 limitation is applicable to any expenditure and not just well connections. In the case of connection costs it would be applied to any well whether located

-2-

10/13/70

N.M. Oil Conservation Commission

within or outside of the Plant Area and whether owned by a Plant Owner or not."

Some confusion also exists in the record concerning the operating capacity of the Plant (for instance, see pages 44-45). A complete and correct statement in this regard is as follows:

"The maximum safe operating capacity of the Plant is 220,000 MCF of inlet gas per day, which, when processed and treated, results in 210,000 MCF per day of residue gas. At the present time the Plant is operating at capacity, and Marathon expects it will continue to do so through this winter and for a long time into the future. If excess gas from the Southwestern Well is processed at the Plant, gas produced by others connected to the Plant must be reduced proportionately."

Marathon also believes that the record does not completely reflect the chronology of events from the date of completion of the subject well to the date of its connection to the pipeline. In this regard, we submit and attach hereto a chronology which has been checked against Marathon's records and believed to be accurate and complete in all respects.

On behalf of Marathon Oil Company, we respectfully request that the Examiner and the Commission consider the matters set forth in this letter as part of the record in this case. In the event Southwestern should dispute any matters set forth herein, we would suggest that the case be reopened, at which time Marathon will have its witnesses available for examination. We regret having to make this request of the Commission, but we feel that making this request is preferable to allowing the present record to stand in a form which we know is incomplete and which may be misleading to the Commission.

Very truly yours,



RSM:peg
Enc.

cc

Clarence Hinkle, Esq.
Warren B. Leach, Jr., Esq.

NEW MEXICO OIL CONSERVATION COMMISSION
APPLICATION OF SOUTHWESTERN NATURAL INC. FOR BACK ALLOWABLE
CASE 4392
CHRONOLOGY

- | | |
|--|----------------|
| (1) Well Completion Date. | 9/22/69 ✓ |
| (2) Marathon discussions with Southwestern. All verbal. Southwestern refused to build line and then refused to guarantee payout of line. | 11/1-14/69 |
| (3) NGPL verbally agrees to guarantee payout of line. | 11/17 or 18/69 |
| (4) MRO sends initial draft of "payout" agreement to NGPL. Requested letters on reserves and DCQ. | 11/21/69 |
| (5) MRO submits conditioned proposal to Southwestern. | 11/21/69 |
| (6) Southwestern executes gas sales contract with NGPL. | 11/21/69 - |
| (7) Southwestern executes letter agreement with NGPL on reserves. | 11/24/69 |
| (8) Southwestern returns executed Processing Agreement. | 11/26/69 |
| (9) NGPL returned revised draft of "payout" agreement. | 11/26/69 |
| (10) MRO letter to Southwestern transmitting revised pages to Processing Agreement. | 11/26/69 |
| (11) NGPL signs gas sales contract with Southwestern. | 12/1/69 |
| (12) MRO sends "payout" agreement, dated 12/2/69, to NGPL for execution. | 12/2/69 |
| (13) NGPL letter to MRO on total field reserves and DCQ. | 12/9/69 |
| (14) NGPL signs "payout" agreement. | 12/12/69 |
| (15) MRO ballot to Plant Owners. | 12/17/69 |
| (16) Southwestern receives FPC certificate (temporary). | 1/8/70 |

- (17) MRO concluded that approval of 12/17/69 ballot could not be obtained. 2/6/70
- (18) MRO discussions with NGPL on modifying "payout" agreement. They verbally agreed. 2/10 or 11/70
- (19) MRO draft of "payout" modification letter to NGPL. 2/13/70
- (20) Second ballot to Plant Owners 2/17/70
- (21) Plant Owners approve second ballot 3/9/70
- (22) NGPL gives verbal approval of draft of "payout" modification letter. 3/10-19/70
- (23) Modified "payout" agreement to NGPL. 3/19/70
- (24) Fully executed copy of Processing Agreement, dated 3/19/70, to Southwestern. 3/20/70
- (25) Pipeline ROW surveyed. 3/23,24,25/70
- (26) Hobbs initiates pipe purchasing. 3/26/70
- (27) Survey report received at Midland. 4/2/70
- (28) Purchase Order for pipe dated. 4/3/70
- (29) Telephone call to BLM inquiring about temporary permit. BLM advised it would be granted. 4/8/70 (?)
- (30) Letter to Southwestern advising
 - (1) ROW approved
 - (2) Materials ordered for pipeline
 - (3) Contractor selected
 - (4) Estimated completion 5/15/70. 4/8/70
- (31) MRO applies for temporary ROW permit with BLM. 4/10/70
- (32) Selected pipeline contractor. 4/16 or 17/70
- (33) Southwestern receives FPC Certificate (permanent). 4/17/70
- (34) Applied for permanent ROW permit. 4/18/70
- (35) Temporary (pre-permit) ROW permit granted. 4/20/70
- (36) Commenced pipeline construction. 4/20/70
- (37) Permanent ROW permit granted. 5/8/70
- (38) Pipeline complete. 6/3/70



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2083 - SANTA FE

87801

GOVERNOR
DAVID F. CARGO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

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

October 14, 1970

Mr. Clarence Hinkle
Hinkle, Bondurant, Cox & Eaton
Attorneys at Law
Post Office Box 10
Roswell, New Mexico 88201

Re: Case No. 4392
Order No. R-4035
Applicant:
Southwestern Natural 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

ALP/ir

Copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Aztec OCC

Other Mr. Richard Morris, Mr. Jason Kellahin

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4392
Order No. R-4035

APPLICATION OF SOUTHWESTERN NATURAL
GAS, INC., FOR THE ASSIGNMENT OF BACK
ALLOWABLE, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 5, 1970,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 14th day of October, 1970, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the Southwestern Natural Gas, Inc., Marshon Well
No. 1, located in Unit A of Section 21, Township 22 South, Range
23 East, NMPM, Eddy County, New Mexico, was completed as a pro-
ducing gas well in the Indian Basin-Upper Pennsylvanian Gas Pool
September 22, 1969, having 360 acres comprising the N/2 and the
N/2 N/2 N/2 S/2 of said Section 21 dedicated to said well.

(3) That the subject well was connected to a gas transporta-
tion facility on June 4, 1970.

(4) That the applicant, Southwestern Natural Gas, Inc.,
seeks the assignment of back allowable to the subject well for
the period from date of completion of said well to date of
connection of said well to a gas transportation facility.

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CASE No. 4392

Order No. R-4035

(5) That no gas purchase agreement covering said well was entered into between Southwestern Natural Gas, Inc., and Natural Gas Pipeline Company of America until November 21, 1969.

(6) That on November 21, 1969, there existed in the Indian Basin-Upper Pennsylvanian Gas Pool a gas gathering and transportation facility operated by Marathon Oil Company which was reasonably capable of handling and delivering to the gas transportation facility operated by Natural Gas Pipeline Company of America the type of gas produced by the subject well.

(7) That the evidence adduced at the hearing indicates an average delay of approximately 2.4 months from date of completion of a well in Indian Basin-Upper Pennsylvanian Gas Pool to date of connection to a gas transportation facility.

(8) That a delay of as much as 2.4 months, or from November 21, 1969, until February 1, 1970, would not be an unreasonable delay from date of execution of a gas purchase agreement to date of connection for a gas well in Indian Basin-Upper Pennsylvanian Gas Pool, and would not constitute unreasonable discrimination against such a well.

(9) That a delay of more than 2.4 months to connect a gas well in Indian Basin-Upper Pennsylvanian Gas Pool after execution of a gas purchase agreement would be an unreasonable delay and would constitute unreasonable discrimination against such a well.

(10) That the Southwestern Natural Gas, Inc., Marshon Well No. 1 was unreasonably discriminated against through denial of access to a gas transportation facility which was reasonably capable of handling the type of gas produced by said well for the period from February 1, 1970, to June 4, 1970.

(11) That the subject well should be assigned an allowable for the production of gas from the subject pool for the period February 1, 1970, to June 4, 1970, in accordance with the allowable factors for the pool during said period of time.

IT IS THEREFORE ORDERED:

(1) That the Southwestern Natural Gas, Inc., Marshon Well No. 1, located in Unit A of Section 21, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, is hereby assigned an

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CASE No. 4392

Order No. R-4035

allowable for the production of gas from the Indian Basin-Upper Pennsylvanian Gas Pool for the period from February 1, 1970, to June 4, 1970, in accordance with the allowable factors for the pool during said period of time.

(2) That the allowable assigned above in Order (1) to the subject well may be produced at any time prior to December 31, 1971, in addition to the allowable regularly assigned to the subject well.

(3) That the Secretary-Director of the Commission shall have the authority to suspend cancellation of underproduction accrued to the subject well and subject to cancellation as of January 1, 1971, and July 1, 1971, upon request by the operator of said well when such authority is necessary to avoid undue hardship upon the operator of the well. Said request shall be filed with the Santa Fe office of the Commission within 15 days following each of said dates.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

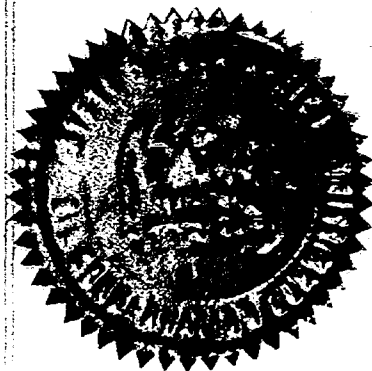
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


ALEX J. ARMIJO, Member


A. L. PORTER, Jr., Member & Secretary



ear/

Case 4392

Heard. 8-5-70

Rec. 8-25-70

Grant Southwestern Nat. Gas
back allowable for their Merion Gas
Com #1, A 21-225-236. Indian Basin -
Upper Penn. Gas Order follows.

Exhibit #3 of applicant shows the Ave.
connection time for wells in this area
is 2.3 months.

Exhibit #4 of applicant shows that
the contract with Natural Gas Co. was
signed 11-21-69.

I recommend the applicant be
assigned and allowable from 2.3 mo.
following 11-21-69 or Feb 1, 1970 to
date of connection. 4.1333 months.
The allowable would calculate
314,084 Mcf for an acreage factor
of .56.

Thos H. B.

Docket No. 18-70

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 5, 1970

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 4385: (Continued from the July 15, 1970 Examiner Hearing)

Application of King Resources Company for a unit agreement, Otero County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Brokeoff Mountain Unit Area comprising 37,747 acres, more or less, of Federal, State and Fee lands in Townships 24, 25, and 26 South, Ranges 19 and 20 East, Otero County, New Mexico.

CASE 4388: Application of Humble Oil & Refining Company for an exception to Order No. R-3221, as amended, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico. Said exception would be for applicant's Florence B. Lusk, DeSmet Federal, and Hesse Federal leases located in Sections 6 and 7 of Township 15 South, Range 30 East, Double L Queen Pool, Chaves County, New Mexico. Applicant seeks authority to dispose of salt water produced by wells on said leases in unlined surface pits located in the vicinity of said wells.

CASE 4389: Application of Coastal States Gas Producing Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Upper Pennsylvanian formation through the perforated interval from 9789 to 9924 feet in its State "27" Well No. 2 located in Unit F of Section 27, Township 14 South, Range 32 East, Turk-Pennsylvanian Pool, Lea County, New Mexico.

CASE 4390: Application of Murphy H. Baxter for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North E-K Queen Unit Area comprising 978 acres, more or less, of State lands in Township 17 South, Range 33 East, and Township 18 South, Ranges 33 and 34 East, E-K Yates-Seven Rivers-Queen Pool, Lea County, New Mexico.

Examiner Hearing - August 5, 1970

Docket No. 18-70

-2-

- CASE 4391: Application of Murphy H. Baxter for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its North E-K Queen Unit Area by the injection of water into the Queen formation through 4 wells located in Units A, D, F, and G of Section 7, Township 18 South, Range 34 East, E-K Yates-Seven Rivers-Queen Pool, Lea County, New Mexico. Applicant further seeks a procedure whereby said project may be expanded administratively without a showing of well response.
- CASE 4392: Application of Southwestern Natural Gas, Inc. for the assignment of back allowable, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the assignment of back allowable to its Merston Gas Comm Well No. 1 located in Unit A of Section 21, Township 22 South, Range 23 East, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, for the period from the date of completion of said well on September 22, 1969, to the date of connection of said well on June 4, 1970.
- CASE 4393: Application of Mobil Oil Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation in the open-hole interval from 12,240 feet to 12,463 feet in its Santa Fe Pacific Well No. 3 located in Unit M of Section 26, Township 9 South, Range 36 East, Crossroads-Devonian Pool, Lea County, New Mexico.
- CASE 4394: Application of Phillips Petroleum Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Plata Deep Unit Area comprising 5,600 acres, more or less, of Federal and State lands in Sections 8, 9, 10, 11, 14, 15, 16, 22 and 23 of Township 20 South, Range 32 East, Lea County, New Mexico.
- CASE 4395: Application of Consolidated Oil & Gas, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Abo formation in the perforated interval from 8915 to 8926 feet in its Shipp Well No. 1-17 located in Unit H of Section 17, Township 17 South, Range 37 East, Midway Abo Pool, Lea County, New Mexico.

Examiner Hearing - August 5, 1970

Docket No. 18-70

-3-

CASE 4396: Application of Klabzuba, Munson and Seaman for a dual completion and salt water disposal, Chaves County, New Mexico. Applicants, in the above-styled cause, seek authority to dually complete its (Varel) Avalanche Journal Well No. 1 located in Unit N of Section 18, Township 10 South, Range 28 East, Chaves County, New Mexico, in such a manner as to produce gas from the San Andres formation in the perforated interval from 2186 to 2204 feet of the Race Track (San Andres) Pool through the casing-tubing annulus and dispose of produced salt water through tubing into the San Andres formation of said pool in the perforated interval from 2262 to 2289 feet.

CASE 4397: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Rio Trust and all other interested persons to appear and show cause why the following Rio Trust wildcat wells located in Section 2, Township 1 North, Range 2 East, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program:

Little Chama Valley Co. Well No. 1
located 660 feet from the North line
and 1380 feet from the West line;

Sargent Well No. 1 located 925 feet
from the West line and 1445 feet from
the South line.

CASE 4267: (Reopened)

In the matter of Case No. 4267 being reopened by the Oil Conservation Commission on its own motion to permit Edward M. Kriss and all other interested parties to appear and show cause why the Edward M. Kriss Little Chama Valley Company Well No. 1, a wildcat well, located 545 feet from the North line and 1530 feet from the West line of Section 2, Township 1 North, Range 2 East, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 4398: Application of Michael P. Grace and Corinne Grace for compulsory pooling and unorthodox gas well locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface of the ground down to and including the Morrow formation underlying the N/2

Examiner Hearing - August 5, 1970

Docket No. 18-70

-4-

(Case 4398 continued)

and the S/2 of Section 2, Township 23 South, Range 26 East, Eddy County, New Mexico, to form two 320-acre proration units for the production of gas from any or all zones of the Pennsylvanian formation. Said N/2 and S/2 to be dedicated to wells to be drilled respectively, at unorthodox locations 2500 feet from the North line and 330 feet from the East line of said Section 2 and 990 feet from the South line and 660 feet from the East line of said Section 2.

Also to be considered will be the costs of drilling said wells, a charge for the risk involved, provisions for the allocation of actual operating costs, and the establishment of charges for supervision of said wells.

CASE 4354: (Continued from the July 1, 1970, Examiner Hearing)

Application of Michael P. Grace and Corinne Grace for compulsory pooling, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all mineral interests from the surface of the ground down to and including the Morrow formation underlying the N/2 of Section 11, Township 23 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico, said acreage to be dedicated to a well to be drilled in either the NE/4 NW/4 or the NW/4 NE/4 of said Section 11. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

Gulf Oil Company U.S.

EXPLORATION AND PRODUCTION DEPARTMENT
ROSWELL DISTRICT

Juan Chacin
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
P. E. Wyche
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

August 3, 1970

P. O. Drawer 1938
Roswell, New Mexico 88201

Oil Conservation Commission
State of New Mexico
Post Office Box 2088
Santa Fe, New Mexico 87501

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

Re: Application of Southwestern Natural Gas, Inc.
for the Assignment of Back Allowable,
Eddy County, New Mexico, Case No. 4392
Examiner Hearing August 5, 1970

Gentlemen:

Gulf Oil Corporation is offset by the Mershon Gas Com Well No. 1, Indian Basin-Upper Pennsylvanian Gas Pool, for which Southwestern Natural Gas, Inc. is asking for a back allowable from the date of completion of the well on September 22, 1969 to date of connection of said well on June 4, 1970.

We strongly object to this application because the request for an allowable from the date of first completion is contrary to Statewide Rule 1104, which provides that allowables assigned to gas wells shall be effective at 7 A.M. on the date of connection to a gas transportation facility. Possibly this is a harsh rule, but owners of gas wells in New Mexico have always operated under the provision that allowables to newly completed gas wells shall commence on the date of connection to a transportation facility without the justification for a changed rule being advocated, although many cases of hardship have been encountered.

We believe the granting of Southwestern's request is not in the interest of correlative rights because relief of this nature has never been granted to other operators in the past. It should be summarily denied. If relief of this nature is required in the opinion of the Oil Conservation Commission, then it should be provided for by changing the rules to provide that in future cases the owner of a gas well shall be entitled to receive an allowable from the date of completion.

Yours very truly,

GULF OIL CORPORATION

M. I. Taylor
M. I. Taylor



JHH:dch

A DIVISION OF GULF OIL CORPORATION

L.N. DUNNAVANT
VICE PRESIDENT AND
MANAGER OF OPERATIONS

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

SO 1 JUL 9 1970

*Ida,
log this in
for hearing -
Jno*

July 8, 1970

Case 4392

GM

Oil Conservation Commission,
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Elvis A. Utz

Re: Hearing
Mershon Gas Comm., Well #1,
Indian Basin Field, Eddy
County, New Mexico

Dear Sir:

Southwestern Natural Gas, Inc. desires that the subject hearing be held as scheduled on July 29, 1970. Gas from this well is now on stream and is being sold under small producer's certificate, docket no. CS66-127, dated August 11, 1966.

Yours very truly,

SOUTHWESTERN NATURAL GAS, INC.

Don C. Bennett

Don C. Bennett
Operations Manager

DCB/ns

DOCKET MAILED

Date 7/23/70

OIL CONSERVATION COMMISSION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

June 19, 1970

Southwestern Natural Gas, Inc.
900 Building of the Southwest
Midland, Texas 79701

Attention: Mr. Don C. Bennett

Gentlemen:

Your letter of June 16, 1970 has been referred to me by Mr. Porter.

It will be necessary for you to have a hearing for back allowable on your Marshon Gas Com., Well No. 1, before any decision can be made in regard to assigning allowable to the well for the period of time from date of completion to date of first delivery.

Your above mentioned letter can serve as your request for a hearing providing you advise us of your desire in writing by July 9, 1970. The hearing date would be July 29.

If you do desire to have your case heard you should be prepared to show undo delay and ~~discrimination~~ by the plant owners or the purchaser. You should also show dates of FPC request for approval of sale and approval of same.

Please advise if I can be of any further assistance in this matter.

Very truly yours,

ELVIS A. UTZ
Gas Engineer

EAU/ig

cc: Mr. Bill Gressett
Oil Conservation Commission
Artesia, New Mexico 88210

C
O
P
Y

Case 4392

Gulf Oil Company - U.S.

EXPLORATION AND PRODUCTION DEPARTMENT
ROSWELL DISTRICT

Juan Chacin
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
P. E. Wyche
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

August 3, 1970

P. O. Drawer 1938
Roswell, New Mexico 88201

PH 1 01
AUG 1 1970

Oil Conservation Commission
State of New Mexico
Post Office Box 2088
Santa Fe, New Mexico 87501

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

Re: Application of Southwestern Natural Gas, Inc.
for the Assignment of Back Allowable,
Eddy County, New Mexico, Case No. 4392
Examiner Hearing August 5, 1970

Gentlemen:

Gulf Oil Corporation is offset by the Marathon Gas Com Well No. 1, Indian Basin-Upper Pennsylvanian Gas Pool, for which Southwestern Natural Gas, Inc. is asking for a back allowable from the date of completion of the well on September 22, 1969 to date of connection of said well on June 4, 1970.

We strongly object to this application because the request for an allowable from the date of first completion is contrary to Statewide Rule 1104, which provides that allowables assigned to gas wells shall be effective at 7 A.M. on the date of connection to a gas transportation facility. Possibly this is a harsh rule, but owners of gas wells in New Mexico have always operated under the provision that allowables to newly completed gas wells shall commence on the date of connection to a transportation facility without the justification for a changed rule being advocated, although many cases of hardship have been encountered.

We believe the granting of Southwestern's request is not in the interest of correlative rights because relief of this nature has never been granted to other operators in the past. It should be summarily denied. If relief of this nature is required in the opinion of the Oil Conservation Commission, then it should be provided for by changing the rules to provide that in future cases the owner of a gas well shall be entitled to receive an allowable from the date of completion.

Yours very truly,

GULF OIL CORPORATION

M. I. Taylor
M. I. Taylor

JHH:dch



A DIVISION OF GULF OIL CORPORATION



NATURAL GAS PIPELINE COMPANY OF AMERICA

POST OFFICE BOX 236
MIDLAND, TEXAS 79701
PHONE: 684-6383

November 14, 1969

Southwestern Natural Gas, Inc.
900 Building of the Southwest
Midland, Texas 79701

Re: Gas Purchase Contract dated October 1,
1969, between Natural Gas Pipeline
Company of America and Southwestern
Natural Gas, Inc., Eddy County, New
Mexico.

Dear Sir:

Paragraph 9 of Article Fifth provides that an initial reserve determination shall be used to establish the contract quantity. This contract quantity shall become effective the date of first delivery of gas and will remain in effect until changed in accordance with the terms and conditions of the contract.

The initial study has been completed and the parties to the subject contract have determined that the recoverable gas reserves as of the date of this contract are 14,807 MMCF. Application of the formula contained in paragraph 1 of Article Fifth of the above mentioned contract to this reserve volume results in an initial contract quantity of 1,851,000 cubic feet of gas per day. (av. 2.17 MMCFPD)

Please indicate your agreement to the above by completing the acceptance legend provided below and returning one copy for our file.

Very truly yours,

NATURAL GAS PIPELINE COMPANY OF AMERICA

R. L. Medley
Superintendent of Production

Accepted and agreed to this
24 day of November 1969.

SOUTHWESTERN NATURAL GAS, INC.

By

ncf

NATURAL GAS PIPELINE COMPANY OF AMERICA

POST OFFICE BOX 236
MIDLAND, TEXAS 79701
PHONE: 684-6383

November 12, 1969

Mr. L. N. Dunnivant
Southwestern Natural Gas Inc.
900 Building of the Southwest
Midland, Texas 79701

File
Murphy
LF

Dear Mr. Dunnivant:

As discussed in our previous conversations and as requested by you on November 6, 1969, the reserves for an average well in the Indian Basin Field are 26,324 MMCF. The reserve volume for an average field well was computed by dividing the total number of well units into the total recoverable gas in place as agreed to with the operators in the Indian Basin Field, thusly:

$$\text{Average well reserve} = \frac{\text{total recoverable gas in place}}{\text{total number well units}} = 26,324 \text{ MMCF}$$

The daily contract quantity (DCQ) under the terms of the proposed contract would be 1851 MCF/day. The DCQ volume is computed in the following manner:

The Mershon #1 well will have a proration unit consisting of 360 acres; a regular proration unit consists of 640 acres in the Indian Basin Field.
 $\text{DCQ} = (360 \text{ ac}/640 \text{ ac}) \times (26,324 \text{ MMCF}/8000 \text{ MMCF}) = 1851 \text{ MCF/day.}$

If you should have any questions concerning the above computations or volumes, please call me.

Very truly yours,

NATURAL GAS PIPELINE COMPANY OF AMERICA

R. L. Medley
R. L. Medley
Superintendent of Production

RLM/mrc

Outline of testimony of Don Bennett, Petroleum Engineer for Western States Producing Company and Southwestern Natural Gas, Inc.

Re: OCC Case 4392

Qualifications of Witness: Petroleum Engineer

Education background and experience:

(Graduate of Oklahoma State University, 1957. Employed by Texaco after graduation and employed the last two years by Western States Producing Company and Southwestern Natural Gas, Inc.)

Show that witness is familiar with the Indian Basin Upper Pennsylvanian Gas Pool in Eddy County and the operations of Southwestern Natural Gas Inc. and Western States Producing Company in that area.

Show relationship between Southwestern Natural Gas, Inc. and Western States Producing Company.
(Southwestern Natural Gas, Inc. is a wholly owned subsidiary of Western States Producing Company).

Show that witness is familiar with the application which has been filed in this case by Southwestern Natural Gas, Inc.
(The application was filed by Don Bennett, as operations manager for Southwestern Natural Gas, Inc.)

Show that witness has prepared or there has been prepared under his direction certain exhibits for introduction in this case.

Identify Exhibit "A" which consists of several parts which are numbered as Exhibits 1 through 7.

Refer to Exhibit 1 attached to Exhibit "A" and explain what this is and what it shows.
(This is an index map showing the location of the Indian Basin Upper Pennsylvanian Gas Pool)-

Refer to Exhibit 2 and explain what this is and what it shows.
(This shows the location of the subject well and other wells which have been drilled in the vicinity thereof, in the Indian Basin Upper Pennsylvanian Gas Pool.)

What is the purpose of the application in this case?
(Applicant is seeking the assignment of back allowable to its Mershon Gas Comm Well No. 1 located in Unit A of Section 21, Township 22 South, Range 23 East, in the Indian Basin Upper Pennsylvanian Gas Pool for the period from the date of the completion of the well on September 22, 1969 to the date of connection of said well to the stripper plant on June 4, 1970).

Give the history of the drilling and completion of the subject well.

After the well was completed in the Upper Pennsylvanian zone, what efforts did you make to obtain a pipeline connection or market for the gas?

Referring to Exhibits 3 through 7 attached to Exhibit "A", explain what these show.

When did you complete your negotiations with Natural Gas Pipeline Company of America for the purchase of the gas?

Refer to Exhibit "B" and explain this to the Commission.
(This is the letter from Natural Gas Pipeline Company to Southwestern Natural Gas, Inc. dated December 1, 1969. This indicates the negotiations were completed with both Natural Gas Pipeline Company and with Marathon Oil Company as operator of the Indian Basin Gas Plant, the gas gathering system and indicates that Marathon intended to proceed promptly with the construction of the necessary facilities to connect the well).

After December 1, 1969, did you have any other contacts with either or both Natural Gas Pipeline Company of America or Marathon Oil Company relative to taking the gas from the subject well?

Show your contacts with the pipeline company and Marathon trying to get them to expedite construction of the line.

When did you complete facilities at your well for delivery of the gas to the gas plant operated by Marathon?

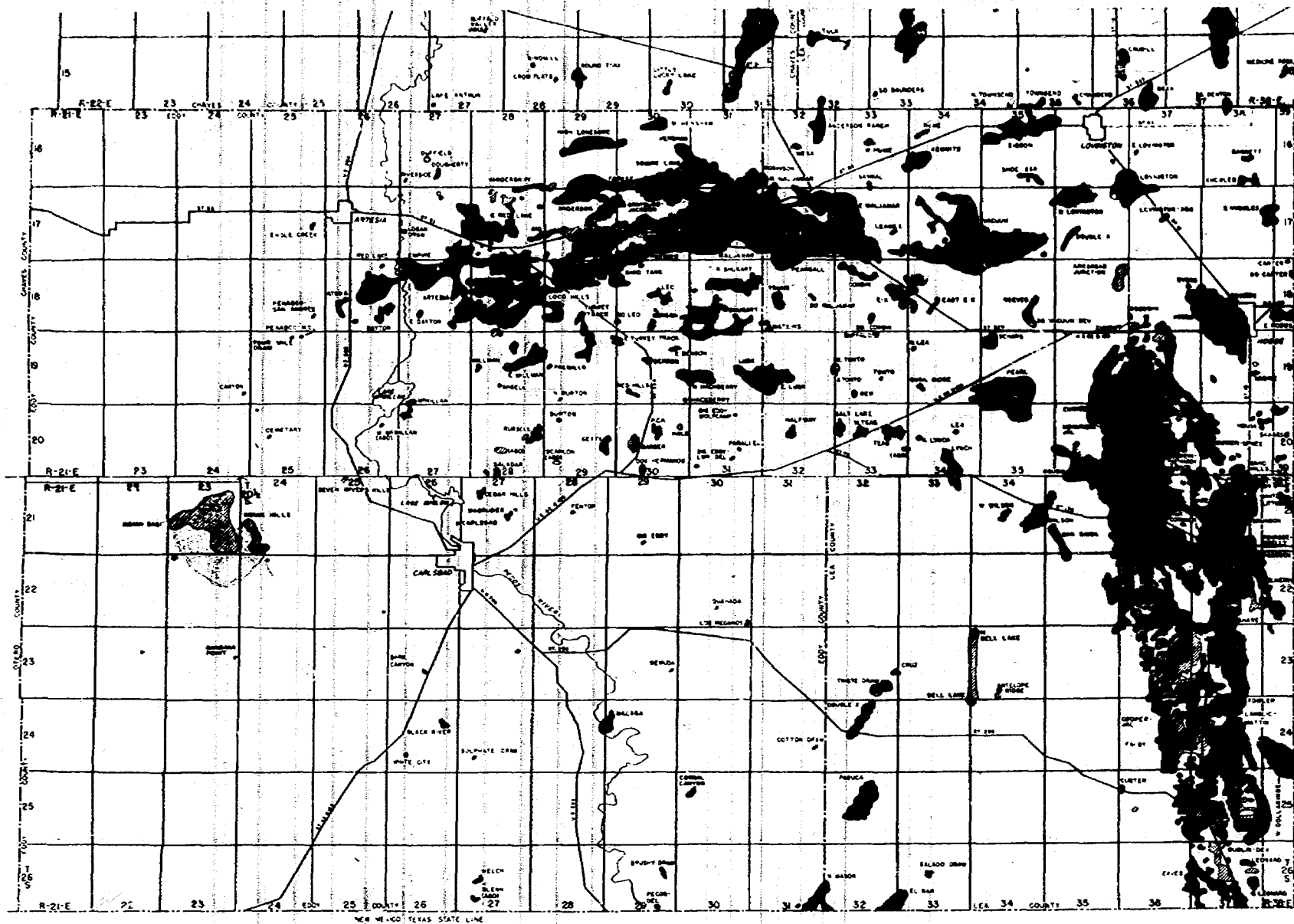
Have you made a diligent effort to do everything possible to obtain a pipeline connection for the marketing of your gas?

Do you feel that the failure to obtain a pipeline connection has been through any fault of either Southwestern Natural Gas, Inc. or Western States Producing Company?

Do you have any information as to whether or not Natural Gas Pipeline Company and the Indian Basin Gas Plant operated by Marathon can handle the back allowable in the event it is granted by the Commission?

On what basis do you figure the back allowable should equitably be granted?

Offer Exhibits "A" and "B" in evidence.



LEGEND
 ● OIL FIELD
 ▨ GAS FIELD

BEFORE EXAMINER, UTZ

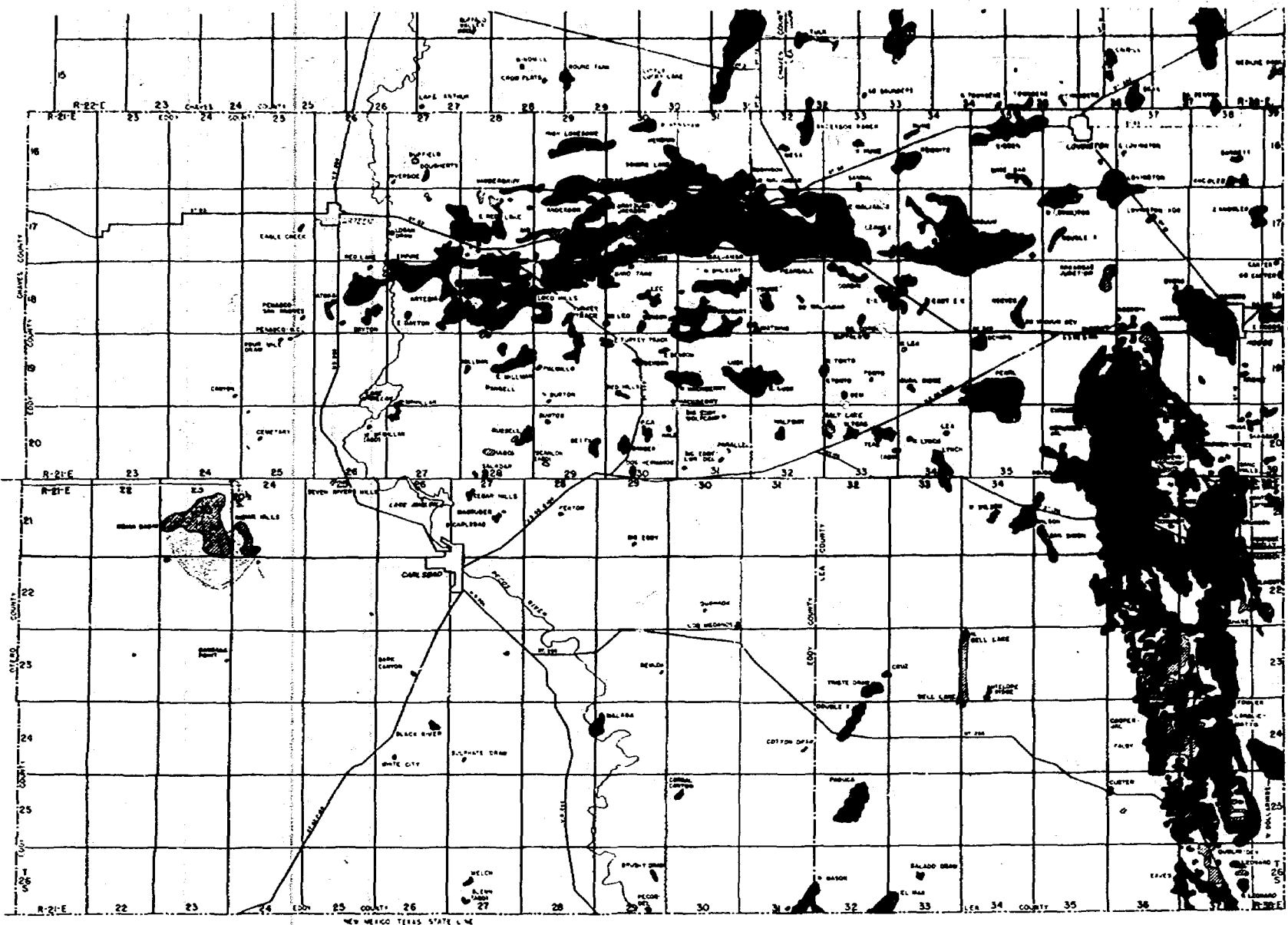
CONSERVATION COMMISSION

EXHIBIT NO. 1

NO. 4392

DEPARTMENT OF THE INTERIOR
 U.S. GEOLOGICAL SURVEY
 CONSERVATION DIVISION - BRANCH OF OIL & GAS OPERATIONS
 MAP OF
 OIL AND GAS FIELDS IN SOUTHEAST NEW MEXICO
 DRAWN BY J. H. BRYAN
 MARCH 1943
 NOWELL, NEW MEXICO
 MAP NO. NOWELL 36

EXHIBIT NO. 1



LEGEND
 OIL FIELD
 GAS FIELD

BEFORE EXAMINER: UTZ

RECORDED WITH EXAMINER'S

EXHIBIT NO. 1

NO. 4392

DEPARTMENT OF THE INTERIOR
 U.S. GEOLOGICAL SURVEY
 CONSERVATION DIVISION - BRANCH OF OIL & GAS OPERATIONS
 MAP OF
 OIL AND GAS FIELDS IN SOUTHEAST NEW MEXICO
 DRAWN BY J. H. BRYAN
 MARCH 1963
 ROSWELL, NEW MEXICO
 MAP NO. ROSWELL 30

EXHIBIT NO. 1

Designated on Exhibit No. 2 with △

INDIAN BASIN FIELD

EDDY COUNTY, NEW MEXICO

Well Completion Dates & Dates First Gas Taken

<u>OPERATOR</u>	<u>WELL</u>	<u>LOCATION</u> sec twp range	<u>COMPLETION DATE</u>	<u>ON STREAM DATE</u>
Atlantic Richfield	#1 Smith-Federal "G"	1-22S-23E	9-15-65	1-66
Pan American	#3 Indian Hills Unit	29-21S-24E	11-16-65	2-66
Pan American	#4 Indian Hills Unit	28-21S-24E	12-20-65	3-66
Pan American	#3-C Indian Basin Fed.	25-21S-23E	12-22-65	3-66
Marathon	#1 Federal "IBB" Gas Com.	14-22S-23E	4-13-66	5-66
Marathon	#1 Federal "IBC" Gas Com.	29-21S-23E	5-11-66	6-66
Marathon	#7 Indian Basin Unit	11-21S-23E	11-9-67	12-67
Pan American	#1 J. H. Smith	11-22S-23E	6-5-65	10-65
Pan American	#1 USA Smith Gas Unit	12-22S-23E	8-20-65	11-65
Standard of Texas	#9 Bogle Flats Unit	17-22S-23E	3-26-66	5-66
Standard of Texas	#6 Bogle Flats Unit	8-22S-23E	11-1-65	2-66
Standard of Texas	#1 Federal "33"	33-21S-23E	11-18-65	2-66
Standard of Texas	#8 Bogle Flats Unit	5-22S-23E	1-10-66	3-66
Texaco	#1 State "DF"	32-21S-23E	3-14-66	5-66
Pan American	#2 Federal "B" Com.	7-22S-24E	1-27-65	2-66
Pan American	#2-D Federal	5-22S-24E	10-30-65	2-66
Union Oil Company of California	#1 Federal "28"	28-21S-23E	11-23-65	3-66
Western States Producing Company	Mershon Gas Com. #1	21-22S-23E	9-22-69	6-70

BEFORE
OIL CONSER
CASE NO.

EXHIBIT NO. 3

2 with △

INDIAN BASIN FIELD

EDDY COUNTY, NEW MEXICO

Well Completion Dates & Dates First Gas Taken

WELL	LOCATION sec twp range	COMPLETION DATE	ON STREAM DATE	DELAY
#1 Smith-Federal "G"	1-22S-23E	9-15-65	1-66	3 1/2 mos.
#3 Indian Hills Unit	29-21S-24E	11-16-65	2-66	3 mos.
#4 Indian Hills Unit	28-21S-24E	12-20-65	3-66	2 mos.
#3-C Indian Basin Fed.	25-21S-23E	12-22-65	3-66	3 mos.
#1 Federal "IBB" Gas Com.	14-22S-23E	4-13-66	5-66	1 mo.
#1 Federal "IBC" Gas Com.	29-21S-23E	5-11-66	6-66	1 mo.
#7 Indian Basin Unit	11-21S-23E	11-9-67	12-67	1 mo.
#1 J. H. Smith	11-22S-23E	6-5-65	10-65	4 mos.
#1 USA Smith Gas Unit	12-22S-23E	8-20-65	11-65	2 mos.
#9 Bogle Flats Unit	17-22S-23E	3-26-66	5-66	1 mo.
#6 Bogle Flats Unit	8-22S-23E	11-1-65	2-66	2 mos.
#1 Federal "33"	33-21S-23E	11-18-65	2-66	2 1/2 mos.
#8 Bogle Flats Unit	5-22S-23E	1-10-66	3-66	2 mos.
#1 State "DF"	32-21S-23E	3-14-66	5-66	1 1/2 mos.
#2 Federal "B" Com.	7-22S-24E	1-27-65	2-66	4 mos.
#2-D Federal	5-22S-24E	10-30-65	2-66	3 mos.
#1 Federal "28"	28-21S-23E	11-23-65	3-66	4 mos.
Mershon Gas Com. #1	21-22S-23E	9-22-65	6-70	8 mos. <u>40.5</u> 17

2.36
mo.

BEFORE EXAMINER UTZ

OIL CONSERVATION COMMISSION

EXHIBIT NO. 3

CASE NO. 4392

EXHIBIT NO. 3

EXHIBIT NO. 4

MERSON GAS COM. NO. 1

Date Spudded	7-31-69 ✓
Date Total Depth Reached	8-21-69 ✓
Date Completed and Ready for Sales	9-22-69 X
Effective Date of Natural Gas Pipeline Contract	10-1-69 ✓
Date Gas Processing Equipment Installed	2-16-70 ✓
Effective Date of Small Producers Certificate	8-11-66 ✓
Date Negotiations for Sales to Natural Gas Pipeline and Marathon Oil Company Commenced	9-1-69 10-1-69
Date Natural Gas Pipeline Contract Executed by Southwestern Natural Gas, Inc.	11-21-69 ✓ 12-1-69 1,000 1-1-70 1,000 2-1-70 1,000 3-1-70 5806
Date Marathon Oil Company Contract Executed by Southwestern Natural Gas, Inc.	3-19-70 ✓
Date Well Connected to Sales	6-4-70 ✓ 18
Contract Allowable	1851 MCFPD
Days of Lost Allowable Due to Connection Delay	255
Delayed Production Volume at Contract Allowable	2,000 MCF
Desired Production Rate	3,000 MCFPD
Net Daily Production Above Allowable	1,149 MCFPD
Required Period to Recover Delayed Production Volume	410 Days
Calculated Absolute Open Flow of Well	7,400 MCFPD

5-20-70 Begun Bldg
Adm 6-4-70 Complete Bldg
Marathon Oil Co
Bldg

BEFORE EXAMINER UTZ

EXHIBIT NO. 4

4382

Designated on Exhibit No. 2 with ○

INDIAN BASIN FIELD
EDDY COUNTY, NEW MEXICO
Area Production During Shut-In Period

OPERATOR	WELL	LOCATION Sec Twp Range	PRODUCTION-Oct. 1, 1969 - May 1, 1970	
			Gas MCF	Condensate Bbls.
Standard Oil of Texas	Bogle Flats Unit #3 ✓	9-22S-23E	949,895	8,312
" " " " "	" " " 4-10 ✓	10-22S-23E	827,840	8,374
" " " " "	" " " #5 ✓	16-22S-23E	947,922	7,709
" " " " "	" " " #6 ✓	8-22S-23E	928,133	7,880
" " " " "	" " " #9 ✓	17-22S-23E	928,502	7,818
Pan American	J. H. Smith Fed. #1	11-22S-23E	1,297,173	11,202
Marathon Oil Co.	Federal IBB #1	14-22S-23E	923,547	8,645
Gulf Oil Corp.	Helbing Federal #1 ✓	15-22S-23E	928,510	8,445
TOTAL	8 WELLS		7,731,522	68,385

No May 70 data

BEFORE EXAMINER UTZ

CONSERVATION COMMISSION

EXHIBIT NO. 5

CE NO. 43921

EXHIBIT NO. 5

EXHIBIT NO. 6

NEW MEXICO OIL CONSERVATION COMMISSION
MULTIPOINT AND ONE POINT BACK PRESSURE TEST FOR GAS WELLForm C-122
Revised 9-1-63

BEFORE EXAMINER UTZ

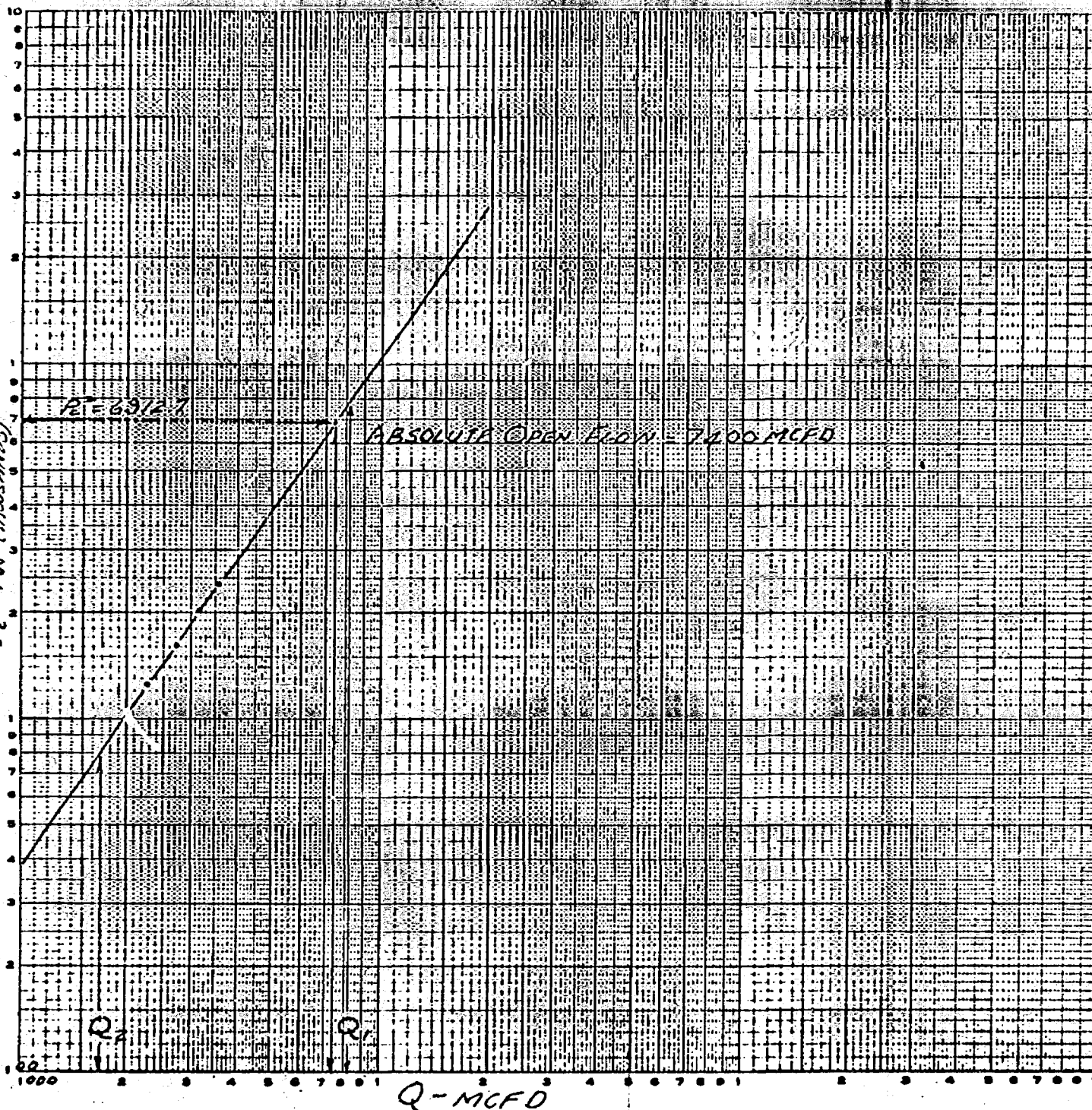
Type Test <input checked="" type="checkbox"/> Initial <input type="checkbox"/> Annual <input type="checkbox"/> Special		Test Date 6-7-70		CONSERVATION COMMISSION			
Company SOUTHWESTERN NAT. GAS CO.		Connection MARATHON		EXHIBIT NO. 6			
Pool INDIAN BASIN		Formation UPPER PENN		GAS NO. 4392			
Completion Date 8-21-69		Total Depth 7631'		Plug Back TD 7620'			
Elevation 4264' DF		Form or Lease Name MERSON GAS CO.		Well No. No. 1			
Casing Size 4 1/2" 10.5		Set At 4000 7631		Perforations From 7467' to 7611'			
Tub. Size 2" 4.7		Set At 1095 7350		Perforations From OPEN to ENDED			
Type Well - Single - Bradenhead - G.G. or G.O. Multiple SINGLE		Packer Set At 7350'		County FDDY			
Producing Thru TUBING		Reservoir Temp. °F 148 # 7300'		Mean Annual Temp. °F 600			
Baro. Press. - P _g 13.2		State NEW MEXICO					
L 7539'		H -		C _g 0.641			
% CO ₂ 0.52		% N ₂ 0.56		% H ₂ S 0.00			
Prover -		Meter Run X		Tape F			
FLOW DATA							
NO.	Prover Line Size	X	Orifice Size	Press. p.s.i.g.	Diff. in. H ₂ O		
1	4	21/64	1.5	660	90		
2	4	19/64	1.5	640	74		
3	4	17/64	1.5	630	54		
4	4	15/64	1.5	620	38		
TUBING DATA							
				Press. p.s.i.g.	Temp. °F		
				2060	80		
CASING DATA							
				Press. p.s.i.g.	Temp. °F		
				PKP	80		
Duration of Flow							
					3.0 HRS		
					1.0		
					1.0		
					2.0		
RATE OF FLOW CALCULATIONS							
NO.	Coefficient (24 Hour)	$\sqrt{P_m P_m}$	Pressure P _m	Flow Temp. Factor F _t	Gravity Factor F _g	Super Compress. Factor, F _{sp}	Rate of Flow Q, Mcfd
1	10.84	246.15	673.2	1.002	1.249	1.067	3563.2
2	10.84	219.85	653.2	1.006	1.249	1.067	3196.4
3	10.84	186.35	643.2	1.008	1.249	1.068	2716.2
4	10.84	155.11	633.2	1.009	1.249	1.067	2260.9
Gas Liquid Hydrocarbon Ratio 197.2 Mcf/bbl. A.P.I. Gravity of Liquid Hydrocarbons 62.0 Deg. Specific Gravity Separator Gas 0.641 XXXXXXXXXX Specific Gravity Flowing Fluid XXXXX Critical Pressure 673 P.S.I.A. Critical Temperature 368 R							
$P_1^2 = 2620.2$ $P_2^2 = 6912.7$ (1) $\frac{P_c^2}{P_2^2 - P_1^2} = 2.880$ (2) $\left[\frac{P_c^2}{P_2^2 - P_1^2} \right]^n = 2.065$ $AOF = Q \left[\frac{P_c^2}{P_2^2 - P_1^2} \right]^n = 7376$							
NO.	P ₁ ²	P _w *	P ₂ ²	P _c ² - P _w ²			
1	-	2124.2	4512.2	2400.5			
2	-	2209.2	4880.6	2032.1			
3	-	2303.2	5304.7	1608.0			
4	-	2380.2	5665.4	1247.3			
Absolute Open Flow 7400 Mcfd @ 13.025 Angle of Slope @ 550 33' Slope, n 0.686							
Remarks: * SHD @ (-3275') 7539' USED FOR PRESSURE CALCULATIONS							
Approved By Commission:		Conducted By: COLEMAN PET. ENG.		Calculated By: JOE A. COLEMAN		Checked By: JOE A. COLEMAN	

COMPANY SOUTHWESTERN NATURAL GAS CO.
 WELL MERSON GAS COMM., No. 1
 LOCATION UNIT A, SEC. 21 22 S 23 E
 COUNTY EDDY NEW MEXICO
 DATE JUNE 7, 1970

EUGENE DIEZGEN CO.
MADE IN U. S. A.

NO. 340R-133 DIEZGEN GRAPH PAPER
LOGARITHMIC
3 CYCLES X 3 CYCLES

$P_e - P_w$ (psi)



$$Q_1 = 8200 \text{ MCFD}, \log Q_1 = 3.91381$$

$$Q_2 = 1690 \text{ MCFD}, \log Q_2 = 3.22769$$

$$n = 0.68592 = 0.686$$

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

OPERATION & COMPLETION
SUBMIT IN DUPLICATE

(See other instructions on reverse side)

JUN 30 REC'D

WELL COMPLETION OR RECOMPLETION REPORT AND LOG *

1. TYPE OF WELL: ☐ OIL WELL ☒ GAS WELL ☐ DRY ☐ Other _____

2. TYPE OF COMPLETION: ☒ NEW WELL ☐ WORK OVER ☐ REPERFORATION ☐ PLUG BACK ☐ DIFF. REVEN. ☐ Other _____

3. NAME OF OPERATOR: Agent for Southwestern Natural Gas, Inc. - Paul M. Mershon, Jr.

4. ADDRESS OF OPERATOR: 900 Building of Southwest - Midland, Texas 79701

5. LOCATION OF WELL (Report location clearly and in accordance with any State requirements):
At surface: 990' FNL & 990' FEL
At top prod. interval reported below: Same
At total depth: Same

6. LEASE DESIGNATION AND SERIAL NO.: NM 3802

7. IF INDIAN, ALLOTTEE OR TRIBE NAME: _____

8. UNIT AGREEMENT NAME: _____

9. FARM OR LEASE NAME: Mershon Gas Comm.

10. WELL NO.: 1

11. FIELD AND POOL, OR WILDCAT: Indian Basin (Up. Penn)

12. REC. T. R. M. ON BLOCK AND SURVEY OR AREA: 21, T-22S, R-23E

13. COUNTY OR PARISH: Eddy STATE: New Mexico

14. PERMIT NO.: _____ DATE ISSUED: _____

15. DATE STUDDER: 7-31-69 16. DATE T.D. REACHED: 8-21-69 17. DATE COMPL. (Ready to prod.): 9-22-69 18. ELEVATIONS (OF, RES. ST. OR, ETC.): 4255' GL 19. ELEV. Casinghead: _____

20. TOTAL DEPTH, MD & TVD: 7631' 21. PLUG, BACK T.D., MD & TVD: 7620 22. IF MULTIPLE COMPLETIONS, HOW MANY? 1 23. INTERVALS DRILLED BY: 0-7631' 24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD): 7467' - 7611' - 16 Holes - Upper Penn. 25. WAS DIRECTIONAL SURVEY MADE: No

26. TYPE ELECTRIC AND OTHER LOGS RUN: GR/N/AC, IES, ML-C 27. WAS WELL CORED: No

28. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
20"	94	13'	26"	Ready-Mix	0
13-3/8"	48	210'	17-1/2"	250 Sks. - Circ	0
8-5/8"	24	2160'	11"	2490 Sks. - Circ	0
4-1/2"	10.5	7631'	7-7/8"	350 Sks	0

29. LINER RECORD

SIZE	TOP (MD)	BOTTOM (MD)	BACKS CEMENT*	SCREEN (MD)
2-3/8"				7350'

30. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)
2-3/8"	7350'	7350'

31. PERFORATION RECORD (Interval, size and number)

INTERVAL (MD)	SIZE	NUMBER
7467'-7611'	0.456"	16

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
7467 - 7611	Acid - 1750 Gallons 15% MA

33. PRODUCTION

DATE FIRST PRODUCTION: 9-20-69 PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump): Flow WELL STATUS (Producing or shut-in): Shut-in

DATE OF TEST	HOURS TESTED	CHOKE SIZE	PROD'N. FOR TEST PERIOD	OIL—BBL.	GAS—MCF.	WATER—BBL.	GAS-OIL RATIO
6-7-70	7	Various		4.34	856	0	197,200ft ³

FLOW. TUBING PASS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL—BBL.	GAS—MCF.	WATER—BBL.	OIL GRAVITY-API (CORR.)
			14.88	2934.2	0	62.0

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.): Vented TEST WITNESSED BY: Joe A. Coleman

35. LIST OF ATTACHMENTS: C-122 (CAOF), C-104 Inclination Record, GR-AC/N Log

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records

SIGNED: Don C. Bennett TITLE: Operations Manager DATE: 6-12-70

*(See Instructions and Spaces for Additional Data on Reverse Side)

INSTRUCTIONS

General: This form is designed for submitting a complete and correct well completion report and log on all types of lands and leases to either a Federal agency or a State agency, or both, pursuant to applicable Federal and/or State laws and regulations. Any necessary special instructions concerning the use of this form and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from, the local Federal and/or State office. See instructions on Items 22 and 24, and 33, below regarding separate reports for separate completions. If not filed prior to the time this summary record is submitted, copies of all currently available logs (drillers, geologists, sample and core analysis, all types electric, etc.), formation and pressure tests, and directional surveys, should be attached hereto, to the extent required by applicable Federal and/or State laws and regulations. All attachments should be listed on this form, see Item 35.

Item 4: If there are no applicable State requirements, locations on Federal or Indian land should be described in accordance with Federal requirements. Consult local State or Federal office for specific instructions.

Item 18: Indicate which elevation is used as reference (where not otherwise shown) for depth measurements given in other spaces on this form and in any attachments.

Items 22 and 24: If this well is completed for separate production from more than one interval zone (multiple completion), so state in Item 22, and in Item 24 show the producing interval, or intervals, top(s), bottom(s) and name(s) (if any) for only the interval reported in Item 33. Submit a separate report (page) on this form, adequately identified, for each additional interval to be separately produced, showing the additional data pertinent to such interval.

Item 29: "Sacks Cement": Attached supplemental records for this well should show the details of any multiple stage cementing and the location of the cementing tool.

Item 33: Submit a separate completion report on this form for each interval to be separately produced. (See instruction for Items 22 and 24 above.)

San Andres	608	2060	Dolomite - No test
Glorieta	2060	3710	Dolomite & sand & Limestone - No test
Bone Spring	3710	6622	Limestone, sand, & shale - No test
Wolfcamp	6622	7330	Limestone & shale - No test
Cisco	7330	7460	Limestone & sand - No test
Penn. Lime	7460	7631	Dolomite - DST 7450-7631

SUMMARY OF POROUS ZONES:
SHOW ALL IMPORTANT ZONES OF POROSITY AND CONTENTS THEREOF: CORED INTERVALS, AND ALL DRILL-STEM TESTS, INCLUDING DEPTH INTERVAL TESTED, CURSION USED, TIME TOOL OPEN, FLOWING AND SHUT-IN PRESSURES, AND RECOVERIES

GEOLOGIC MARKERS

FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.	NAME	NEAR	DEPTH	TRUE VERT. DEPTH
San Andres	608	2060	Dolomite - No test	San Andres		608	Same
Glorieta	2060	3710	Dolomite & sand & Limestone - No test	Wolfcamp		6622	Same
Bone Spring	3710	6622	Limestone, sand, & shale - No test	Penn. Lime		7460	Same
Wolfcamp	6622	7330	Limestone & shale - No test				
Cisco	7330	7460	Limestone & sand - No test				
Penn. Lime	7460	7631	Dolomite - DST 7450-7631				
TO 2 hrs, Flowed 7 MMCF GPD, Recovered 70' condensate							
1 HP 3679#							
10 Min IFP 972							
2 Hr FFP 1156							
1 Hr ISIP 2627							
3 Hr FSIP 2672							
FHP 3633							

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-4-65

All distances must be from the outer boundaries of the Section.

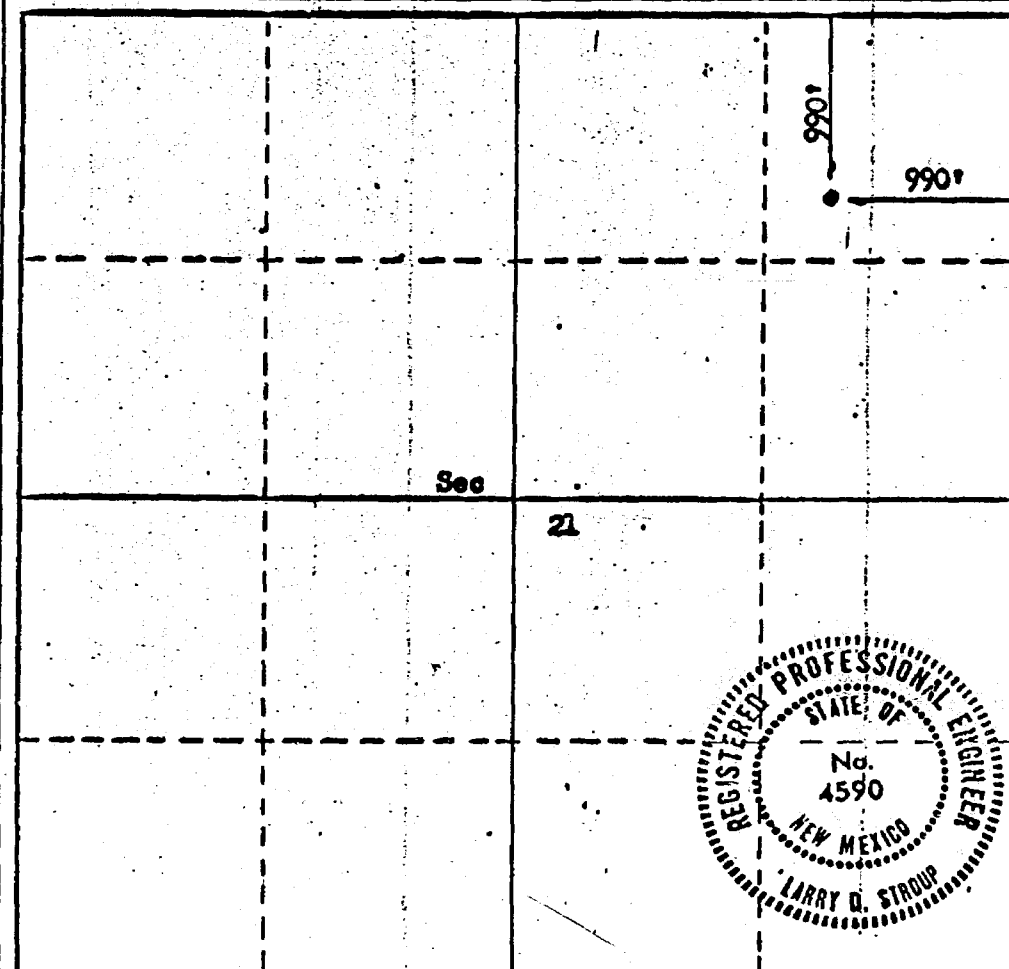
Operator Southwestern Natural Gas, Inc.		Lessee Paul M Merzhon		Well No. 1
Unit Letter	Section 21	Township 22 South	Range 23 East	County Eddy
Actual Location Location of Well:				
990	feet from the	North	line and	990
				feet from the
				East
Ground Level Elev. 4255	Producing Formation		Pool	Dedicated Acreage Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name _____

Position _____

Company _____

Date _____

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

7-20-69

Registered Professional Engineer and/or Land Surveyor

Certificate No.

4590

0 200 400 600 800 1000 1200 1400 1600 1800 2000 2200 2400 2600 2800 3000

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U.S.O.S.	
LAND OFFICE	
TRANSPORTER	OIL
	GAS
OPERATOR	
PRORATION OFFICE	

**NEW MEXICO OIL CONSERVATION COMMISSION
REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS**

Form C-104
Supersedes Old C-104 and C-110
Effective 1-1-65

I. OPERATOR
WESTERN STATES PRODUCING COMPANY
Address
 900 Building of the Southwest - Midland, Texas 79701
Reason(s) for filing (Check proper box)
 New Well ☐ Change in Transporter of: Oil ☐ Dry Gas ☐
 Recompletion ☐ Oil ☐ Condensate ☐
 Change in Ownership ☒ Casinghead Gas ☐

If change of ownership give name and address of previous owner **SOUTHWESTERN NATURAL GAS, INC. 900 Building of the SW - Midland, Texas 79701**

II. DESCRIPTION OF WELL AND LEASE

Lease Name Merchon Gas Comm.	Well No. 1	Pool Name, including Formation Indian Basin (Up. Penn)	Kind of Lease State, Federal or Fee Fed.	Lease No. NM-3802
Location Unit Letter A , 990 Feet From The North Line and 990 Feet From The East Line of Section 21 Township 22-S Range 23-E , NMPM , Eddy County				

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input type="checkbox"/> or Condensate <input checked="" type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
Marathon Oil Company	P. O. Box 552 - Midland, Texas 79701
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or RW Gas <input checked="" type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
Marathon Oil Company	P. O. Box 552 - Midland, Texas 79701
If well produces oil or liquids, give location of tanks.	Unit Sec. Twp. Rge. Is gas actually connected? When
A 21 22-S 23-E	Yes 6-5-70

If this production is commingled with that from any other lease or pool, give commingling order number: _____

IV. COMPLETION DATA

Designate Type of Completion - (X)		Oil Well	Gas Well	New Well	Workover	Deepen	Plug Back	Same Res'r., Oil, Res'r.
Date Spudded	Date Compl. Ready to Prod.	Total Depth		P.B.T.D.				
Elevations (DF, RKB, RT, GR, etc.)	Name of Producing Formation	Top Oil/Gas Pay		Tubing Depth				
Perforations		Depth Casing Shoe						
TUBING, CASING, AND CEMENTING RECORD								
HOLE SIZE	CASING & TUBING SIZE	DEPTH SET		SACKS CEMENT				

V. TEST DATA AND REQUEST FOR ALLOWABLE OIL WELL

(Test must be after recovery of total volume of lead oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

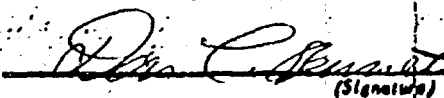
Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil - Bbls.	Water - Bbls.	Gas - MCF

GAS WELL

Actual Prod. Test - MCF/D	Length of Test	Bbls. Condensate/MCF	Gravity of Condensate
Testing Method (pilot, back pr.)	Tubing Pressure (shut-in)	Casing Pressure (shut-in)	Choke Size

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.


 Operations Manager
 June 22, 1970
 (Date)

OIL CONSERVATION COMMISSION

APPROVED _____, 19____
 BY _____
 TITLE _____

This form is to be filed in compliance with RULE 1104.
 If this is a request for allowable for a newly drilled or deepener well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.
 All sections of this form must be filled out completely for allow able on new and recompleted wells.
 Fill out only Sections I, II, III, and VI for changes of owner well name or number, or transporter, or other such change of condition.
 Separate Forms C-104 must be filed for each pool in multiple completed wells.

EXHIBIT NO. 7

	CHOKE SIZE	FTP-PSI	GAS VOLUME MMCF	CONDENSATE VOLUME-BBLS	WATER VOL. BBLS.	DATE
MERSON NO. 1	16/64	1825	3.100	27	1	7-31-70
	17/64	1830	3.150	27	1	8-1-70
	17/64	1840	3.150	28	1	8-2-70
	17/64	1840	3.150	28	1	8-3-70

Run 1100

BEFORE EXAMINER (17)

CIRCUITRY OBSERVATION

EXHIBIT NO. 2

CASE NO. 4392

NGPL

NATURAL GAS PIPELINE COMPANY OF AMERICA

POST OFFICE BOX 236
MIDLAND, TEXAS 79701
PHONE: MUTUAL 4-6383

December 1, 1969

A. G. PETZOLD
ASSISTANT VICE PRESIDENT

Southwestern Natural Gas, Inc.
900 Building of the Southwest
Midland, Texas 79701

Re: Gas Purchase Contract dated October 1,
1969 between Natural Gas Pipeline
Company of America and Southwestern
Natural Gas, Inc., Indian Basin Area,
Eddy County, New Mexico.

Gentlemen:

Natural Gas Pipeline Company of America and Southwestern Natural Gas Inc. have negotiated and are now in the process of executing the above referenced Gas Purchase Contract. In addition to the above mentioned contract between Southwestern and Natural, it is anticipated that a Gas Processing Agreement will be entered into between Southwestern and Marathon Oil Company, as operator of the Indian Basin Gas Plant and gas gathering system. Natural has agreed to indemnify Marathon, as operator, for the unamortized portion of the construction costs incurred in connecting the Merston No. 1 well, if said well does not deliver a certain volume of gas into the Indian Basin Gas Plant gathering system for processing in the Indian Basin Gas Plant.

Marathon has indicated to both Southwestern and Natural that it will proceed promptly with the construction of the necessary facilities to connect said well and Natural has assured Southwestern that it will commence receipt of gas from said well when these facilities are completed.

In order to comply with the regulations of the Federal Power Commission and to provide an approved price which can be utilized in gas payment calculations prior to the time that Southwestern secures separate certificate authorization to make this sale to Natural, Southwestern agrees to utilize its existing Small Producers Certificate as authority for commencing the delivery of gas to Natural under said contract.

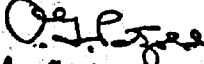
*Sent away
Jan 1970
OK'd for execution
unless SE disapproves*

BEFORE EXAMINER
CIVIL DIVISION
CASE NO. 4312

Page 2
Southwestern Natural Gas, Inc.
December 1, 1969

If Southwestern is willing to use its Small Producers Certificate as outlined above in order to commence delivery of gas under said contract as soon as said facilities are completed and otherwise agrees with the terms and provisions of this letter, please indicate such agreement by executing duplicate originals of this letter in the space provided below and returning one copy to us.

Very truly yours,


A. G. Petzold

AGREED and ACCEPTED this
day of _____ 1969.

SOUTHWESTERN NATURAL GAS, INC.

By _____

NEG. L.

NATURAL GAS PIPELINE COMPANY OF AMERICA

POST OFFICE BOX 236
MIDLAND, TEXAS 79701
PHONE: 684-6383

November 12, 1969

Mr. L. N. Dunnavant
Southwestern Natural Gas Inc.
900 Building of the Southwest
Midland, Texas 79701

File
Mershon gas
LF

Dear Mr. Dunnavant:

As discussed in our previous conversations and as requested by you on November 6, 1969, the reserves for an average well in the Indian Basin Field are 26,324 MMCF. The reserve volume for an average field well was computed by dividing the total number of well units into the total recoverable gas in place as agreed to with the operators in the Indian Basin Field, thusly:

$$\text{Average well reserve} = \frac{\text{total recoverable gas in place}}{\text{total number well units}} = 26,324 \text{ MMCF}$$

The daily contract quantity (DCQ) under the terms of the proposed contract would be 1851 MCF/day. The DCQ volume is computed in the following manner:

The Mershon #1 well will have a proration unit consisting of 360 acres; a regular proration unit consists of 640 acres in the Indian Basin Field.
 $\text{DCQ} = (360 \text{ ac}/640 \text{ ac}) \times (26,324 \text{ MMCF}/8000 \text{ MMCF}) = 1851 \text{ MCF/day}.$

If you should have any questions concerning the above computations or volumes, please call me.

Very truly yours,

NATURAL GAS PIPELINE COMPANY OF AMERICA

R. L. Medley
R. L. Medley
Superintendent of Production

RLM/mrc

BEFORE EXAMINER UTZ

EXHIBIT NO. C

NO. 4392

NGPL

NATURAL GAS PIPELINE COMPANY OF AMERICA

POST OFFICE BOX 236
MIDLAND, TEXAS 79701
PHONE: 684-6383

November 14, 1969

Southwestern Natural Gas, Inc.
900 Building of the Southwest
Midland, Texas 79701

Re: Gas Purchase Contract dated October 1,
1969, between Natural Gas Pipeline
Company of America and Southwestern
Natural Gas, Inc., Eddy County, New
Mexico.

Dear Sir:

Paragraph 9 of Article Fifth provides that an initial reserve determination shall be used to establish the contract quantity. This contract quantity shall become effective the date of first delivery of gas and will remain in effect until changed in accordance with the terms and conditions of the contract.

The initial study has been completed and the parties to the subject contract have determined that the recoverable gas reserves as of the date of this contract are 14,807 MMCF. Application of the formula contained in paragraph 1 of Article Fifth of the above mentioned contract to this reserve volume results in an initial contract quantity of 1,851,000 cubic feet of gas per day. (av. 2.1 MMCFD)

Please indicate your agreement to the above by completing the acceptance legend provided below and returning one copy for our file.

Very truly yours,

NATURAL GAS PIPELINE COMPANY OF AMERICA

R. L. Medley
R. L. Medley
Superintendent of Production

Accepted and agreed to this
24 day of November 1969.

SOUTHWESTERN NATURAL GAS, INC.

By *[Signature]*

BEFORE EXAMINER UTZ

CONSERVATION

EXHIBIT NO. *10*

CASE NO. *4392*

*Received
25 Nov 1969
2:00 PM
11-20-69*

INDEX

1. Purpose of Hearing	1
2. Discussion	1 & 2
3. Exhibit No. 1 - Map of Oil & Gas Field in Southeast New Mexico	3
4. Exhibit No. 2 - Plot of Indian Basin Field	4
5. Exhibit No. 3 - Completion & Sales Dates for several wells in Indian Basin	5
6. Exhibit No. 4 - Chronological Well History	6
7. Exhibit No. 5 - Competitive Production Tabulation	7
8. Exhibit No. 6 - Open Flow Well Test	8
9. Exhibit No. 7 - Recent Well Production Test	9

REQUEST FOR BACK ALLOWABLE
FOR MERSHON GAS COM. NO. 1

I. PURPOSE

To obtain approval for back allowable, above contract allowable producing rate, and make-up period required to recover production loss suffered by the subject well.

II. DISCUSSION

DISCUSSION

The subject well was drilled and completed by Southwestern Natural Gas, Inc. as agent for Paul Mershon, Jr. Application to drill the well was originally filed by Paul Mershon, Jr. The 360 acre proration unit assigned to the well was the result of compulsory pooling under case No. 4088, Order No. R-3736-A, approved July 15, 1969. The well location was approved as an unorthodox location under Case No. 4089, Order No. R-3737-A, approved July 15, 1969. Southwestern Natural Gas, Inc. was designated as operator for Paul Mershon, Jr. on July 22, 1969. The well has now been assigned to Western States Producing Company effective June 22, 1970.

The well is located in the Indian Basin (Upper Penn.) field, Eddy County, New Mexico. The area of this field is indicated on Exhibit No. 1, a map of Oil and Gas fields in Southeast New Mexico. Exhibit No. 2 is a plat of this field indicating various leases and producing wells.

The well was completed as a gas-condensate well on September 22, 1969. Exhibit No. 4 gives a chronological history of the well from spud through connection date. Exhibit No. 4 also gives pertinent data as to contract negotiations, connection delay, lost allowable, and resulting production loss. Also given is data concerning the well's producing capacity, desired producing rate, and required period to make up production losses. Exhibit No. 6 is the open flow well test for the well. Exhibit No. 7 is a recent production test of the well. Both tests exhibit the ability of the well to produce at the requested rate of 3,000 MCFPD.

PAGE 2

Reference to Exhibit No. 3, a tabulation of several wells connected to the Marathon Plant and other purchasers, shows the abnormally long shut in period while waiting for a connection suffered by the subject well, approximately eight months as compared to one to four months for the other wells listed. Many are in the same area of the field as the subject well. It is believed that this abnormally long period was unnecessary and could easily have been avoided by the plant operator and gas purchasers by more efficient planning and operation. Exhibit No. 5 is a tabulation of eight offset and nearby wells producing in the same area of the field as the subject well. All but one are connected to the Marathon Plant. One well, the Pan American J. H. Smith Federal No. 1 is connected to another purchaser. These eight wells withdrew a total of 7,731,522 MCF of gas and 68,385 barrels of condensate from this area of the reservoir from October 1, 1969 thru May 1, 1970 while the subject well was shut in awaiting connection for sales. No data was available for May. Withdrawals on a per well basis are shown on Exhibit No. 2 on which the wells tabulated in Exhibit Nos. 3 and 5 are indicated. As this is a competitive pressure depletion type reservoir and highly sensitive to withdrawal rates and volumes, the subject well has suffered loss of reserve as a result of this competitive production while shut in.

The above data indicates that Southwestern Natural Gas, Inc. drilled and completed the subject well in a normal period of time after

PAGE 3

obtaining approval of the location from the regulatory bodies. Southwestern Natural Gas, Inc. commenced gas sales contract negotiations with both the purchaser and the processing plant operator in a timely manner, actually prior to completion of the well. Southwestern Natural Gas, Inc. executed the contract with the purchaser in a timely manner and could have made the well and required equipment ready for sales at any time after completion on September 22, 1969 upon the request of the purchaser and did so in February, 1970. Southwestern Natural Gas, Inc. holds a small producer's certificate under Docket No. C 566-127 under which sales could have been made. An FPC filing was made on December 12, 1969 and a temporary certificate granted on January 8, 1970. The failure to connect this well in a timely manner and the consequent delay in sales has caused a hardship for Southwestern Natural Gas, Inc., its investors, and royalty holder. In order to properly maintain the competitive position of this well and protect the correlative rights of Southwestern Natural Gas, Inc. and successor Western States Producing Co., its investors, and royalty holder, Western States Producing Co. requests the approval to produce this well at a rate of 3000 MCF per day during periods that the purchaser and the processing plant can handle the increased production. Based on the contract allowable of 1,851 MCF per day, which is for the 360 acre proration unit of a 640 acre standard unit, a net recovery of 1,149 MCF per day will be gained and the 472,000 MCF of delayed production will be recovered in approximately 410 days. This period can be arranged as required

PAGE 4

by Plant and Purchaser requirements. The Purchaser, Natural Gas Pipeline of America, has been contacted and has given us assurance that they can and will take the requested volume should it be granted. The Plant, operated by Marathon Oil Company, has been contacted and they have sufficient capacity to take and process the requested volume. As shown in Exhibits Nos. 6 and 7, the subject well has the capacity to produce the requested volume. It is our belief that production at this rate for the requested period will not harm the reservoir or the well as all the wells with a full 640 acre proration unit produce constantly as this or higher rates.

Base on the above data, Western States Producing Co. respectfully urges the Commission to grant the request for back allowable and necessary rate and make up period for the subject well.

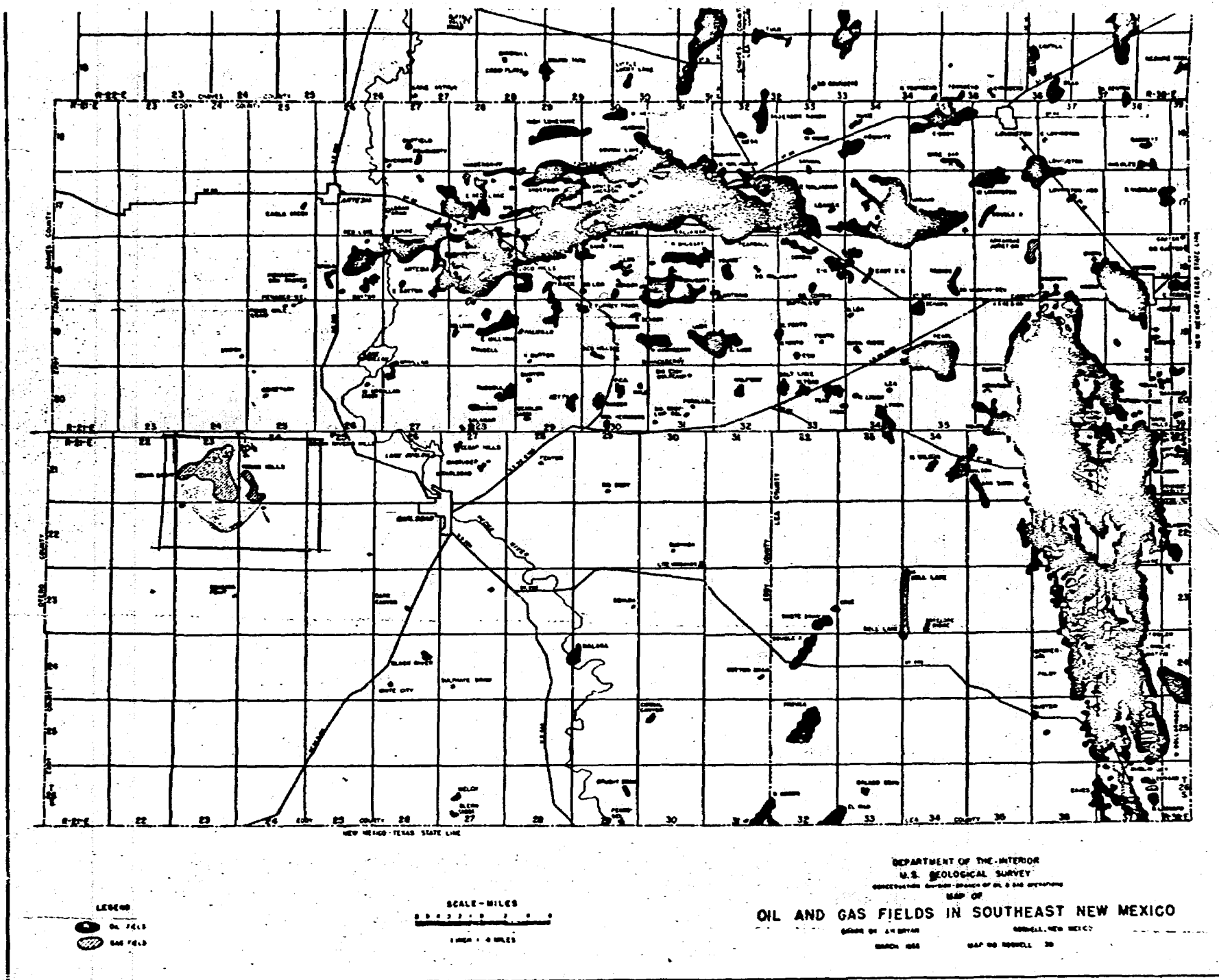



EXHIBIT NO. 1


Designated on Exhibit No. 2 with 

INDIAN BASIN FIELD

EDDY COUNTY, NEW MEXICO

Well Completion Dates & Dates First Gas Taken

<u>OPERATOR</u>	<u>WELL</u>	<u>LOCATION</u> sec twp range	<u>COMPLETION DATE</u>	<u>ON STREAM DATE</u>
Atlantic Richfield	#1 Smith-Federal "G"	1-22S-23E	9-15-65	1-66
Pan American	#3 Indian Hills Unit	29-21S-24E	11-16-65	2-66
Pan American	#4 Indian Hills Unit	28-21S-24E	12-20-65	3-66
Pan American	#3-C Indian Basin Fed.	25-21S-23E	12-22-65	3-66
Marathon	#1 Federal "IBB" Gas Com.	14-22S-23E	4-13-66	5-66
Marathon	#1 Federal "IBC" Gas Com.	29-21S-23E	5-11-66	6-66
Marathon	#7 Indian Basin Unit	11-21S-23E	11-9-67	12-67
Pan American	#1 J. H. Smith	11-22S-23E	6-5-65	10-65
Pan American	#1 USA Smith Gas Unit	12-22S-23E	8-26-65	11-65
Standard of Texas	#9 Bogle Flats Unit	17-22S-23E	3-26-66	5-66
Standard of Texas	#6 Bogle Flats Unit	8-22S-23E	11-1-65	2-66
Standard of Texas	#1 Federal "33"	33-21S-23E	11-18-65	2-66
Standard of Texas	#8 Bogle Flats Unit	5-22S-23E	1-10-66	3-66
Texaco	#1 State "DF"	32-21S-23E	3-14-66	5-66
Pan American	#2 Federal "B" Com.	7-22S-24E	1-27-65	2-66
Pan American	#2-D Federal	5-22S-24E	10-30-65	2-66
Union Oil Company of California	#1 Federal "28"	28-21S-23E	11-23-65	3-66
Western States Producing Company	Mershon Gas Com. #1	21-22S-23E	9-22-69	6-70

t No. 2 with 

INDIAN BASIN FIELD

EDDY COUNTY, NEW MEXICO

Well Completion Dates & Dates First Gas Taken

<u>WELL</u>	<u>LOCATION</u> sec twp range	<u>COMPLETION DATE</u>	<u>ON STREAM DATE</u>	<u>DELAY</u>
1 Smith-Federal "G"	1-22S-23E	9-15-65	1-66	3 1/2 mos.
3 Indian Hills Unit	29-21S-24E	11-16-65	2-66	3 mos.
4 Indian Hills Unit	28-21S-24E	12-20-65	3-66	2 mos.
3-C Indian Basin Fed.	25-21S-23E	12-22-65	3-66	3 mos.
1 Federal "IBB" Gas om.	14-22S-23E	4-13-66	5-66	1 mo.
1 Federal "IBC" Gas om.	29-21S-23E	5-11-66	6-66	1 mo.
7 Indian Basin Unit	11-21S-23E	11-9-67	12-67	1 mo.
1 J. H. Smith	11-22S-23E	6-5-65	10-65	4 mos.
1 USA Smith Gas Unit	12-22S-23E	8-20-65	11-65	2 mos.
9 Bogle Flats Unit	17-22S-23E	3-26-66	5-66	1 mo.
6 Bogle Flats Unit	8-22S-23E	11-1-65	2-66	2 mos.
1 Federal "33"	33-21S-23E	11-18-65	2-66	2 1/2 mos.
3 Bogle Flats Unit	5-22S-23E	1-10-66	3-66	2 mos.
State "DF"	32-21S-23E	3-14-66	5-66	1 1/2 mos.
1 Federal "B" Com.	7-22S-24E	1-27-65	2-66	4 mos.
1 Federal "28"	5-22S-24E	10-30-65	2-66	3 mos.
1 Federal "28"	28-21S-23E	11-23-65	3-66	4 mos.
1 Marshon Gas Com. #1	21-22S-23E	9-22-69	6-70	8 mos.

EXHIBIT NO. 3

EXHIBIT NO. 4
MERSHON GAS COM. NO. 1

Date Spudded	7-31-69
Date Total Depth Reached.	8-21-69
Date Completed and Ready for Sales	9-22-69
Effective Date of Natural Gas Pipeline Contract	10-1-69
Date Gas Processing Equipment Installed	2-16-70
Effective Date of Small Producers Certificate	8-11-66
Date Negotiations for Sales to Natural Gas Pipeline and Marathon Oil Company Commenced	9-1-69
Date Natural Gas Pipeline Contract Executed by Southwestern Natural Gas, Inc.	11-21-69
Date Marathon Oil Company Contract Executed by Southwestern Natural Gas, Inc.	3-19-70
Date Well Connected to Sales	6-4-70
Contract Allowable	1851 MCFPD
Days of Lost Allowable Due to Connection Delay	255
Delayed Production Volume at Contract Allowable	472,000 MCF
Desired Production Rate	3,000 MCFPD
Net Daily Production Above Allowable	1,149 MCFPD
Required Period to Recover Delayed Production Volume	410 Days
Calculated Absolute Open Flow of Well	7,400 MCFPD

Designated on Exhibit No. 2 with ○

INDIAN BASIN FIELD
EDDY COUNTY, NEW MEXICO
Area Production During Shut-In Period

<u>OPERATOR</u>	<u>WELL</u>	<u>LOCATION</u> Sec Twp Range	<u>PRODUCTION-Oct. 1, 1969 - May 1, 1970</u>	
			Gas MCF	Condensate Bbls.
Standard Oil of Texas	Bogle Flats Unit #3	9-22S-23E	949,895	8,312
" " " " "	" " " 4-10	10-22S-23E	827,840	8,374
" " " " "	" " " #5	16-22S-23E	947,922	7,709
" " " " "	" " " #6	8-22S-23E	928,133	7,880
" " " " "	" " " #9	17-22S-23E	928,502	7,818
Pan American	J. H. Smith Fed. #1	11-22S-23E	1,297,173	11,202
Marathon Oil Co.	Federal IBB #1	14-22S-23E	923,547	8,645
Gulf Oil Corp.	Helbing Federal #1	15-22S-23E	928,510	8,445
TOTAL	8 WELLS		7,731,522	68,385

EXHIBIT NO. 5

EXHIBIT NO. 6

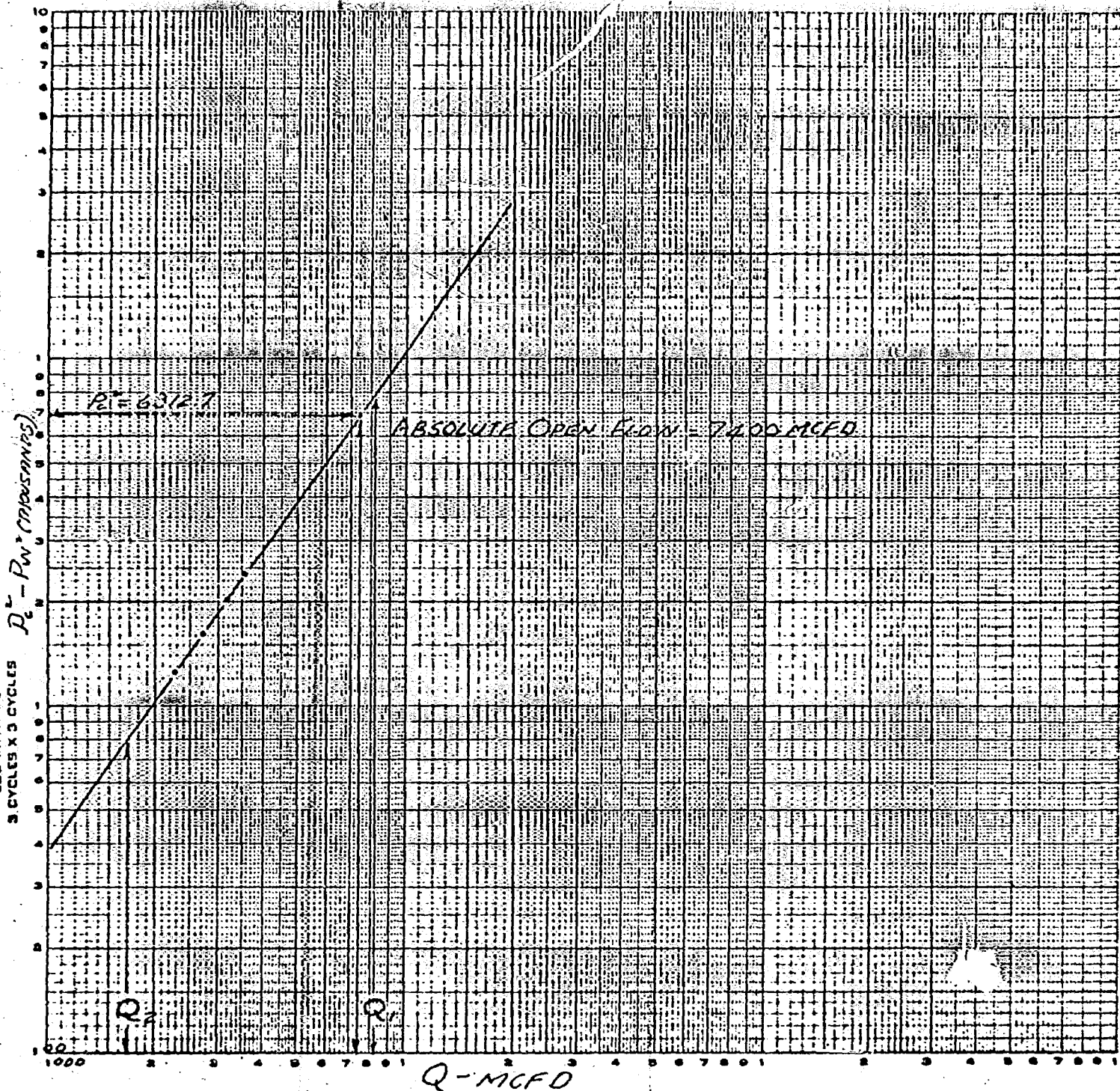
NEW MEXICO OIL CONSERVATION COMMISSION
MULTIPOINT AND ONE POINT BACK PRESSURE TEST FOR GAS WELLForm C-122
Revised 9-1-65

Type Test <input checked="" type="checkbox"/> Initial <input type="checkbox"/> Annual <input type="checkbox"/> Special		Test Date 6-7-70	
Company SOUTHWESTERN NAT. GAS CO.		Connection MARATHON	
Pool INDIAN BASIN		Formation UPPER PENN	
Completion Date 8-21-69		Total Depth 7631'	Plug Back TD 7620'
Casing Size 4 1/2"		Well ID 10.5"	Set At 7631'
Perforations From 7467' To 7611'		Elevation 4264' OF	
Tubing Size 2"		Well ID 4.7"	Set At 7350'
Perforations From OPEN To ENDED		Unit 360	
Type Well - Single - Blindhead - G.O. or G.O. Multiple SINGLE		Packer Set At 7350'	County EDDY
Producing Thru TUBING		Reservoir Temp. °F 148 @ 7300'	Mean Annual Temp. °F 600
Baro. Press. - P _a 13.2		State NEW MEXICO	
L 7539'	H -	G _g 0.641	% CO ₂ 0.52
		% N ₂ 0.56	% H ₂ S 0.00
		Prover -	Meter Run X
			Taps F
FLOW DATA			
NO.	Prover Line Size	X	Orifice Size
SI	4		1.5
1.	4	21/64	1.5
2.	4	19/64	1.5
3.	4	17/64	1.5
4.	4	15/64	1.5
5.			
TUBING DATA			
NO.	Prover Line Size	X	Orifice Size
SI	4		1.5
1.	4	21/64	1.5
2.	4	19/64	1.5
3.	4	17/64	1.5
4.	4	15/64	1.5
5.			
CASING DATA			
NO.	Prover Line Size	X	Orifice Size
SI	4		1.5
1.	4	21/64	1.5
2.	4	19/64	1.5
3.	4	17/64	1.5
4.	4	15/64	1.5
5.			
RATE OF FLOW CALCULATIONS			
NO.	Coefficient (24 Hour)	$\sqrt{P_w P_m}$	Pressure P _m
1	10.84	246.15	673.2
2	10.84	219.85	653.2
3	10.84	186.35	643.2
4	10.84	155.11	633.2
5			
NO.	R ₂	Temp. °R	T ₂
1	1.00	518	1.41
2	0.97	514	1.40
3	0.96	512	1.39
4	0.94	511	1.39
5			
Gas Liquid Hydrocarbon Ratio 197.2 Mcf/bbl.			
A.P.I. Gravity of Liquid Hydrocarbons 62.0 Deg.			
Specific Gravity Separator Gas 0.641 XXXXXXXXXX			
Specific Gravity Flowing Fluid XXXXX			
Critical Pressure 673 P.S.I.A.			
Critical Temperature 368 R			
$(1) \frac{P_c^2}{R_2^2 - R_1^2} = 2.880 \quad (2) \left[\frac{P_c^2}{R_2^2 - R_1^2} \right]^n = 2.065$			
$AOF = Q \left[\frac{R_2^2}{R_c^2 - R_1^2} \right]^n = 7376$			
$P_1^2 = 2124.2 \quad P_w^2 = 4512.2 \quad P_2^2 = 2400.5$			
$P_1^2 = 2209.2 \quad P_w^2 = 4880.6 \quad P_2^2 = 2032.1$			
$P_1^2 = 2303.2 \quad P_w^2 = 5304.7 \quad P_2^2 = 1608.0$			
$P_1^2 = 2380.2 \quad P_w^2 = 5665.4 \quad P_2^2 = 1247.3$			
$P_1^2 = 2460.2 \quad P_w^2 = 6012.7$			
Absolute Open Flow 7400 Mcfd @ 15.025			
Angle of Slope 550 33'			
Slope, n 0.686			
Remarks: * SHP @ (-3275') 7539' USED FOR PRESSURE CALCULATIONS			
Approved By Commission: _____ Conducted By: COLEMAN PET. ENG.			
Calculated By: JOE A. COLEMAN			
Checked By: JOE A. COLEMAN			

COMPANY SOUTHWESTERN NATURAL GAS CO.
 WELL MERSON GAS COMM., No 1
 LOCATION UNIT A, SEC. 21 22 S 23 E
 COUNTY EDDY NEW MEXICO
 DATE JUNE 7, 1970

EUGENE DIETZEN CO.
MADE IN U. S. A.

NO. 340R-L33 DIETZEN GRAPH PAPER
LOGARITHMIC
3 CYCLES X 3 CYCLES



$$Q_1 = 8200 \text{ MCFD}, \text{ LOG } Q_1 = 3.91381$$

$$Q_2 = 1690 \text{ MCFD}, \text{ LOG } Q_2 = 3.22769$$

$$n = 0.68592 = 0.686$$

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEYOPERATION & COM'S
SUBMIT IN DUPLICATE(See other in-
structions on
reverse side)

JUN 30 1970

WELL COMPLETION OR RECOMPLETION REPORT AND LOG *

1. TYPE OF WELL: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> DRY <input type="checkbox"/> Other <input type="checkbox"/>		6. LEASE DESIGNATION AND SERIAL NO. NM 3802	
2. TYPE OF COMPLETION: NEW WELL <input checked="" type="checkbox"/> WORK OVER <input type="checkbox"/> DEEP-EN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> DIFF. HORIZ. <input type="checkbox"/> Other <input type="checkbox"/>		7. IF INDIAN, ALLIANCE OR TRIBE NAME -	
3. NAME OF OPERATOR Agent for Southwestern Natural Gas, Inc. - Paul M. Mershon, Jr.		8. UNIT AGREEMENT NAME -	
4. ADDRESS OF OPERATOR 900 Building of Southwest - Midland, Texas 79701		9. FARM OR LEASE NAME Mershon Gas Comm.	
5. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)* At surface 990' FNL & 990' FEL At top prod. interval reported below Same At total depth Same		10. WELL NO. 1	
11. FIELD AND POOL, OR WILDCAT Indian Basin (Up. Penn)		12. COUNTY OR PARISH Eddy New Mexico	
13. PERMIT NO. -		14. DATE ISSUED -	
15. DATE SPUNDED 7-31-69		16. DATE T.O. REACHED 8-21-69	
17. DATE COMPL. (Ready to prod.) 9-22-69		18. ELEVATIONS (OF, RES, ST, GR, ETC.)* 4255' GL	
19. ELEV. CASINGHEAD -		20. TOTAL DEPTH, MD & TVD 7631'	
21. PLUG, BACK T.D., MD & TVD 7620		22. IF MULTIPLE COMPL. HOW MANY? -	
23. INTERVALS DRILLED BY Rotary Tools		24. CABLE TOOLS 0	
25. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)* 7467' - 7611' - 16 Holes - Upper Penn.		26. WAS DIRECTIONAL SURVEY MADE No	
27. TYPE ELECTRIC AND OTHER LOGS RUN GR/N/AC, IES, ML-C		28. WAS WELL CORED No	
29. CASING RECORD (Report all strings set in well)			
CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE
20"	94	13'	26"
13-3/8"	48	210'	17-1/2"
8-5/8"	24	2160'	11"
4-1/2"	10.5	7631'	7-7/8"
30. CEMENTING RECORD			
Ready-Mix		AMOUNT FULLED	
250 Sks. - Circ		0	
2490 Sks. - Circ		0	
350 Sks		0	
31. LINER RECORD			
SIZE	TOP (MD)	BOTTOM (MD)	BACKS CEMENT*
2-3/8"-EUE		7350'	
32. TUBING RECORD			
SIZE	DEPTH SET (MD)	PACKER SET (MD)	
2-3/8"-EUE	7350'	7350'	
33. PERFORATION RECORD (Interval, size and number)			
7467'-7611' - 16-0.456" Holes			
34. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.			
DEPTH INTERVAL (MD)		AMOUNT AND KIND OF MATERIAL USED	
7467 - 7611		Acid - 1750 Gallons	
		15% MA	
35. PRODUCTION			
DATE FIRST PRODUCTION 9-20-69		PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump) Flow	
DATE OF TEST 6-7-70		WELL STATUS (Producing or shut-in) Shut-in	
NO. 18 TESTED 7	CHOKE SIZE Various	PROD'N. FOR TEST PERIOD OIL—BBL. 4.34 GAS—MCF. 856 WATER—BBL. 0	GAS-OIL RATIO 197,200ft ³ /Bbl
FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE OIL—BBL. 14.88 GAS—MCF. 2934.2 WATER—BBL. 0	OIL GRAVITY-API (CORR.) 62.0
36. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.) Vented			
37. TEST WITNESSED BY Joe A. Coleman			
38. LIST OF ATTACHMENTS C-122 (CAOF), C-104 Inclination Record, GR-AC/N Log			
39. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records			
SIGNED <i>Paul M. Mershon, Jr.</i>		TITLE Operations Manager	
DATE 6-12-70			

*(See Instructions and Spaces for Additional Data on Reverse Side)

INSTRUCTIONS

General: This form is designed for submitting a complete and correct well completion report and log on all types of lands and leases to either a Federal agency or a State agency, or both, pursuant to applicable Federal and/or State laws and regulations. Any necessary special instructions concerning the use of this form and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from, the local Federal and/or State office. See instructions on items 22 and 24, and 33, below regarding separate reports for separate completions.

Item 1: If not filed prior to the time this summary record is submitted, copies of all currently available logs (drillers, geologists, sample and core analysis, all types electric, etc.), formation and pressure tests, and directional surveys, should be attached hereto, to the extent required by applicable Federal and/or State laws and regulations. All attachments should be listed on this form, see item 35.

Item 4: If there are no applicable State requirements, locations on Federal or Indian land should be described in accordance with Federal requirements. Consult local State or Federal office for specific instructions.

Item 10: Indicate which elevation is used as reference (where not otherwise shown) for depth measurements given in other spaces on this form and in any attachments.

Items 22 and 24: If this well is completed for separate production from more than one interval zone (multiple completion), so state in item 22, and in item 24 show the producing interval, or intervals, top(s), bottom(s) and name(s) (if any) for only the interval reported in item 33. Submit a separate report (page) on this form, adequately identified, for each additional interval to be separately produced, showing the additional data pertinent to such interval.

Item 29: "Sacks Cement": Attached supplemental records for this well should show the details of any multiple stage cementing and the location of the cementing tool.

Item 33: Submit a separate completion report on this form for each interval to be separately produced. (See instruction for items 22 and 24 above.)

32. SUMMARY OF POROUS ZONES:				33. GEOLOGIC MARKERS		
SHOW ALL IMPORTANT ZONES OF POROSITY AND CONTENTS THEREOF; CORED INTERVALS; AND ALL DRILL-STEM TESTS, INCLUDING DEPTH INTERVAL TESTED, CUSHION USED, TIME TOOL OPEN, FLOWING AND SHUT-IN PRESSURES, AND RECOVERIES				NAME		
FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.	NAME	MEAS. DEPTH	TRUE VERT. DEPTH
San Andres	608	2060	Dolomite - No test	San Andres	608	Same
Glorieta	2060	3710	Dolomite & sand & Limestone - No test	Wolfcamp	6622	Same
Bone Spring	3710	6622	Limestone, sand, & shale - No test	Penn. Lime	7460	Same
Wolfcamp	6622	7330	Limestone & shale - No test			
Cisco	7330	7460	Limestone & sand - No test			
Penn. Lime	7460	7631	Dolomite - DST 7450-7631			
TO 2 hrs, Flowed 7 MMCF GPD, Recovered 70' condensate 1 HP 3679# 10 Min IFP 972 2 Hr FFP 1156 1 Hr ISIP 2627 3 Hr FSIP 2672 FHP 3633						

**NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-102
Supersedes C-120
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator Southwestern Natural Gas, Inc.			Location Paul M Mershon		Well No. 1
Unit Letter	Section 21	Township 22 South	Range 23 East	County Eddy	
Actual Location of Well: 990 feet from the North line and 990 feet from the East line					
Ground Level Elev. 4255	Producing Formation		Pool		Dedicated Acreage Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name _____

Position _____

Company _____

Date _____

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

7-20-69

Registered Professional Engineer and/or Land Surveyor

Larry D. Stroup
Certificate No. **4590**

0 250 500 750 1000 1250 1500 1750 2000 2250 2500

NO. OF COPIES RECEIVED	
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SANTA FE	
FILE	
U.S.O.S.	
LAND OFFICE	
TRANSPORTER	OIL
	GAS
OPERATOR	
PRORATION OFFICE	

**NEW MEXICO OIL CONSERVATION COMMISSION
REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS**

Form C-104
Supersedes Old C-104 and C-110
Effective 1-1-65

I. OPERATOR
WESTERN STATES PRODUCING COMPANY
Address
900 Building of the Southwest - Midland, Texas 79701
Reason(s) for filling (check proper box)
New Well ☐ Change in Transporter of ☐
Recompletion ☐ Oil ☐ Dry Gas ☐
Change in Ownership ☒ Casinghead Gas ☐ Condensate ☐
Other (Please explain)

If change of ownership give name and address of previous owner SOUTHWESTERN NATURAL GAS, INC. 900 Building of the SW - Midland, Texas 79701

II. DESCRIPTION OF WELL AND LEASE

Lease Name Mershon Gas Comm.	Well No. 1	Pool Name, including Formation Indian Basin (Up. Penn)	Kind of Lease State, Federal or Fee Fed.	Lease No. NM-3802
Location Unit Letter <u>A</u> , <u>990</u> Feet From The <u>North</u> Line and <u>990</u> Feet From The <u>East</u> Line of Section <u>21</u> Township <u>22-S</u> Range <u>23-E</u> , NMPM, <u>Eddy</u> County				

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input type="checkbox"/> or Condensate <input checked="" type="checkbox"/> Marathon Oil Company	Address (Give address to which approved copy of this form is to be sent) P. O. Box 552 - Midland, Texas 79701
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or R/R Gas <input checked="" type="checkbox"/> Marathon Oil Company	Address (Give address to which approved copy of this form is to be sent) P. O. Box 552 - Midland, Texas 79701
If well produces oil or liquids, give location of tanks. Unit <u>A</u> Sec. <u>21</u> Twp. <u>22-S</u> Rge. <u>23-E</u>	Is gas actually connected? <u>Yes</u> When <u>6-5-70</u>

If this production is commingled with that from any other lease or pool, give commingling order number

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well	Gas Well	New Well	Workover	Deepen	Plug Back	Same Rec'y.	Dill. Rec'y.
Date Spudded	Date Compl. Ready to Prod.		Total Depth		P.B.T.D.			
Elevations (DF, RKB, RT, CR, etc.)	Name of Producing Formation		Top Oil/Gas Pay		Tubing Depth			
Perforations					Depth Casing Shoe			

TUBING, CASING, AND CEMENTING RECORD

HOLE SIZE	CASING & TUBING SIZE	DEPTH SET	SACKS CEMENT

V. TEST DATA AND REQUEST FOR ALLOWABLE OIL WELL

(Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil - Bbls.	Water - Bbls.	Gas - MCF

GAS WELL

Actual Prod. Test - MCF/D	Length of Test	Bbls. Condensate/MCF	Gravity of Condensate
Testing Method (plot, back pr.)	Tubing Pressure (shut-in)	Casing Pressure (shut-in)	Choke Size

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

John C. Bennett
(Signature)
Operations Manager
(Title)
June 22, 1970
(Date)

OIL CONSERVATION COMMISSION

APPROVED _____, 19____
BY _____
TITLE _____

This form is to be filed in compliance with RULE 1104.
If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.
All sections of this form must be filled out completely for allowable on new and recompleted wells.
Fill out only Sections I, II, III, and VI for changes of owner well name or number, or transporter or other such change of conditions.
Separate Forms C-104 must be filed for each pool in multipl completed wells.

EXHIBIT NO. 7

	CHOKE SIZE	FTP-PSI	GAS VOLUME MMCF	CONDENSATE VOLUME-BBLS	WATER VOL. BBLS.	DATE
MERSON NO. 1	16/64	1825	3.100	27	1	7-31-70
	17/64	1830	3.150	27	1	8-1-70
	17/64	1840	3.150	28	1	8-2-70
	17/64	1840	3.150	28	1	8-3-70



NATURAL GAS PIPELINE COMPANY OF AMERICA

POST OFFICE BOX 236
MIDLAND, TEXAS 79701
PHONE: MUTUAL 4-6383

A. G. PETZOLD
ASSISTANT VICE PRESIDENT

December 1, 1969

Southwestern Natural Gas, Inc.
900 Building of the Southwest
Midland, Texas 79701

Re: Gas Purchase Contract dated October 1,
1969 between Natural Gas Pipeline
Company of America and Southwestern
Natural Gas, Inc., Indian Basin Area,
Eddy County, New Mexico.

Gentlemen:

Natural Gas Pipeline Company of America and Southwestern Natural Gas Inc. have negotiated and are now in the process of executing the above referenced Gas Purchase Contract. In addition to the above mentioned contract between Southwestern and Natural, it is anticipated that a Gas Processing Agreement will be entered into between Southwestern and Marathon Oil Company, as operator of the Indian Basin Gas Plant and gas gathering system. Natural has agreed to indemnify Marathon, as operator, for the unamortized portion of the construction costs incurred in connecting the Nershon No. 1 well, if said well does not deliver a certain volume of gas into the Indian Basin Gas Plant gathering system for processing in the Indian Basin Gas Plant.

Marathon has indicated to both Southwestern and Natural that it will proceed promptly with the construction of the necessary facilities to connect said well and Natural has assured Southwestern that it will commence receipt of gas from said well when these facilities are completed.

In order to comply with the regulations of the Federal Power Commission and to provide an approved price which can be utilized in gas payment calculations prior to the time that Southwestern secures separate certificate authorization to make this sale to Natural, Southwestern agrees to utilize its existing Small Producers Certificate as authority for commencing the delivery of gas to Natural under said contract.

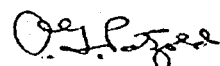
Handwritten notes:
Sent and 12-5-69
for info
under SE district

Page 2

Southwestern Natural Gas, Inc.
December 1, 1969

5 If Southwestern is willing to use its Small Producers Certificate as outlined above in order to commence delivery of gas under said contract as soon as said facilities are completed and otherwise agrees with the terms and provisions of this letter, please indicate such agreement by executing duplicate originals of this letter in the space provided below and returning one copy to us.

Very truly yours,


A. G. Petzold

AGREED and ACCEPTED this
_____ day of _____ 1969.

SOUTHWESTERN NATURAL GAS, INC.

By _____

BEFORE EXAMINER UTZ	
OIL CONSERVATION	
Marathon	EXHIBIT NO. 2
CASE NO.	4392

November 21, 1969

Re: Southwestern Natural Gas, Inc.
Mershon Well No. 1
Section 21, T-22-S, R-23-E
Indian Basin Field
Eddy County, Texas

Southwestern Natural Gas, Inc.
900 Bank of the Southwest Building
Midland, Texas 79701

Attn: Mr. L. N. Dunnavant

Gentlemen:

Marathon Oil Company, as Operator of the Indian Basin Gas Plant and in behalf of all owners of interest in said Plant, proposes to process your share of natural gas to be produced from the well described above under the terms and conditions contained in the Gas Processing Agreement and Supplemental Agreement attached hereto. This proposal is subject to the express condition that it will not become effective until approved by the Plant Owners pursuant to the Plant Construction and Operation Agreement.

We call your attention to Exhibit "A" to the Gas Processing Agreement. Described therein is the acreage assigned to the referenced well except that acreage contributed by Marathon Oil Company. Marathon's acreage will be covered by a separate Processing Agreement identical in form and substance to that attached hereto.

You have advised us that Southwestern is either the owner of all the leases described in Exhibit "A" or is authorized to act as agent for the owners thereof. We have drawn the execution pages of the attached Agreements accordingly.

If these Agreements are satisfactory please execute two copies of each and return all copies to the undersigned. Upon receipt thereof, we will immediately seek approval of those agreements by the Plant Owners. Upon receipt of such approval we will return one fully executed copy of each for your files.

We call your attention to paragraph 1.5 of the Gas Processing Agreement. Please supply us with copy of your Gas Sales Contract with Natural Gas Pipeline Company of America at the time executed Agreements are returned.

Southwestern Natural Gas, Inc.
November 21, 1969
Page 2

Your consideration of our proposal is certainly appreciated.
We will do everything within our control to expedite an early connection
of this well. If there is anything we can do to assist you please feel
free to call.

Yours very truly,

MARATHON OIL COMPANY

ORIGINAL SIGNED BY

K. L. WHITE

K. L. White
Natural Gas Supervisor

KLW:rsm

cc: Mr. D. E. Morris
Marathon Oil Company
P. O. Box 552
Midland, Texas 79701
(w/attachments)

bcc: Mr. L. H. Shearer
(w/o Attachments)

bcc: Mr. C. S. Hilton
(w/Attachments)

RECEIVED

NOV 24 1969

MARATHON OIL CO.
District Office
Midland, Texas

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Commission 2-1-50
 2-16-70
 $\frac{269}{840} = .562$
 June 4, 70. Comm.
 Hall said. 9-22-69

② .56

Jan. 1969	87,262.16	49035.8 X .30 = 14,710
Oct.	116,892.00	65,454.9
Nov.	108,751.41	60,917.
Dec.	131,992.04	73,915
1970 Jan.	151,155.50	81,647
Feb.	124,660.67	69,810
Mar.	146,432.48	82,005
Apr.	134,971.11	75,584
May	137,062.27	76,755
June	132,988.42	74,472 X .333 = 9,927

161,372.5

Request for 472,000

Int. Control 1-3-33
 11-21-69

Mar. 1969
 1969. 6129

203,04	203,04
13,915	13,915
84,647	84,647
69,810	69,810
82,005	82,005
75,584	75,584
76,755	76,755
9,927	9,927
119,294	314,084

Case 4392

SOUTHWESTERN NATURAL GAS, INC.

900 BUILDING OF THE SOUTH WEST
MIDLAND, TEXAS 79701

L.N. DUNNAVANT
VICE PRESIDENT AND
MANAGER OF OPERATIONS

JUN 17 PM 1 25

Case 4392

June 16, 1970

R-3736

Case 4059

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

99046 21-22-23

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 Pennsylvanian 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 equipment 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

June 16, 1970
Page 2

encountered in connecting this well for sales. This loss of income due to delays in sales has caused considerable hardship to Southwestern Natural Gas, Inc., its investors and partners in the well, and to the royalty holder, the Federal Bureau of Land Management. In order to compensate for this delay in production and to maintain the competitive position of the well and protect the correlative rights of the above mentioned parties, Southwestern Natural Gas, Inc. requests approval to produce this well at a rate of 3,000 MCF per day during periods that the purchaser and the processing plant can handle the increased production until such time as the 472,000 MCF of delayed production is recovered. Based on the contract allowable rate of 1,851 MCF per day, a net recovery of 1,149 MCF per day will be gained and the 472,000 MCF will be recovered in approximately 410 days. This 410 days will have to be arranged in periods that the processing plant has the capacity to handle the 3,000 MCF per day to be taken from this well.

The purchaser, Natural Gas Pipeline of America, has been contacted concerning this proposal and have given us verbal assurance that they can and will take the 3,000 MCF per day. The processing plant, operated by Marathon Oil Company, has been contacted and they do have sufficient capacity to take the gas and process it except during periods of peak demands which generally occur in late fall and winter.

A four point back pressure test has been completed on the well. The calculated Absolute Open Flow is 7,400 MCF per day with a gas condensate ratio of 197.2 MCF per barrel. A copy of this test and a well completion report on the subject well are attached for your information. We would appreciate your early consideration of our request as the well has now gone on production. A copy of this letter has been furnished to Natural Gas Pipeline of America, Marathon Oil Company, and the Federal Bureau of Land Management. If any additional information or data is required, please advise the undersigned.

Yours very truly,

Don C. Bennett

Don C. Bennett
Operations Manager

DCB/ns
attachs.

cc: Natural Gas Pipeline of America
Marathon Oil Company
Federal Bureau of Land Management

NEW MEXICO OIL CONSERVATION COMMISSION
MULTIPOINT AND ONE POINT BACK PRESSURE TEST FOR GAS WELL

Form C-122
 Revised 9-1-65

Type Test <input checked="" type="checkbox"/> Initial <input type="checkbox"/> Annual <input type="checkbox"/> Special				Test Date 6-7-70	
Company SOUTHWESTERN NAT. GAS CO.				Connection MARATHON	
Pool INDIAN BASIN				Formation UPPER PENN	
Completion Date 8-21-69		Total Depth 7631'		Plug Back TD 7620'	
Elevation 4264' OF		Form or Lease Name MERSHON GAS CO.		Unit 360	
Orifice Size 1 1/2"	Well ID 10.5	Set At 4.000	Set At 7631	Perforations From 7467' To 7611'	
Well Size 2"	Well ID 4.7	Set At 1.995	Set At 7350'	Perforations From OPEN To ENDED	
Type Well - Single - Bradenhead - G.G. or G.O. Multiple SINGLE				Packer Set At 7350'	
Producing thru TUBING		Reservoir Temp. °F 148 @ 7300'		Mean Annual Temp. °F 600	
Baro. Press. - P _a 13.2		State NEW MEXICO		County CODY	
L 7539'	H -	G _g 0.641	% CO ₂ 0.52	% N ₂ 0.56	% H ₂ S 0.00
Prover -		Meter Run X		Taps F	

FLOW DATA						TUBING DATA		CASING DATA		Duration of Flow	
NO.	Prover Line Size	X	Orifice Size	Press. p.s.i.g.	Diff. h _w	Temp. °F	Press. p.s.i.g. @ WT	Temp. °F	Press. p.s.i.g.		Temp. °F
SI	4		1.5				2060		PKP		8 MONTHS
1.	4	21/64	1.5	660	90	58	1511	80	-	-	13.0 HRS
2.	4	19/64	1.5	640	74	54	1625	78	-	-	1.0
3.	4	17/64	1.5	630	54	52	1731	77	-	-	1.0
4.	4	15/64	1.5	620	38	51	1823	75	-	-	2.0
5.											

RATE OF FLOW CALCULATIONS							
NO.	Coefficient (24 Hour)	$\sqrt{h_w P_m}$	Pressure P _m	Flow Temp. Factor F _t	Gravity Factor F _g	Super Compress. Factor, F _{spv}	Rate of Flow Q, Mcfd
1	10.84	246.15	673.2	1.002	1.249	1.067	3563.2
2	10.84	219.85	653.2	1.006	1.249	1.067	3196.4
3	10.84	186.35	643.2	1.008	1.249	1.068	2716.2
4	10.84	155.11	633.2	1.009	1.249	1.067	2260.9
5							

NO.	P _r	Temp. °R	T _r	Z	Gas Liquid Hydrocarbon Ratio	Mcf/bbl.
1	1.00	518	1.41	0.878	197.2	
2	0.97	514	1.40	0.879	62.0	
3	0.96	512	1.39	0.876		
4	0.94	511	1.39	0.878		
5						

NO.	P _r ²	P _w *	P _r ²	P _r ² - P _w ²	(1) $\frac{P_r^2}{P_r^2 - P_w^2} = 2.880$	(2) $\left[\frac{P_r^2}{P_r^2 - P_w^2} \right]^n = 2.065$
1	-	2124.2	4512.2	2400.5		
2	-	2209.2	4880.6	2032.1		
3	-	2303.2	5304.7	1608.0		
4	-	2380.2	5665.4	1247.3		
5						

Absolute Open Flow		7400	Mcf @ 15.025	Angle of Slope @	550 33'	Slope, n	0.686
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Remarks: * BHP @ (3275') 7539' USED FOR PRESSURE CALCULATIONS

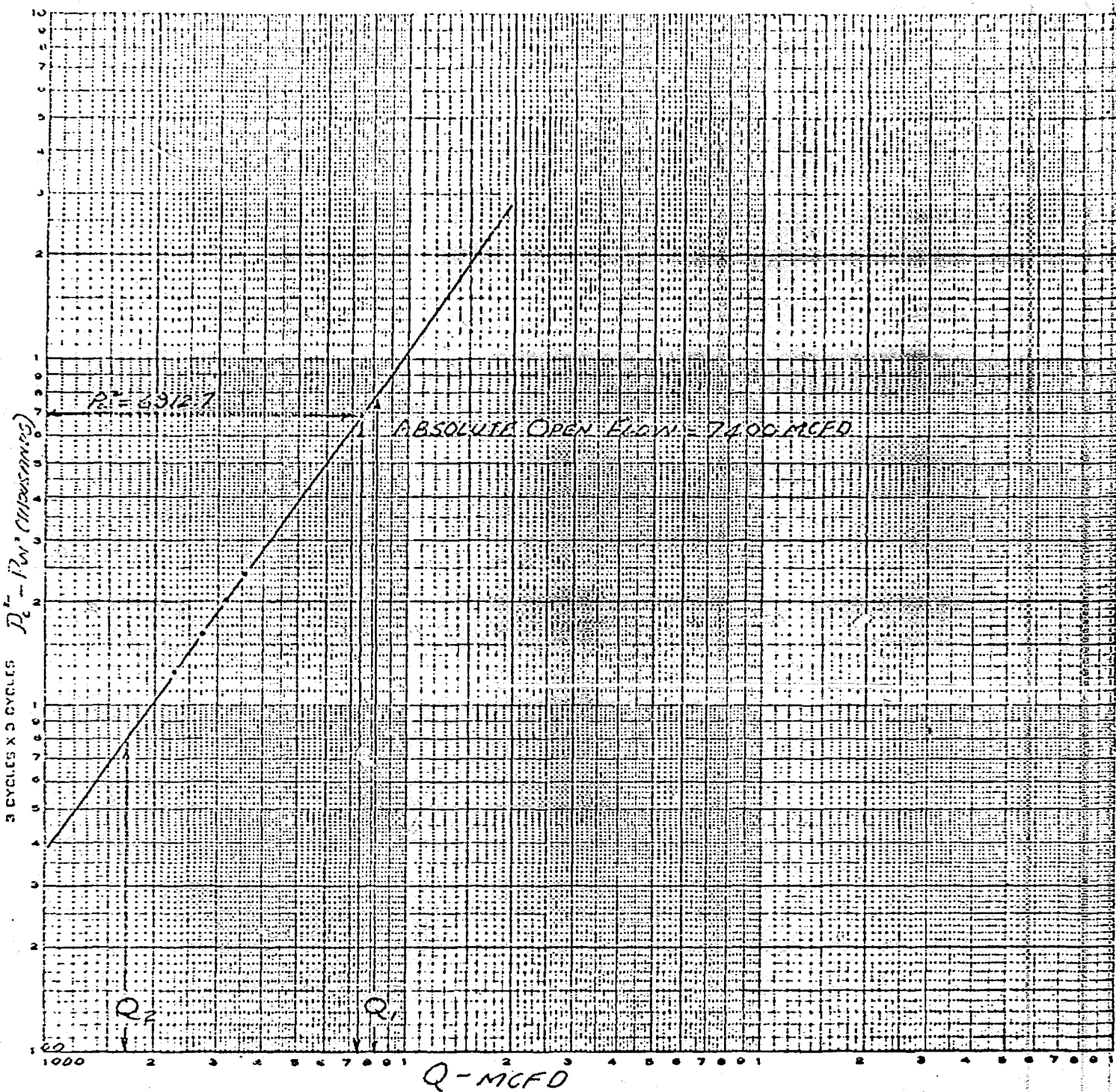
Approved By Commission:	Conducted By: COLEMAN PET. ENG.	Calculated By: JOE A. COLEMAN	Checked By: JOE A. COLEMAN
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Case 4392

COMPANY SOUTHWESTERN NATURAL GAS CO.
 WELL WERSHON GAS COMM. NO. 1
 LOCATION UNIT A, SEC. 21 22 S 23 E
 COUNTY EDDY NEW MEXICO
 DATE JUNE 7, 1970

EUGENE DIETZGEN CO.
MADE IN U.S.A.

NO. 340R-133 DIETZGEN GRAPH PAPER
LOGARITHMIC
3 CYCLES X 3 CYCLES



$$Q_1 = 8200 \text{ MCFD}, \text{ LOG } Q_1 = 3.91381$$

$$Q_2 = 1690 \text{ MCFD}, \text{ LOG } Q_2 = 3.22769$$

$$n = 0.68592 = 0.686$$

Corr 4392

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

SUBMIT IN DUPLICATE

(See other in-
structions on
reverse side)Form approved
Budget Bureau May 42-10355.5.

WELL COMPLETION OR RECOMPLETION REPORT AND LOG*

1. TYPE OF WELL: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> DRY <input type="checkbox"/> OTHER <input type="checkbox"/>		6. LEASE DESIGNATION AND SERIAL NO. NM 3802	
2. TYPE OF COMPLETION: NEW WELL <input checked="" type="checkbox"/> WORK OVER <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> DEEP. REPAIR <input type="checkbox"/> OTHER <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME -	
3. NAME OF OPERATOR Agent for Southwestern Natural Gas, Inc. - Paul M. Mershon, Jr.		7. UNIT AGREEMENT NAME -	
3. ADDRESS OF OPERATOR 900 Building of Southwest - Midland, Texas 79701		8. FARM OR LEASE NAME Mershon Gas Comm.	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements) At surface 990' FNL & 990' FEL		9. WELL NO. 1	
At top prod. interval reported below Same		10. FIELD AND POOL, OR WILDCAT Indian Basin (Up. Penn.)	
At total depth Same		11. SEC., T. R., M., OR BLOCK AND SURVEY OR AREA 21, T-22S, R-23E	
14. PERMIT NO. -		12. COUNTY OR PARISH Eddy New Mexico	
DATE ISSUED -		13. STATE New Mexico	
15. DATE SPUDDED 7-31-69	16. DATE T.D. REACHED 8-21-69	17. DATE COMPL. (Ready to prod.) 9-22-69	18. ELEVATIONS (OF, RMD, RT, GR, ETC.) 4255' GL
19. ELEV. CASINGHEAD -	20. TOTAL DEPTH, MD & TVD 7631'		
21. PLUG, BACK T.D., MD & TVD 7620	22. IF MULTIPLE COMPL., HOW MANY? -	23. INTERVALS DRILLED BY 10-7631'	24. ROTARY TOOLS 0
25. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD) 7467' - 7611' - 16 Holes - Upper Penn.			26. WAS DIRECTIONAL SURVEY MADE No
27. TYPE ELECTRIC AND OTHER LOGS RUN GR/N/AC, IES, ML-C			28. WAS WELL CORED No
29. CASING RECORD (Report all strings set in well)			
CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE
20"	94	13'	26"
13-3/8"	48	210'	17-1/2"
8-5/8"	24	2160'	11"
4-1/2"	10.5 & 11.6	7631'	7-7/8"
CEMENTING RECORD		AMOUNT PULLED	
Ready-Mix		0	
250 Sks. - Circ		0	
2490 Sks. - Circ		0	
350 Sks		0	
30. LINER RECORD			
SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*
2-3/8"			
31. TUBING RECORD			
SIZE	DEPTH SET (MD)	PACKER SET (MD)	
2-3/8"	7350'	7350'	
32. PERFORATION RECORD (Interval, size and number)			
7467'-7611' - 16-0.455" Holes			
33. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.			
DEPTH INTERVAL (MD)		AMOUNT AND KIND OF MATERIAL USED	
7467 - 7611		Acid - 1750 Gallons	
		15% MA	
34. PRODUCTION			
DATE FIRST PRODUCTION 9-20-69		PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump) Flow	
DATE OF TEST 6-7-70		WELL STATUS (Producing or shut-in) Shut-in	
HOURS TESTED 7	CHOKE SIZE Various	PROD'N. FOR TEST PERIOD 4.34	GAS—MCF. 856
WATER—BBL. 0	OIL—BBL. 197,200ft ³	GAS-OIL RATIO /Bbl	
FLOW, TUBING PRESS. 14.88	CASING PRESSURE 2934.2	WATER—BBL. 0	OIL GRAVITY-API (CORR.) 62.0
35. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.) Vented			
36. TEST WITNESSED BY Joe A. Coleman			
37. LIST OF ATTACHMENTS C-122 (CAOF), C-104 Inclination Record, GR-AC/N Log			
38. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records			
SIGNED Operations Manager		DATE 6-12-70	

*(See Instructions and Spaces for Additional Data on Reverse Side)

Class #392

INSTRUCTIONS

General: This form is designed for submitting a complete and correct well completion report and log on all types of lands and leases to either a Federal agency or a State agency, or both, pursuant to applicable Federal and/or State laws and regulations. Any necessary special instructions concerning the use of this form and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from, the local Federal and/or State office. See instructions on Items 22 and 24, and 33, below regarding separate reports for separate completions.

If not filed prior to the time this summary record is submitted, copies of all currently available logs (drillers, geologists, sample and core analysts, all types electric, etc.), formation and pressure tests, and directional surveys, should be attached hereto, to the extent required by applicable Federal and/or State laws and regulations. All attachments should be listed on this form, see Item 35.

Item 4: If there are no applicable State requirements, locations on Federal or Indian land should be described in accordance with Federal requirements. Consult local State or Federal office for specific instructions.

Item 16: Indicate which elevation is used as reference (where not otherwise shown) for depth measurements given in other spaces on this form and in any attachments.

Items 22 and 24: If this well is completed for separate production from more than one interval zone (multiple completion), so state in Item 22, and in Item 24 show the producing interval, or intervals, top(s), bottom(s) and name(s) (if any) for only the interval reported in Item 23. Submit a separate report (page) on this form, adequately identified, for each additional interval to be separately produced, showing the additional data pertinent to such interval.

Item 29: "Sucks Cement": Attached supplemental records for this well should show the details of any multiple stage cementing and the location of the cementing tool.

Item 33: Submit a separate completion report on this form for each interval to be separately produced. (See instruction for Items 22 and 24 above.)

37. SUMMARY OF POROUS ZONES

SHOW ALL IMPORTANT ZONES OF POROSITY AND CONTENTS THEREOF; CORED INTERVALS; AND ALL DRILL-STEM TESTS, INCLUDING DEPTH INTERVAL TESTED, CUSHION USED, TIME TOOL OPEN, FLOWING AND SHUT-IN PRESSURES, AND RECOVERIES

FORMATION	TOP.	BOTTOM	DESCRIPTION, CONTENTS, ETC.
San Andres	608	2060	Dolomite - No test
Glorieta	2060	3710	Dolomite & sand & Limestone - No test
Bone Spring	3710	6622	Limestone, sand, & shale - No test
Wolfcamp	6622	7330	Limestone & shale - No test
Cisco	7330	7460	Limestone & sand - No test
Penn. Lime	7460	7631	Dolomite - DST 7450-7631
			TO 2 hrs, Flowed 7 MMCFGPD, Recovered 70' condensate
			1 HP 3679#
			10 Min IFP 972
			2 Hr FFP 1156
			1 Hr ISIP 2627
			3 Hr FSIP 2672
			FHP 3633

39. GEOLOGIC MARKERS

	TOP	
	MEAS. DEPTH	TRUE VEET. DEPTH
San Andres	608	Same
Wolfcamp	322	Same
Penn. Lime	460	Same

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
TRANSPORTER	OIL
	GAS
OPERATOR	
PRORATION OFFICE	

**NEW MEXICO OIL CONSERVATION COMMISSION
REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS**

Form C-104
Supersedes Old C-104 and C-110
Effective 1-1-65.

Case 4392

Operator Southwestern Natural Gas, Inc.	
Address 900 Building of the Southwest, Midland, Texas 79701	
Reason(s) for filing (Check proper box)	
New Well <input checked="" type="checkbox"/>	Change in Transporter of:
Recompletion <input type="checkbox"/>	Oil <input type="checkbox"/> Dry Gas <input type="checkbox"/>
Change in Ownership <input type="checkbox"/>	Casinghead Gas <input type="checkbox"/> Condensate <input type="checkbox"/>

If change of ownership give name and address of previous owner _____

II. DESCRIPTION OF WELL AND LEASE

Lease Name Merchon Gas Comm.	Well No. 1	Pool Name, including Formation Indian Basin (Up. Penn)	Kind of Lease State, Federal or Fee Fed.	Lease No. NM-3802
Location				
Unit Letter A ; 990 Feet From The No. Line and 990 Feet From The FEL				
Line of Section 21 Township 22-S Range 23E , NMPM, Eddy County				

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input type="checkbox"/> or Condensate <input checked="" type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
Marathon Oil Co.	Box 552 - Midland, Tex 79701
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or Dry Gas <input checked="" type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
Marathon Oil Co.	Box 552 - Midland, Texas 79701
If well produces oil or liquids, give location of tanks.	Unit A Sec. 21 Twp. 22-S Rge. 23-E Is gas actually connected? Yes When 6-5-70

If this production is commingled with that from any other lease or pool, give commingling order numbers _____

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well	Gas Well	New Well	Workover	Deepen	Plug Back	Some Reav.	Diff. Reav.
		X	X					
Date Spudded 7-31-69	Date Compl. Ready to Prod. 9-22-69	Total Depth 7631	P.B.T.D. 7620					
Elevations (DF, RKB, RT, CR, etc.) 4255 GL	Name of Producing Formation Upper Penn	Top Oil/Gas Pay 7467	Tubing Depth 7350					
Perforations 7467 - 7611 (16 - 0.456" Holes)			Depth Casing Shoe 7631					
TUBING, CASING, AND CEMENTING RECORD								
HOLE SIZE	CASING & TUBING SIZE	DEPTH SET	SACKS CEMENT					
26	20	13	Ready Mix					
17-1/2	13-3/8	210	250 Sk - Circ					
11	8-5/8	2160	2490 Sk - Circ					
7-7/8	4-1/2	7631	350 Sk - Circ					

V. TEST DATA AND REQUEST FOR ALLOWABLE OIL WELL

(Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil-Bbls.	Water-Bbls.	Gas-MCF

GAS WELL

Actual Prod. Test-MCF/D CAOF - 7400 MCF	Length of Test 7 hrs	Bbls. Condensate/MMCF 5.06	Gravity of Condensate 62.0
Testing Method (pilot, back pr.) Back Pressure	Tubing Pressure (shut-in) 2060	Casing Pressure (shut-in) Packer	Choke Size Various

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

(Signature)
Operations Manager
(Title)
June 12, 1970
(Date)

OIL CONSERVATION COMMISSION

APPROVED _____, 19____

BY _____

TITLE _____

This form is to be filed in compliance with RULE 1104.

If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.

All sections of this form must be filled out completely for allowable on new and recompleted wells.

Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter or other such change of condition.

Separate Forms C-104 must be filed for each pool in multiply completed wells.

Form 1-1
11-2-62

ONE COPY MUST BE FILED WITH EACH COMPLETION REPORT

RECORD OF INCLINATION

Total Displacement

Certification of personal knowledge Inclination Data:

Signature

Operator Affidavit:

(Note: Party making affidavit must strike out inapplicable phrases, and must file explanatory statement when applicable.)

Signature and Title of Affiant

Notary Public in and for Midland
County, Texas.

FRC Use Only:

Approved By: _____
Title: _____
Date: _____

Case 4392

Pete,

Dick Morris just
called. said he
would have the
corrected testi from
Marshall here in
a day or two - so let's
hold the order for
a couple of days -

George

DRAFT

GMH/esr
August 26, 1970

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4392

Order No. R-4035

APPLICATION OF SOUTHWESTERN NATURAL
GAS, INC., FOR THE ASSIGNMENT OF BACK
ALLOWABLE, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 5, 1970,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this day of October, 1970, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the Southwestern Natural Gas, Inc., Mershon Well
No. 1, located in Unit A of Section 21, Township 22 South, Range
23 East, NMPM, Eddy County, New Mexico, was completed as a pro-
ducing gas well in the Indian Basin-Upper Pennsylvanian Gas Pool
September 22, 1969, having 360 acres comprising the N/2 and the
N/2 N/2 N/2 S/2 of said Section 21 dedicated to said well.

(3) That the subject well was connected to a gas transporta-
tion facility on June 4, 1970.

(4) That the applicant, Southwestern Natural Gas, Inc.,
seeks the assignment of back allowable to the subject well for

the period from date of completion of said well to date of connection of said well to a gas transportation facility.

(5) That no gas purchase agreement covering said well was entered into between Southwestern Natural Gas, Inc., and Natural Gas Pipeline Company of America until November 21, 1969.

(6) That on November 21, 1969, there existed in the Indian Basin-Upper Pennsylvanian Gas Pool a gas gathering and transportation facility operated by Marathon Oil Company which was reasonably capable of handling and delivering to the gas transportation facility operated by Natural Gas Pipeline Company of America the type of gas produced by the subject well.

(7) That the evidence adduced at the hearing indicates an average delay of approximately 2.4 months from date of completion of a well in Indian Basin-Upper Pennsylvanian Gas Pool to date of connection to a gas transportation facility.

(8) That a delay of as much as 2.4 months, or from November 21, 1969, until February 1, 1970, would not be an unreasonable delay from date of execution of a gas purchase agreement to date of connection for a gas well in Indian Basin-Upper Pennsylvanian Gas Pool, and would not constitute unreasonable discrimination against such a well.

(9) That a delay of more than 2.4 months to connect a gas well in Indian Basin-Upper Pennsylvanian Gas Pool after execution of a gas purchase agreement would be an unreasonable delay and would constitute unreasonable discrimination against such a well.

(10) That the Southwestern Natural Gas, Inc., Merston Well No. 1 was unreasonably discriminated against through denial of access to a gas transportation facility which was reasonably capable of handling the type of gas produced by said well for the period from February 1, 1970, to June 4, 1970.

(11) That the subject well should be assigned an allowable for the production of gas from the subject pool for the period February 1, 1970, to June 4, 1970, in accordance with the allowable factors for the pool during said period of time.

IT IS THEREFORE ORDERED:

(1) That the Southwestern Natural Gas, Inc., Merston Well No. 1, located in Unit A of Section 21, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, is hereby assigned an allowable for the production of gas from the Indian Basin-Upper Pennsylvanian Gas Pool for the period from February 1, 1970, to June 4, 1970, in accordance with the allowable factors for the pool during said period of time.

(2) That the allowable assigned above in Order (1) to the subject well may be produced at any time prior to December 31, 1971, in addition to the allowable regularly assigned to the subject well.

(3) That the Secretary-Director of the Commission shall have the authority to suspend cancellation of underproduction accrued to the subject well and subject to cancellation as of January 1, 1971, and July 1, 1971, upon request by the operator of said well when such authority is necessary to avoid undue hardship upon the operator of the well. Said request shall be filed with the Santa Fe office of the Commission within 15 days following each of said dates.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

**CASE 4393: Application of MOBIL
OIL CORPORATION FOR SALT WATER
DISPOSAL, LEA COUNTY, NEW MEXICO**

Reservoir