

PAN AMERICAN PETROLEUM CORPORATION

SECURITY LIFE BUILDING
DENVER, COLORADO 80202

February 27, 1968

File: AMR-614-986.511

Re: Non-Standard Proration Unit
Federal Gas Com "K" No. 1
Basin Dakota Field
San Juan County, New Mexico.

Mr. A. L. Porter, Jr. (3)
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

MAIN OFFICE 000

Dear Mr. Porter:

'68 FEB 29 AM 9 21

Pan American Petroleum Corporation respectfully requests administrative approval of a 228.66 acre non-standard gas proration unit for the Dakota formation to consist of the NW/4 and the N/2 of the SW/4 of Section 7, being all of the W/2 of Section 7 except the S/2 of the SW/4, in Township 27 North, Range 12 West, Basin Dakota Field, San Juan County, New Mexico. In accordance with the provisions of Rule 104, Section D, Subsection II, the requested non-standard proration unit consists of quarter-quarter sections and lots that are contiguous by common bordering sides, and which lie wholly within a governmental half section survey. All of the acreage included in the proposed unit can be reasonably presumed to be productive of gas from the Basin Dakota horizon. Pan American has 100% working interest in the proposed well to be located thereon by virtue of owning the lease covering the NW/4 of Section 7 coupled with the contractual right to acquire from Mobil Oil Corporation and O. J. Lilly the operating rights in oil and gas in the Dakota formation as to the N/2 of the SW/4 of said Section 7. In addition, all offset operators in adjoining sections and all operators in the same section are being notified by copies of this letter sent by certified mail advising them of Pan American Petroleum Corporation's intention to form the above proposed non-standard unit for the Dakota formation. Pan American is the Unit Operator of the Gallegos Canyon Unit which offsets the proposed non-standard gas proration unit to the north.

The formation of the requested 228.66 acre non-standard gas proration unit in the Dakota formation is necessitated by the existence of governmental subdivision lots along the west side of Section 7 that are smaller than the standard 40 acre governmental quarter-quarter sections. Also authorization of the non-standard unit is necessary because of the existence of Mobil Oil Corporation's H. K. Riddle Well No. 1, which is a Basin Dakota Field well located in the SW/4 of the SW/4 of Section 7. This well was completed

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September 12, 1953, with an initial potential of 584 MCF of gas plus 6 to 9 barrels of condensate per day. Currently, the well is capable of producing about 100 to 120 MCF of gas and not more than one barrel of condensate per day. Because of the method by which this well was drilled and completed in 1953 and the fact that the well is over 14 years old, Pan American believes that a workover of this well would be very risky, imprudent and uneconomic. Pan American, therefore, does not want to communitize its acreage into a standard unit that would contain this well as a unit well. The H. K. Riddle Well No. 1 presently is in a 152.56 acre non-standard gas proration unit consisting of the SW/4 of Section 7. Mobil Oil Corporation has agreed to follow this application with a request that their well be dedicated to an approximate 76.30 acre non-standard gas proration unit consisting of the S/2 of the SW/4 of Section 7.

A new well known as Federal Gas Com "K" No. 1 will be drilled using modern techniques at a location in the NW/4 of the NW/4 of Section 7 within the proposed 228.66 unit. If this application is approved, Pan American believes that correlative rights will be protected because present drainage from the proposed non-standard unit to offsetting acreage will be stopped. Almost simultaneously with Pan American's filing of this Application for a 228.66 acre non-standard gas proration unit, Mobil Oil Corporation has agreed to file an application for a 76.30 acre non-standard gas proration unit to consist of said S/2 of the SW/4 of Section 7. These two non-standard units will result in the dedication of all of the acreage in the W/2 of Section 7 producing from the Dakota formation and that there will then be no islands of acreage undedicated and being drained from offsetting Dakota unit wells.

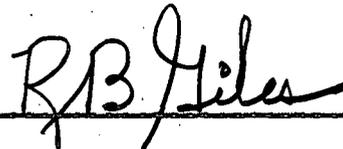
Attached hereto is a map showing the location of the proposed 228.66 acre non-standard gas proration unit for the Dakota formation and all surrounding acreage and wells. Further, there is attached hereto a copy of Pan American's "Well Location and Acreage Dedication Plat" for the subject Federal Gas Com "K" No. 1. You will note that the well site location is described as being 1170' from the north line and 930' from the west line of Section 7, T27N-R12W, San Juan County, New Mexico.

In view of the foregoing and Mobil Oil Corporation's forthcoming application your favorable consideration hereof is respectfully requested.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION

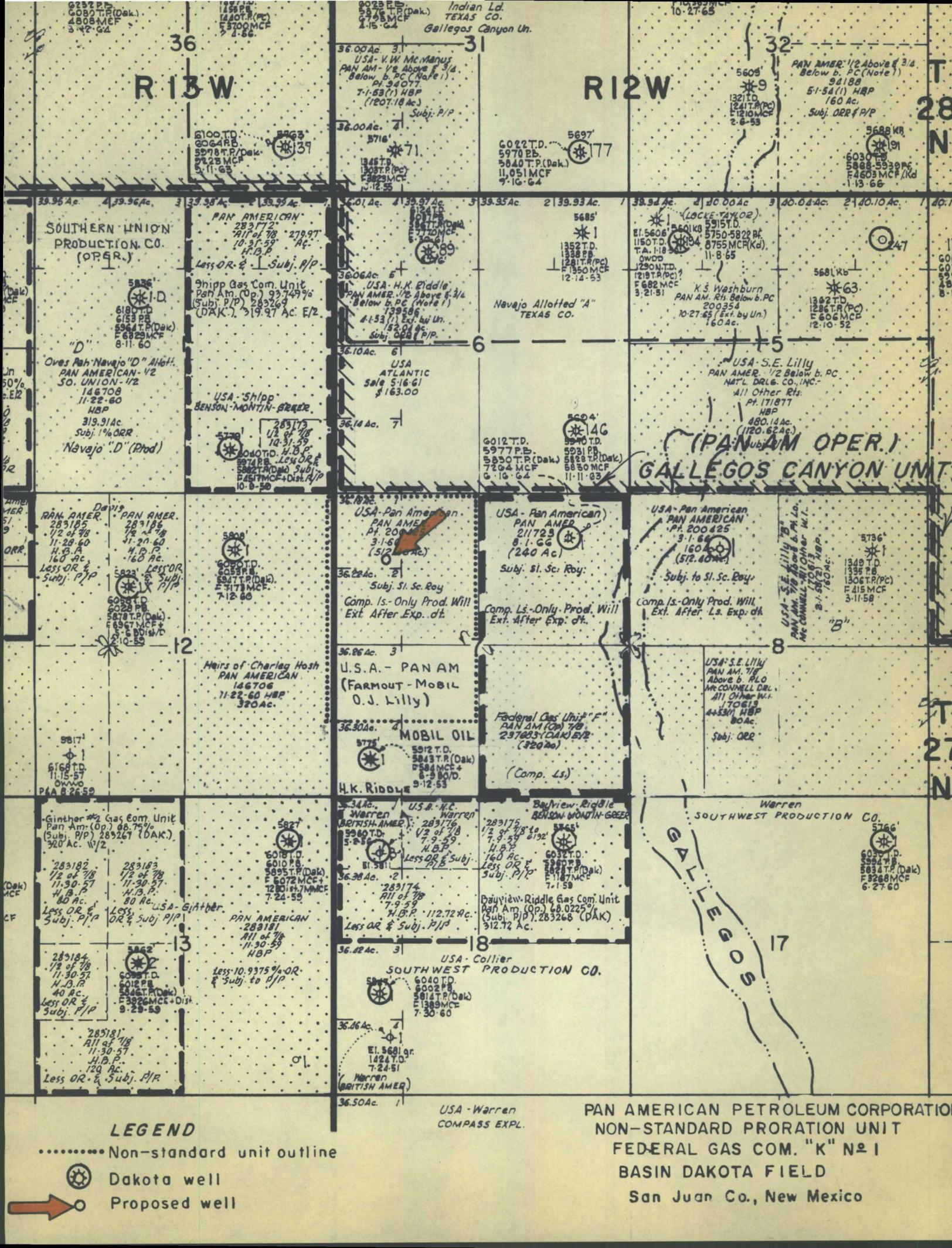
By



Attachments

cc: Certified letters to:

Mobil Oil Corporation, P. O. Box 1652, Casper, Wyoming 82601
Mr. & Mrs. O. J. Lilly, 1806 Pompton Drive, Auston, Texas 78758
Southwest Production Co., 3108 Southland Center, Dallas, Texas
Southern Union Production Co., Fidelity Union Tower Building, Dallas, Texas
U. S. Geological Survey, P. O. Box 965, Farmington, New Mexico 87401
New Mexico Oil Conservation Commission, 1000 Rio Brazos Road, Aztec, New Mexico



R13W

R12W

T28N

T27N

LEGEND

- Non-standard unit outline
- ⊗ Dakota well
- ➔ Proposed well

PAN AMERICAN PETROLEUM CORPORATION
 NON-STANDARD PRORATION UNIT
 FEDERAL GAS COM. "K" No 1
 BASIN DAKOTA FIELD
 San Juan Co., New Mexico

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

All distances must be from the outer boundaries of the Section

Operator PAN AMERICAN PETROLEUM CORPORATION		Lease FEDERAL GAS COM "K"		Well No. 1	
Unit Letter D	Section 7	Township 27 NORTH	Range 12 WEST	County SAN JUAN	
Actual Footage Location of Well: 1170 feet from the NORTH line and 930 feet from the WEST line					
Ground Level Elev. Report Later	Producing Formation Dakota	Pool Basin Dakota	Dedicated Acreage: 228.66 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?

(X) Yes () No If answer is "yes," type of consolidation Communitization

If answer is "no," list the owners and tract descriptions which have actually 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.

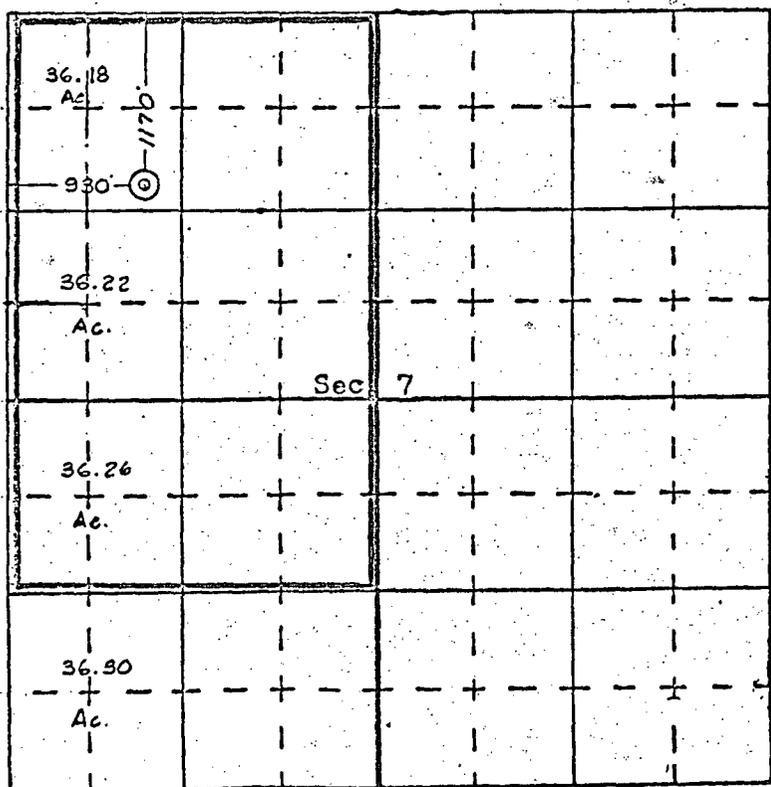
CERTIFICATION

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

G. W. Eaton, Jr.
Name
G. W. Eaton, Jr.
Position
Area Engineer
Company
PAN AMERICAN PETROLEUM CORP.
Date
December 22, 1967

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.

December 21, 1967
Date Surveyed
James P. Lemse
Registered Professional Engineer
and/or Land Surveyor
JAMES P. LEMSE
1463
Certificate No.



SCALE—4 INCHES EQUALS 1 MILE