

PASO NATURAL GAS COMPANY

Memorandum

GLA 46

Mr. D. N. Canfield

Date: October 11, 1974

From: Mr. Don Wadsworth

Place: Land Department
Energy Resource Development

Re: Scott #8 Well -SE/4 Sec. 17
Scott #9 Well -NW/4 Sec. 17
Scott #10 Well -SW/4 Sec. 4
Scott #11 Well -NW/4 Sec. 9
T-31-N, R-10-W, N.M.P.M.
San Juan County, New Mexico

By letter dated September 30, 1974, Mr. Thomas Scott, President of Brookhaven Oil Company, wrote inquiring as to the status of the above referenced Pictured Cliffs wells on our 1974 drilling program. I answered him by saying that the wells had been deferred due to a shortage of tubular goods and that they would be drilled as conditions improved. A copy of my letter is attached.

The Scott Nos. 8 and 9 have been dropped from the program since some of the acreage dedicated to the wells is subject to sliding scale overriding royalty negotiations, (GLA-172, Beaver Lodge). The Scott Nos. 10 and 11 are free of overriding royalty problems, but have been carried over to the 1975 drilling program.

Brookhaven's interest is subject to GLA-46 which provides that El Paso shall carry Brookhaven and recover out of 1/2 of Brookhaven's interest, but such costs shall be limited to a total of \$17,000.00 well cost for Pictured Cliffs wells. Mr. Scott advised us earlier this year that if we would develop the acreage he owns an interest in, he would approve recovery of his share of costs out of the actual current well costs. The current costs of a Pictured Cliffs well in this area as set out on our well cost estimate sent to Mr. Scott was approximately \$34,000.00.

Today, Mr. Scott called and was very upset that the wells were not being drilled this year. I again explained the pipe situation to him and further stated that we had established a priority list of obligation wells to be drilled with the pipe we had available and that the remaining wells would be drilled as additional pipe became available. He said that he didn't care about our pipe problems or our priorities and that he wanted the wells drilled, or he threatened to withdraw his approval to allow us to recover his share of costs of the well based on current prices and would revert to the \$17,000.00 limit. He also stated that he would like to see the remaining undrilled blocks he owns an interest in drilled.

Don Wadsworth

DW
Attachment