

BEFORE THE  
**Oil Conservation Commission**  
SANTA FE, NEW MEXICO  
March 16, 1955

IN THE MATTER OF:

CASE NO. 854 & 855 Consolidated

TRANSCRIPT OF PROCEEDINGS

**ADA DEARNLEY AND ASSOCIATES**  
COURT REPORTERS  
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TELEPHONE 7-9546  
ALBUQUERQUE, NEW MEXICO

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico

IN THE MATTER OF:

The application of the Texas Company for approval of a non-standard gas proration unit.

Applicant, in the above-styled cause, seeks an order approving the creation of a 160-acre non-standard gas proration unit in exception to Rule 5(a) of the Special Rules and Regulations for the Eumont Gas Pool, as set forth in Order R-520, said unit to consist of N/2 NE/4, and SE/4 NE/4 and NE/4 SE/4 of Section 12, Township 21 South, Range 36 East, Lea County, New Mexico, to be dedicated to its proposed Roy Riddell Well No. 2, NE/4 NE/4 of said Section 12.

Case No. 854

The application of the Texas Company for approval of a non-standard gas proration unit.

Applicant, in the above-styled cause, seeks an order approving the creation of a 160-acre non-standard gas proration unit in exception to Rule 5(a) of the Special Rules and Regulations for the Eumont Gas Pool, as set forth in Order R-520, said unit to consist of E/2 SW/4 and S/2 SE/4 of Section 12, Township 21 South, Range 36 East, Lea County, New Mexico, to be dedicated to its Roy Riddell Well No. 1, SE/4 SW/4 of said Section 12.

Case 855

Consolidated.

BEFORE:

Honorable John F. Simms  
Mr. E. S. (Johnny) Walker  
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 854.

MR. WHITE: The Texas Company would like to consolidate

Cases 854 and 855 for purposes of hearing.

MR. MACEY: Is there objection to the consolidation of the Cases 854 and 855?

MR. WHITE: We have one witness.

J. A. S C H A F F E R ,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. WHITE:

Q Will you state your name for the record, please?

A J. A. Schaffer.

Q Where do you reside?

A Midland, Texas.

Q By whom are you employed and in what capacity?

A I am employed by the Texas Company as Petroleum Engineer.

Q Have you previously testified before the Commission?

A No, I have not.

Q Will you briefly state to the Commission your qualifications and experience?

A I was graduated from the University of Texas in June, 1950 and received a degree in Petroleum Engineering. Since that time I have been in the employ of the Texas Company and have been located in West Texas and Eastern New Mexico.

Q Mr. Schaffer, are you familiar with the Texas Company's Case 854, 855, in regard to the establishment of the non-standard proration units?

A Yes, I am.

(Marked Texas Company's Exhibits No. 1, Cases 854 & 855, for identification.)

Q I hand you here what has been marked as Exhibit No. 1 in Case 854 and what has been marked as Exhibit 1 in Case 855. I will ask you to identify them and state to the Commission what they are designed to **show**.

A Exhibit 1 in both cases is a plat of Section 12, Township 21 South, Range 36 East.

Q That is Exhibit 1 in what case?

A Exhibit 1 in both cases, 855 and 854.

Q All right.

Q The plat shows all gas wells within Section 12 and also an adjoining section. The area outlined in yellow is Texas Company's Roy Riddel Lease. The hash **marked** portion of Exhibit 1 in Case 854 is our **proposed** 160-acre non-standard gas proration unit to which we propose to drill well No. 2 on this lease. The hashed area in Exhibit 1 for Case 855 shows our presently drilled well, Roy Riddel No. 1, which is a gas well, completed in the vertical limits of the Eumont Gas Pool. It shows which acreage we wish assigned to that well.

Q State briefly the history of your Roy Riddel Well No. 1.

A Well No. 1 was originally drilled and completed in December of 1953. It was a marginal well and was carried so on the proration schedule. In December of '54 the well was worked over and its productive capacity increased considerably. For that reason we wish to assign more acreage to the well.

(Marked Texas Company's Exhibits 2 through 6 in Case 854, for identification.)

Q I hand you here, Exhibit 2 in Case 854 and ask you what that is?

A Exhibit 2 in Case 854 is a waiver from Continental Oil Company. We did ask for waivers on the formation of both these units.

Q I hand you Exhibit No. 3 in Case 854 and ask you to identify that.

A Exhibit 3 in Case 854 is a waiver from Dalport Oil Corporation.

Q Exhibit No. 4?

A Exhibit No. 4 in Case 854 is a waiver from F. J. Danglade. These all apply to our Well No. 1.

Q Number 5?

A This is a waiver from Mid-Continent Petroleum Corporation.

Q Exhibit No. 6 in Case 854?

A Exhibit No. 6 in Case 854 is a waiver from E. G. Rodman.

(Marked Texas Company's Exhibits 2 through 5 in Case 855, for identification.)

Q I hand you Exhibit No. 2 in Case 855, and ask you to identify that?

A These apply to Case 855, which is our, it applies to our proposed well, Well No. 2. This is a waiver from Continental Oil Corporation.

Q Exhibit No. 3?

A Exhibit No. 3, Case 855 is a waiver from Mid-Continent Petroleum.

Q Exhibit No. 4?

A Exhibit No. 4 is a waiver from Tidewater Associated Oil Company.

Q Exhibit No. 5?

A Exhibit No. 5 is a waiver from Dalport Oil Corporation.

Q Did you seek to obtain waivers from all offsetting operators, and did you obtain the same?

A We did seek to obtain waivers from every offset operator and we did receive them from all but one.

Q Which operator was that?

A Shermerhorn. They did object to the formation of both units.

Q Is the proposed assigned acreage for each unit assumed to be reasonably productive in your opinion?

A Yes, it is. It is born out by surrounding gas wells, namely, Continental State F 1 in Section 1, Range 36 East, Township 21 South; Dalport's McQuatters Unit No. 1, which is in Section 12, Township 21 South, Range 36 East.

Q Are all the producing wells in the surrounding area shown on Exhibits 1 of each case?

A They are. The proration units and producing wells are shown.

Q Will you state the proposed location of your Roy Riddel Well No. 2 as to Case 854?

A We propose to drill Well No. 2, 660 feet from the north and east line of Section 12, Township 21 South, Range 36 East.

Q Is it practical to unitize this lease or any portion of it with your surrounding acreage?

A No, it is not.

Q I will ask you if your lease agreements provide for the pooling with other acreage without the consent of the royalty owners?

A Less than five percent of our royalty interest do provide for the unitization without their consent. The remainder does not.

Q Have you attempted to get approval from the royalty interest as to any possible pooling agreements?

A We have.

Q What percent dissented, if any?

A We had refusals which did account for 69 percent of the Texas Company's royalty interests.

(Marked Texas Company's Exhibits  
6, 7 & 8 in Case 855, for identification.)

Q I will hand you here, Exhibit No. 7 in Case 855 and ask you what that is?

A Exhibit 7, Case 855 is a letter from Mrs. Robert R. Penn, who was Elizabeth H. Penn, who does have a royalty interest in this lease in which she indicates her refusal to unitize.

Q Exhibit 6, please, in Case 855?

A Exhibit 6?

Q Is that also a refusal?

A Yes, from Robert Penn.

Q Exhibit 8?

A That is also a refusal from Nancy Elizabeth Penson.

(Marked Texas Company's Exhibits  
7, 8, and 9 in Cases 854, for identification.)

Q I hand you Exhibit No. 7 in Case 854, and ask you what that is?

A Exhibit No. 7 in Case 854 is a refusal to unitize from Robert Lee Penn.

Q Exhibit 8?

A Exhibit 8 in Case 854 is a refusal from Elizabeth H. Penn.

Q Exhibit No. 9?

A Exhibit No. 9 is a refusal from Nancy Elizabeth Penson.

Q In your opinion, would the granting of these applications cause waste or prejudice correlative rights in any way?

A No, it would not.

Q The described acreage, as to each unit, is continuous quarter quarter, and within a governmental section?

A Yes, it is.

MR. MACEY: Any questions of the witness?

MR. CAMPBELL: Yes.

MR. MACEY: Go ahead, Mr. Montgomery?

CROSS EXAMINATION

By MR. MONTGOMERY:

Q I can't find Schermerhorn Well on the schedule. Is that well presently producing?

A To my knowledge it is.

Q This is a little bit different than the usual situation. We are usually trying to keep the operators down to 160 and one well. Here we already have a well on the 160. It appears to me it would be considerable economic waste to drill another well. Would it be at all possible to go from the angle of forced communitization?

A That I do not know.

MR. MONTGOMERY: That is all.

MR. CAMPBELL: If the Commission please, I would like to ask a few questions on behalf of Schermerhorn Oil Corporation and Kenwood Oil Company, and Hiram Moore, who are owners of certain

interests in this section and the adjoining section to the east.

By MR. CAMPBELL: Mr. Schaffer, do you have a copy of Texas Company's letter of February 25th, addressed to these royalty owners?

A No, I do not.

Q Do you know --

A (Interrupting) What was the date on that?

Q Letter of February 25, 1955, concerning the pooling of this acreage?

A 1955?

Q Yes, I presume so.

A I believe I do.

Q May I see the letter, please?

Q Mr. Schaffer, when you wrote this letter to these royalty owners, you had just recompleted your well to the south, had you not, reworked it?

A It was worked over in December and this letter was written the latter part of February.

Q You advised these royalty owners in this letter that you were contemplating an additional well in the northeast quarter northeast quarter of the section, did you not?

A That is right.

Q Did you not advise them in this letter that if you drilled that well that they would obtain an additional allowable beyond what they would get if the area was pooled with the Schermerhorn well?

A They would still receive the allowable for 160 acres which is their just and equitable right.

Q Mr. Schaffer, if you didn't drill that well and the acre-

age was pooled with the 40 acres of Schermerhorn in the northeast quarter of Section 12 and another well was drilled in the southeast quarter of that section by which Schermerhorn's 40 and your 120 acres was pooled and if you pooled with Mid-Continent in the southwest quarter for 160 acre unit, your royalty owners would receive exactly the same amount of royalty would they not?

A Yes, sir, it would be based on acreage. You can't change the amount of royalty they would receive.

Q This letter of February 25th didn't present that proposition to the royalty owners?

A This letter tells them they will receive 160 acre royalty, which is their just and equitable rate. We can't give anymore or any less.

Q Is this copy of this letter of February 25th from the files of the Texas Company?

A I do not know to tell you the truth. It was written in Fort Worth.

(Marked Schermerhorn's Exhibit No. 7 for identification.)

MR. CAMPBELL: I would like to offer this exhibit in evidence.

MR. MACEY: Is there objection? Without objection it will be received in evidence.

Q (By Mr. Campbell) You referred to the workover of your Riddel Well No. 1, having increased the producing capacity of that well. Would you state what the present producing capacity of that well is?

A Following this workover 4,292 MCF per day.

Q How much?

A 4,292 the well potentialized at.

Q Is that openflow?

A No, that was not openflow.

Q Against what pressure?

A 793 pounds back pressure. The pressure was actually on the casing. I believe their tubing pressure was recorded downstream to the choke, which was necessary, then the line pressure, that 793 pounds was casing pressure, actually.

Q Mr. Schaffer, do you think that well is capable of producing a 240-acre allowable?

A Is that 200 or 240 you said?

Q 240 or 320-acre allowable?

A Yes, it would be.

Q MR. MACEY: We are referring to the No. 1 Well?

MR. CAMPBELL: The No. 1 Well that is now drilled and producing.

Q (By MR. CAMPBELL) Don't you feel that it would be sounder from your point of view to assign the entire south half of the Section 12, or at least the southeast quarter and the east half of the southwest quarter to that well and the northeast quarter to the Schermerhorn well?

A Perhaps, if our lease agreements provided for unitization.

Q Are you aware of the fact that if you are unable to convince your royalty owners that they received the amount of royalty, under any of these circumstances that you could come before this Commission and seek a compulsory order of pooling?

A I believe there is such an order.

Q MR. Schaffer, are you acquainted with the structural situation in this area?

A Vaguely.

Q Are you acquainted with it sufficiently to express an opinion as to whether, if you do drill a well as contemplated, in the northeast quarter northeast quarter of Section 2, it will be as good a gas well as your Well No. 1?

A In Section 2?

Q In Section 12, No. 2 that you contemplate drilling?

A They should be comparable.

MR. CAMPBELL: That is all.

MR. MACEY: Anyone have a question of the witness?

MR. WHITE: I would like to ask one other question.

RE-DIRECT EXAMINATION

By MR. WHITE:

Q Mr. Schaffer, Mr. Campbell suggests that you might unitize with the Mid-Continent. Do you know whether or not it would be possible to even undertake to unitize with the Mid-Continent?

A Well, they did submit us a waiver, and I do believe they have acreage to the west there.

Q In other words, they have acreage in the adjoining section?

A Yes.

Q To the west, to which they could assign their 80 acres in the southwest quarter?

A That is right.

RE-CROSS EXAMINATION

By MR. CAMPBELL:

Q Do they have a well on the east half of the southeast quarter of the adjoining section?

A That I do not know.

Q If they did establish such a unit as that it would require them to cross the section line to create the proration unit, would it not?

A It would require a hearing, yes, sir.

MR. CAMPBELL: That is all.

MR. WHITE: That is all.

MR. MACEY: Anyone else? The witness may be excused.

(Witness excused.)

MR. MACEY: Do you have anything further, Mr. White?

MR. WHITE: I would like to move the introduction of all the exhibits.

MR. MACEY: Is there objection to the introduction of the exhibits by the Texas Company in these consolidated cases? If not they will be received in evidence.

J. H. MOORE,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. CAMPBELL:

Q Will you state your name, please?

A J. H. Moore.

Q Where do you live, Mr. Moore?

A Hobbs.

Q What business are you in?

A I am an independent geologist.

Q Have you ever before testified before the Commission in a professional capacity?

A No, I have not.

Q Will you give the Commission a brief statement of your educational and experience background in the field of geology engineer?

A I graduated from Texas A and M with a degree in Petroleum Engineering and took a post graduate work at Oklahoma University and got a Masters Degree. I have been working in the oil field as a geologist for 15 years. I have been in Hobbs about ten years, working in the oil business.

Q Mr. Moore, are you acquainted with the applications of the Texas Company in Cases Number 854 and 855, now pending before the Commission?

A Yes.

Q Will you state what interest in this particular area you represent?

A I represent the operator of the gas well on the 80-acre tract, the Schermerhorn Oil Corporation. I also own a working interest in the well and I also own a working interest in the Danglade well to the east, although I am not the operator. I also own a working interest under the Dalport well in the northwest quarter, but I am not the operator.

Q Can you state whether, prior to the drilling of the Schermerhorn well in the southwest quarter of the northeast quarter of Section 12, you contacted the Texas Company in an effort

to obtain some sort of pooling agreement with them with reference to that proposed well?

A Yes, several months before we started the well on the 80 acre tract we wrote to the Texas Company asking them if they would consider forming some kind of a unit.

(Marked Schermerhorn's Exhibit No. 1, for identification.)

Q I hand you what has been marked Schermerhorn Exhibit No. 1 and ask you to state what that is.

A This is a copy of a letter that I wrote on July 23, 1954, to the Texas Company, asking if they would consider combining some of their acreage with the Schermerhorn acreage to form a unit, a gas unit in the northeast quarter of that Section 12.

Q Mr. Moore, your lease consists of the southwest of the northeast and the northwest of the southeast of Section 12, is that correct?

A Yes.

(Marked Schermerhorn's Exhibit No. 2 for identification.)

Q I next hand you what has been marked Schermerhorn's Exhibit No. 2 and ask you to state what that is.

A That is a second well -- or second letter that we wrote to the Texas Company asking them -- this was stating to go ahead and drill a well. We had a lease expiration date to comply with on our lease. We couldn't wait until we completely formed a unit, so we had to go ahead and drill on the 80 acre tract. This is a letter stating to the Texas Company that we have completed the well and asked if they will put in some acreage to form a unit.

Q Then, between July 23rd and November 1st, you had received

no reply from the Texas Company, to your knowledge?

A I believe I talked to them on the phone. I don't believe I had any letters from them during that time.

(Marked Schermerhorn Exhibit 3, for identification.)

Q I now hand you what has been marked Schermerhorn Exhibit 3 and ask you what that is?

A This is a letter from the Texas Company in reply to my second letter. In this letter they say that they plan to workover their Riddel No. 1 and wish not to give us an answer at this time on combining some of their acreage with our acreage to form a gas unit.

(Marked Schermerhorn's Exhibit No. 4 for identification.)

Q I hand you what has been marked Schermerhorn Exhibit No. 4 and ask you what that is.

A This is a third letter that we wrote to the Texas Company asking them to again consider putting some of their acreage with our well to make a standard or a uniform spacing for the section for gas wells.

(Marked Schermerhorn's Exhibit No. 5, for identification.)

Q I hand you what has been marked Schermerhorn Exhibit No. 5 and ask you what that is.

A This is another letter to the Texas Company, telling them that our well is completed and we have a pipeline connection, and asking them again, that since they had completed the remedial work that they contemplated on Riddel No. 1, if they would now give further consideration to putting some acreage with the Scher-

merhorn acreage to form units for the section.

(Marked Schermerhorn's Exhibit No. 6, for identification.)

Q I now hand you what has been marked Schermerhorn Exhibit No. 6 and ask you what that is.

A This is another letter from the Texas Company in reply to our requests and they say they will give this some kind of consideration and give us a reply. I believe that is about all that says.

Q Does that not also state that they are contemplating, since the reworking of their Well No. 1, a drilling of an additional well?

A It says that if we decide not to drill the well --"I will take the matter up further with you". I don't believe they bring that up in this letter. They do say, if they do not drill the well they will take the matter up with us.

Q Mr. Moore, insofar as Schermerhorn is concerned, and your interest is concerned in this area, are you still prepared to enter into a pooling agreement with the Texas Company with reference to this well and their Well No. 1?

A Yes. The lease that we have contains pooling clause. We knew at the time that we took the lease we would be faced with a problem of pooling the acreage, because it was cut up into small size tracts. Right now and all along, we would consider any type of unit that would give uniform spacing in the section for gas units.

Q Mr. Moore, it is proposed here that an additional gas well be drilled in the northeast quarter of the northeast quarter

of Section 12 and that a 160-acre allowable be given to it. What, in your opinion, would be the effect of the drilling of that additional well in the north half of this section?

A Well, if that well is drilled in the northeast quarter northeast quarter of the section, that will make three wells producing in the north half of the section. Two of the wells will have 160 acres and one will have an 80-acre allowable. I believe it will cause unfair drainage so far as the south half of the section is concerned.

Q Would it cause unfair drainage, in your opinion, insofar as your interest in the northwest quarter of Section 7 is concerned?

A Yes, it would cause more drainage to the gas wells in that local area of having three wells in the half section.

Q Now, Mr. Moore, what is the productive capacity of your well No. 1 in the northeast quarter of Section 12?

A This well is the Schermerhorn Carter No. 1 Well and it was tested by El Paso for an openflow capacity of nine and a half million cubic feet per day openflow. It has a deliverability rate of 4,000,205 cubic feet against 353 pounds deliverability.

Q In your opinion, is that well capable of making a 160-acre unit allowable?

A Yes, it should be able to make in excess of 160-acre allowable, the way the allowables have been running for the past year or so.

Q If it were agreeable with the Texas Company, would you be willing to apply to the Commission to obtain a 240-acre allowable for that well, including the north half of the southeast quarter of Section 12?

A Yes, we would. We feel that the well is capable of easily making the allowable for that much acreage.

Q If the Texas Company was unwilling to do that, would you be willing to join with the Texas Company in the drilling of an additional gas well in the southeast of Section 12?

A Yes, we would if they felt it was necessary to drill another well there, we would join that. We would feel that would give better drainage for the whole section, to have two wells in the north half and two wells in the south half of the section.

Q If the Texas Company saw fit to attribute the southeast quarter to their Well No. 1, would you be willing to pool your 40-acre unit interest in the southwest quarter section of that unit?

A Yes.

MR. CAMPBELL: I believe that is all.

MR. MACEY: Any questions of the witness?

MR. WHITE: I would like to ask some.

CROSS EXAMINATION

By MR. WHITE:

Q Mr. Moore, you state there would be unfair drainage in regard to the south half if there were to be another well in the north half?

A That is correct.

Q Would you explain that, please?

A At the present time with the allowables allocated directly to acreage, and for sometime there may not be unfair drainage, but in the later stages of drainage by the gas wells, when they could produce, say, they weren't able to make the allowable by having a bigger density of wells in the north half of the section, those

wells would draw the pressure down there and would actually drain more oil from that than one well would from the south half of the section.

Q Would you care to state at approximately what time that unfair drainage might occur?

A Those wells right now have a shut-in pressure of around 900 pounds. The wells to the east are lower than that. The Dangle Well had a shut-in pressure of 800 and the wells further to the east had been 700 pounds. That means that this area is getting toward the east limits of the Eumont field. I think if the allowables stayed fairly high it wouldn't be but two or three years before the wells will be pulled down to the extent that they won't produce the full allowable into the line pressure against 600 pounds. I would say three years would be an estimate, based on the fact --

Q (Interrupting) How much longer would they be able to meet their allowable if we didn't have this proposed well on the north-east quarter?

A Well, I don't quite understand your question. The time would be no different.

Q The time would be no different?

A If I understand your question.

Q You state that the density of the wells in this particular section would decrease the allowables at a future date, is that right?

A No, they would just reach a point where they couldn't make the allowables.

Q Therefore, you say it is unfair drainage?

A By having the greater density, that is correct. It is unfair. I think, as far as we can understand it, if wells are evenly spaced it would give a better chance for equal drainage, so we are talking about unequal drainage caused by the wells being concentrated in the north half of the section.

Q Assume that one well can efficiently and economically drain 640 acres, then any well within that 640, if they are limited in their production according to their acreage, there couldn't be any unfair drainage, could there?

A There would be if the capacity of the wells varied.

Q If you unitize and had this been a 240-acre unit, by your own testimony that would be, it would be unable to meet its allowable at an earlier date than your well that is ascribed to 80 acres would be able to, is that not correct?

A I would say, under any circumstances that in the later stages of production the three wells would produce more gas than the one well. That would cause an unequal drainage to the north half of the section.

Q But, as to the total amount of withdrawals, it wouldn't if it were on an acreage basis. Everyone would be getting their just and equitable share?

A Not when the production capacity became a factor rather than acreage. That is the time that the inequity would begin.

Q You think that that would occur within two or three years you say?

A I think so, three years.

Q Then, if that be true, why you couldn't get your full allowable on the 140, could you?

A You could get an equal allowable with the other well to the south of the general area.

Q You speak of unfair drainage to the south half. It is not at all uncommon for there to be three wells in the north half of the section and only one well in the south half, is it not?

A Well, I would say it is more uncommon than common.

Q But, it is quite common, is it not?

A I don't think so. I don't know of any case that I can recall.

Q Your acreage , 50 percent of it is already in the south half, is it not?

A That is correct.

Q And, under our proposed unit, only a quarter of the acreage assigned to Case 854 would be in the south half, isn't that correct?

A That is correct.

Q As to these various letters, you stated in your July letter that you wanted to unitize 240 acres, is that correct?

A Yes.

Q If you are correct in your testimony as to the unfair drainage from a larger acreage assigned to a well as against a smaller acreage, why the Dalport would be penalized in the long run by merely having a lesser acreage, would it not, of 160 acres?

A It is a possibility.

Q Then, what you are asking the Commission to do is to put the shoe on the other foot, isn't it? Very well. You are acquainted with Case 673 upon which order R-520, setting up pro-ration of gas, you are familiar with that, are you not?

A Yes.

Q They had hearings in March, April and May, and the order was issued in August of last year, to become effective in November. You knew prior to the time that you drilled this well as to what acreage would be assigned to this well and what your proration would be, as against 640 acres, did you not?

A No, we thought that we would be able to combine it with some acreage in the section, with the Texas Company acreage.

Q You contacted Dalport Oil and attempted to unitize with them and they said no, didn't they?

A That is correct.

Q You contacted the Texas Company and they wouldn't give on it, is that not correct?

A Reasonably, yes. They didn't give a definite answer until recently.

Q Notwithstanding that uncertainty, you went ahead and drilled your well?

A Yes.

Q It will pay out economically, will it not?

A I believe it will.

Q Now, I am referring to your letters again, in your letter of November 1st, you wanted us to assign 160 acres to your 80 acres to make it 240, is that right?

A That was one proposal. I think that our attitude has been --

Q (Interrupting) I am referring to the statements contained in your letter of November 1st. Is that the acreage that you wanted us to assign to Schermerhorn?

MR. CAMPBELL: Let him look at the letter.

A Is that what I asked for?

Q Here is the July one, too.

A Yes, in the July letter I asked that we consider forming a 240 acre unit.

Q Then, I direct your attention to your letter of November 1st and under your offer you wanted to give the Texas Company one half of the 7-8 and you would take the other half of the 7-8, is that right?

A Yes, we made the offer that in case they didn't want to participate in the cost of the well, we would do it on the farm-out basis.

Q You would operate it?

A Right.

Q We didn't agree to it?

A No.

MR. WHITE: I believe that is all.

MR. MACEY: Mr. Campbell, we are going to have to recess.

MR. CAMPBELL: That is all.

MR. WHITE: That is all we have.

MR. REIDER: I have one question.

By MR. REIDER:

Q What is the producing capacity of your Carter No. 1?

A A deliverability of 4,205,000 against 353 pounds.

Q I didn't hear this, exactly what was your estimated payout in this well?

A I said that I thought it would pay out. I don't have a calculation of the economics of it, I don't have that calculation.

Q It did appear to be economic on 80 acres?

A Yes, I think so.

By MR. MONTGOMERY:

Q The well, I notice, is located 1980 - That would enable the well to receive 640 acres, is that right?

A Yes.

Q Do you feel that this well will drain 640 acres?

A Well, I think it will drain it, I will say yes.

Q If this well, at least could get 320 acres, it would be economic waste to drill another well on that 160 acres?

A The main question here is equity and spacing of the wells. One problem is that being an owner of an 80-acre lease, we are left with a half allowable well, if we can't get together with some of the other lease owners. That is the main question here.

Q But, it would be economic waste to drill another well that would have no useful purpose, you can still dedicate that acreage to this one well?

A Yes, I definitely feel that the spacing of the wells now is sufficient to drain the gas and actually the Texas Company would lose by drilling another well.

Q What do you estimate the Texas Company would lose?

A \$40,000.00.

Q You also state that the wells are more, poorer to the east.

A Yes.

Q And --

A (Interrupting) The shut-in gas pressures decreased to the east?

Q There is a chance that the proposed Texas Company well would be a poorer well?

A Yes, I definitely believe it will, it will be lower structurally and have less shut-in pressure.

MR. MONTGOMERY: That is all.

MR. CAMPBELL: Would the record show that I offered Schermerhorn Exhibits 1 through 6 in evidence?

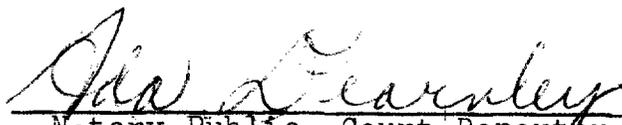
MR. MACEY: Any objection? If not they will be received in evidence. We will take the case under advisement.

(Witness excused.)

STATE OF NEW MEXICO )  
                          ) SS.  
COUNTY OF BERNALILLO )

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 23rd day of March, 1955.

  
Notary Public, Court Reporter

My Commission Expires:

June 19, 1955