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2340

pletion, Transcript,
all Exhibits, Etc.

CASE 2340, WELL. OF THE AMERICAN
FOR AN UNOCC. GAS WELL LOCATION
FOR THE MALCO "W" WELL NO. 1.

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

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

P. O. BOX 871
SANTA FE

July 26, 1961

Mr. Kirk Newman
Atwood & Malone
Box 867
Roswell, New Mexico

Re: CASE NO. 2340
ORDER NO. R-2039
APPLICANT:
Pan American Petroleum Corp.

Dear Sir:

(1)
Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A handwritten signature in cursive script, reading "A. L. Porter, Jr.".

A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC

OTHER Mr. Guy Buell

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. 2340
Order No. R-2039

APPLICATION OF PAN AMERICAN
PETROLEUM CORPORATION FOR AN
UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 19, 1961, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 26th day of July, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, 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 applicant, Pan American Petroleum Corporation, seeks approval of an unorthodox gas well location adjacent to the Red Lake-Pennsylvanian Gas Pool for its Malco "M" Well No. 1, to be located 2310 feet from the North line and 1650 feet from the East line of Section 4, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico.
- (3) That the proposed location is sought in order to maintain the spacing pattern in the Empire-Abo Pool in the event the subject well is finally completed in said pool.
- (4) That approval of the subject application will neither cause waste nor impair correlative rights.

-2-

CASE No. 2340
Order No. R-2039

IT IS THEREFORE ORDERED:

(1) That the applicant, Pan American Petroleum Corporation, is hereby authorized to locate its Malco "M" Well No. 1 at an unorthodox gas well location adjacent to the Red Lake-Pennsylvanian Gas Pool 2310 feet from the North line and 1650 feet from the East line of Section 4, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico.

(2) 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



EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



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



esr/

Case 2340

Heard, 7-19-61

Res. 7-19-61

1. Grant Pan Amis request for a N.S.L. in the Red Lake-Penn. gas pool in exception to Rule 104 (1) of the General Rules.
2. The well should be 660 out of the corner of a $\frac{1}{4}$ sec. The request is for 330 ~~out of the~~ from the S line of the NE $\frac{1}{4}$ of said section. Location to be 1650/E, ~~1650~~²³⁶⁰/N line of sec. 4-185-27E.

Thos. A. W.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 19, 1961

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, as Alternate Examiner:

CONTINUED CASE

CASE 2298: Application of Chambers & Kennedy for a gas-oil dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Monument State Well No. 1, located in Unit J, Section 34, Township 19 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of gas from the Eumont Gas Pool and the production of oil from the Eunice-Monument Pool through the 5½-inch by 2½-inch casing-tubing annulus and through 2½-inch tubing respectively.

NEW CASES

CASE 2338: Application of Continental Oil Company for two non-standard oil proration units and for an exception to Rule 309 (a), Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of two non-standard oil proration units in the Empire Abo Pool, consisting of the following-described acreage in Section 30, Township 17 South, Range 29 East, Eddy County, New Mexico:

(1) Lots 1 and 2 comprising 55.65 acres.

(2) Lots 3 and 4 comprising 56.61 acres.

Applicant further proposes to commingle the Empire-Abo Pool production from the portions of its State S and State P leases located in said Section 30 and to allocate production on the basis of periodic well tests.

CASE 2339: Application of J. Gregory Merrion & Associates, for a gas-oil dual completion, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its Edna Well No. 2, located in Unit O, Section 7, Township 24 North, Range 6 West, Rio Arriba County, New Mexico, as a

gas-oil dual completion with production of Pictured Cliffs gas through 2 7/8 inch casing and production of Gallup oil through 2 3/8 inch tubing installed within a string of 4 1/2 inch casing, with the casing strings cemented in a common well bore.

CASE 2340:

Application of Pan American Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location in the Red Lake-Pennsylvanian Gas Pool for its Malco "M" Well No. 1, located 2310 feet from the North line and 1650 feet from the East line of Section 4, Township 18 South, Range 27 East, Eddy County, New Mexico.

CASE 2341:

Application of Pan American Petroleum Corporation for an exception to Rule 303 (a) and 309 (a), Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to commingle the production from the Hobbs, Bowers, and Hobbs-Drinkard Pools from a number of leases in Sections 3, 4, 5, 9, and 10, in Township 19 South, Range 38 East, and Sections 33 and 34 in Township 18 South, Range 38 East, Lea County, New Mexico, after separately metering the production from each lease and from each pool prior to commingling.

CASE 2342:

Application of Western Natural Gas Company for a non-standard gas proration unit and for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 320-acre non-standard gas proration unit in the Jalmat Gas Pool comprising the SW/4 of Section 14 and the SE/4 of Section 15, all in Township 23 South, Range 36 East, Lea County, New Mexico. Said unit is to be dedicated to the Matkins Well No. 1 at an unorthodox location 660 feet from the South and East lines of said Section 15.

CASE 2343:

Application of Southwest Production Company for an order force pooling a 300-acre non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force pooling all mineral interests in a 300-acre gas proration unit in the Basin-Dakota Gas Pool, consisting of the E/2 of Section 7, Township 30 North, Range 11 West, excepting the S/2 SW/4 SE/4 thereof, San Juan County, New Mexico. Interested parties include John J. (Juan J) Moya and Helen Moya.

CASE 2344:

Application of The Ohio Oil Company for an order force-pooling a 317-acre gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in a 317-acre gas proration unit comprising the S/2 of Section 30, Township 18 South, Range 26 East, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico.

PAN AMERICAN PETROLEUM CORPORATION

Lubbock, Texas
June 22, 1961

for hearing

File: JET-4208-986.510.1

Subject: Unorthodox Well Location
Red Lake Pennsylvanian Field
Eddy County, New Mexico

Mr. A. L. Porter (3)
New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

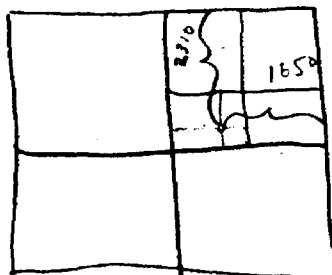
Dear Sir:

Pan American Petroleum Corporation respectfully requests that a hearing be docketed on its application for approval of an unorthodox location for its Malco "H" No. 1 located on Pan American's Malco "H" Lease. This well is to be a dual completion in the Empire Abo Oil Pool and the Red Lake Pennsylvanian Gas Pool. It is located 330' FSL and 330' FEL of the SW/4 of the NE/4 of Section 4, T-18-S, R-27-E, Eddy County, New Mexico. Such a location is orthodox for the Empire Abo Oil Pool, but is unorthodox with respect to the Red Lake Pennsylvanian Gas Pool which is governed by Rule 104 (D) (1).

Yours very truly,

Neil S. Whitmore
Neil S. Whitmore

BJS/bj



1320
330
1650

2640
330
2310

*Worked
Mailed
7-7-61*

EXHIBIT
PAN AMERICAN PETROLEUM CORPORATION
APPLICATION FOR AN UNORTHODOX GAS
WELL LOCATION IN THE RED LAKE
PENNSYLVANIAN GAS POOL FOR ITS
MALCO "M" NO. 1, 330 FEET FROM
SOUTH AND EAST LINES OF SW/4 NE/4
SEC. 4, T-18-S, R-27-E,
EDDY COUNTY, NEW MEXICO
EXAMINER HEARING CASE NO. 2340 -
JULY 19, 1961

DISCUSSION

Pan American Petroleum Corporation respectfully requests that the New Mexico Oil Conservation Commission approve drilling its Malco "M" No. 1, a Red Lake Pennsylvanian well at an unorthodox gas well location 330' from the south and east lines of the southwest quarter, of the northeast quarter of Section 4, Township 18 South, Range 27 East, Eddy County, New Mexico.

Pan American desires to drill Malco "M" No. 1 as a Red Lake Pennsylvanian (Gas) well. The location is unorthodox for gas development in that it conflicts with Statewide Rule No. 104 (d) (1) which in part states that each well drilled in a defined gas pool shall not be drilled closer than 660 feet to the outer boundary line of the drilling tract which shall consist of a governmental quarter section. Since the proposed location is only 330 feet from the southline of the northeast quarter of Section 4 it is unorthodox for a gas well drilled under this Statewide Rule.

Pan American is now negotiating with various parties in order to communitize the three tracts of land which comprise the east half of Section 4, T-18-S, R-27-E. Upon completion of these negotiations the east half of Section 4 will be assigned to Malco "M" No. 1 and all owners therein will share in Pennsylvanian production from the well. Although these negotiations are presently incomplete, Pan American desires to proceed with drilling of this well as soon as possible.

Attachment I is a plat of the area showing the proposed location, the present limits of the Red Lake Pennsylvanian Field as defined by Commission Order No. R-986 and amended by Order No. R-1340 and Order No. R-1532, and nearby Red Lake Pennsylvanian and Empire Abo Wells.

Attachment II is a list showing ownership in the three tracts comprising the east half of Section 4 as indicated by Pan American's records. This location is desired since the working Interest Owners wish to consider the possibility of dually completing the well as an Empire Abo (Oil) - Red Lake Pennsylvanian (Gas) well after review of logs. The location is considered the most favorable location on Unit G of Section 4, T-18-S, R-27-E for Abo development and is orthodox for Abo development.

Completion of Malco "M" No. 1 as a dual Pennsylvanian (gas)-Abo (oil) well will cost an estimated \$153,000. The estimated cost of a singly completed Abo well is \$69,000 and the estimated cost of a singly completed Pennsylvanian well is \$131,000. Thus, granting of this application will permit savings of \$47,000 as compared to the cost of two single wells located at orthodox locations.

EXHIBIT
PAN AMERICAN PETROLEUM CORPORATION
APPLICATION FOR AN UNORTHODOX GAS
WELL LOCATION IN THE RED LAKE
PENNSYLVANIAN GAS POOL FOR ITS
MALCO "M" NO. 1, 330 FEET FROM
SOUTH AND EAST LINES OF SW/4 NE/4
SEC. 4, T-18-S, R-27-E,
EDDY COUNTY, NEW MEXICO
EXAMINER HEARING CASE NO. 2340 -
JULY 19, 1961

ATTACHMENT II

Owners of interest in East Half of Section 4, T-18-S, R-27-E, Eddy County, New Mexico, as indicated by Pan American's records:

Tract No. 1: N/2 NE/4 and SW/4 NE/4 Section 4, T-18-S, R-27-E

Working Interest:

Pan American Petroleum Corporation	1/2 of 82 1/2%
Hondo Oil and Gas Company	1/2 of 82 1/2%

ORRI: A total of 5% ORRI is owned as follows:

Hattie D. Mann	22.5/100
F. G. Keyes and wife	
Amy J. Keyes, J. D.	
Atwood whose wife is	
Olga M. Atwood	7.5/100
Harry Thorne and wife, Myrtle	
Thorne; Carl McNally and	
wife, Rosemary McNally; Jaffa	
Miller and wife, Marie H.	
Miller; and Laura G. Ballard,	
a widow	30/100
Hondo Oil & Gas Company	40/100

Tract No. 2: SE/4 NE/4 Section 4, T-18-S, R-27-E

Working Interest:

Pan American Petroleum Corporation	1/2 x 80%
Hondo Oil & Gas Company	1/2 x 80%

ORRI: A total of 7 1/2% ORRI is owned as follows:

Hattie D. Mann	1/8
Carl McNally	1/8
Laura G. Ballard, a widow	5/64
Bert Ballard	3/128
Laura B. Lodewick, whose husband	
is Stanley W. Lodewick	3/128
Harvey E. Yates	1/32
Martin Yates, III	1/32
S. P. Yates	1/32
John A. Yates	1/32
F. G. Keyes	1/16
J. D. Atwood	1/16
Myrtle Irene Thorne, a widow	1/8
Esther Russel, a widow	5/64
Dora Mildred Russel	3/128
Chester Russell	3/128
Jaffa Miller	1/8

ATTACHMENT II

Page Two

Tract No. 3: SW/4 Section 4, T-18-S, R-27-E

Working Interest:

Pan American Petroleum Corporation	1/2 x 80%
R. F. Windfohr	1/4 x 80%
Robert H. Ziegler, Sr.	1/8 x 80%
Anna Valliant Burnett Windfohr Trust	1/8 x 80%

ORRI: A total of 7 1/2% ORRI is owned as follows:

Hattie D. Mann	1/8
Carl McNally	1/8
Laura G. Ballard, a widow	5/64
Bert Ballard	3/128
Laura B. Lodewick, whose husband is Stanley W. Lodewick	3/128
Harvey E. Yates	1/32
Martin Yates, III	1/32
S. P. Yates	1/32
John A. Yates	1/32
F. G. Keyes	1/16
J. D. Atwood	1/16
Myrtle Irena Thorne, a widow	1/8
Esther Russell, a widow	5/64
Dora Mildred Russell	3/128
Chester Russell	3/128
I. F. Roebuck	1/8

All of the above described leases are United States of America Leases and have no pooling provision. The overriding royalty interest owners under said leases, except Hondo Oil & Gas Company who has executed the Communitization Agreement, will ratify the Communitization Agreement so as to commit such overriding royalty interest to the communitized area, insofar as it covers dry gas in the Pennsylvanian Formation in the communitized area.

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JULY 19, 1961

EXAMINER HEARING

IN THE MATTER OF:

CASE 2340

TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CM 3-6691

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 19, 1961

EXAMINER HEARING

IN THE MATTER OF:

Application of Pan American Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause seeks approval of an unorthodox gas well location in the Red Lake-Pennsylvanian Gas Pool for its Malco "M" Well No. 1, located 3510 feet from the North line and 1650 feet from the East line of Section 4, Township 18 South, Range 27 East, Eddy County, New Mexico.

Case
2340

BEFORE:

Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 2340.

MR. MORRIS: Application of Pan American Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico.

MR. NEWMAN: Kirk Newman of Roswell, New Mexico, representing the Applicant. We have one witness.

(Witness sworn.)

MR. UTZ: Are there other Appearances in this case?
Are they all the same Exhibit?

MR. NEWMAN: They are.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CN 3-4691

ALBUQUERQUE, NEW MEXICO

W. J. SANDIDGE, JR.,

called as a witness herein, having been first duly sworn on oath,
was examined and testified as follows:

DIRECT EXAMINATION

BY MR. NEWMAN:

Q Will you state your name and employment, please?

A W. J. Sandidge, Jr. I am a Petroleum Engineer, Senior Grade, for Pan American Petroleum Corporation; and I'm stationed in Lubbock, Texas.

Q Have you previously testified before this Commission?

A Yes, I have.

MR. NEWMAN: Are the Witness' qualifications acceptable?

MR. UTZ: Yes, sir; they are.

Q (By Mr. Newman) Now, I refer you to what we will offer as an Exhibit, and will you explain the layout of this Exhibit.

A Exhibit 1 is a brochure we have prepared regarding this case. On the left we have a brief discussion which goes into the merits of the case. On the right we have a plat showing the location where we propose to drill on an unorthodox location. We also have a list of mineral owners as an attachment to it.

Q The items on the right will be referred to as attachments. Will you state, briefly, what your purpose of this application is?

A Pan American desires to drill a Red Lake-Pennsylvanian



Gas Well. We would like to drill it at a location on Unit G in Section 4, Township 18 South, Range 27 East, which we consider the best location for Empire Abo development in order that we can consider the possibility of a dual Red Lake Empire Abo Well after we review the logs.

Q Will you refer to your Attachment 1, and state what is shown on this attachment, please, sir?

A This is a plat which shows the present limits of the Red Lake-Pennsylvanian Gas Pool. They are outlined in red. It shows by red stars the three wells which are presently producing from the Red Lake-Pennsylvanian Pool; and the southernmost well of the three is a dual Red-Lake Pennsylvanian Empire Abo Well. The red arrow shows a location where we request an approval of an unorthodox gas well location. This location is 330 from the south and east lines of the Southwest Quarter of the Northeast Quarter of Section 4, Township 18 South, Range 27 East. It's an orthodox location for Empire Abo development.

Q What is shown by the green dots?

A The green dots show Empire Abo Oil Wells.

Q Do you consider the entire Quarter Section or the east half of this Section 4, the Area where you are drilling the Pennsylvanian Well, to be productive in the Pennsylvanian?

A We do.

Q And, what is your primary purpose, or sole purpose in requesting the unorthodox Pennsylvanian location?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

A In order that we can consider the possibility of an Empire Abo dual Red Lake-Pennsylvanian if it's indicated by samples and logs after the well is drilled. We consider this the best location on a Quarter Quarter Section for Empire Abo development.

Q Well, is this location for your Empire Abo, is that in accord with the spacing part eastern that is, in existence around this well?

A It's an orthodox location for Empire Abo development, and it is in accordance with the spacing pattern set by number of the offsetting Empire Abo Wells which have been drilled 330 out of the Quarter Quarter corner.

Q Of the Southwest Quarter Quarter corner?

A Yes, sir; that is correct.

Q Would you refer to your Attachment 2 and state what that attachment shows?

A Attachment 2 shows the ownership as indicated by Pan American's records of the Area's mineral interests under the east half of Section 4. Humble is presently negotiating to communitize this entire east half of Section 4, and upon completion of these negotiations, assuming a successful Pennsylvanian Well, why, we will assign the entire east half of the section to this particular well for Pennsylvanian Gas.

Q I notice that this well location, which is considered an unorthodox location, was closer to the northern boundary of



the Southwest Quarter of Section 4. How much closer is that to that boundary line than an orthodox location for the Red Lake-Pennsylvanian Gas?

A Orthodox location should be 660 feet from the south boundary of the Quarter Section. We are 330 feet from it, so we are 330 feet closer than an orthodox location for Pennsylvanian Gas.

Q I note that Windfohr and Associates are the owners of the lease on the Southwest Quarter of Section 4. Have you had any expression from that group relative to the communitization for the units?

A The communitization agreement has been executed by both of the parties of interest. Mr. Robert F. Windfohr who, along with his associates owns an interest in this Southeast Quarter, has given Pan American a letter dated June 8 whereby he expresses his intent to communitize his interest with the remainder of the half section.

Q Mr. Sandidge, I believe you spoke of the Southwest Quarter.

MR. NEWMAN: I meant the Southeast Quarter. I asked the question the west, the Southeast Quarter, and it was intended to the Southeast Quarter.

Q (By Mr. Newman) In this view, would correlative rights in any way be adversely affected by the granting of this Application?

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

A No.

Q Would waste in any way be caused or effected by the granting of this Application?

A We do not think so in that by drilling a well and dually completing, we can save a considerable amount of money. As indicated on our discussion, we estimate the cost of a dual Pennsylvanian Gas Empire Oil Well at approximately \$153,000.00. A single Abo completion at an orthodox location -- Well, I don't guess the location matters. A single Abo completion is estimated at \$69,000.00, and a single Pennsylvanian Gas completion is estimated at \$131,000.00. Therefore, we feel that a dual completion saves us \$47,000.00.

Q And, is it your opinion that for the production of a Red Lake-Pennsylvanian Gas Well, that any location in that Quarter Quarter Section is as good as any other location in that Quarter Quarter Section?

A I do.

Q And, it is your opinion that for the purposes of Abo production the better location would be the location requested, 330 out of the south and east of the Southwest of the Northeast?

A I feel that the location 330 out of the Southeast Quarter is the most favorable location on the Quarter Quarter Section for Abo production.

Q Now, was this Exhibit prepared by you or under your direction?



A It was.

MR. NEWMAN: We would like to offer the Exhibit.

Do you have any more statements to make in connection with this case?

THE WITNESS: I have no further statements.

MR. NEWMAN: That is all.

MR. UTZ: Without objection, Exhibit 1 with its attachments will be entered into the record in this case.

(Whereupon Petitioner's Exhibit 1 with attachments, received in evidence.)

Q (By Mr. Utz) Mr. Sandidge, is this Pool operating under Rule 107, General Rule?

A There are no field rules established for the Pennsylvanian Gas Pool.

Q Therefore, it is operating under the statewide Rule 107?

A Yes, sir.

Q The standard location, I believe you stated, would be 660 out of the corner of 160-acre unit?

A It would. As I understand the Rule, it would have to be 660 from the boundary of the Quarter Section.

Q The Quarter Section, or Quarter Quarter?

A The Quarter Section.

Q Now, at the present time then, you will only be able to dedicate 160 acres to this well?

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6591

ALBUQUERQUE, NEW MEXICO

A Well, the company would like to proceed with the drilling of the well as soon as possible irregardless of the status of the communitization agreement. We anticipate that everyone who hasn't signed -- I think only the Windfohr people have not signed -- will sign the agreement. Hondo, who owns an interest in the Southeast Quarter of the Northeast Quarter, has already executed the agreement; and in the event something should go wrong on the Windfohr interest, why, we feel that we could still dedicate the entire Northeast Quarter of the Section.

MR. NEWMAN: But, you do have a letter from Windfohr expressing approval of the drilling of the unit?

THE WITNESS: Yes.

MR. MORRIS: May I object to this. I think Mr. Utz' question is directed to the point that only 160 acres is the size of the proration units established in this Pool, that you won't be able to dedicate 320 to it anyway.

THE WITNESS: In the absence of the Pool Rules, I was under the impression that we could.

MR. UTZ: No. I think you had possibly better relay the information back that you have to follow Rule 107.

THE WITNESS: I thought Rule 104 was the one we were under.

Q (By Mr. Utz) Therefore, the attachments as to the ownership, as to acreage that could legally be dedicated for the well at this time would be somewhat different; would it not?



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

A Under your interpretation, Mr. Utz, that is correct.

MR. UTZ: I believe the second page of the Attachment would not apply under those conditions. That says the Southwest Quarter. It doesn't say Southeast. If you will correct your Exhibit, I will appreciate it.

Are there other questions of the Witness?

MR. MORRIS: Yes, sir.

Q (By Mr. Morris) Mr. Sandidge, inasmuch as you are only going to be able to dedicate 160 acres to this well in the absence of the special Pool Rules, do you feel that the unorthodox location, producing as it is, the Southeast Quarter of Section 4 will preclude development in that Quarter Section in the Red Lake-Pennsylvanian?

A Well, that is a difficult question to answer until we see what kind of a well we get at this location on this Northeast Quarter. If we get a well that is sufficiently good on the Northeast Quarter, and if we are not able to work out something on the acreage, I think the company will very certainly consider development on the Southeast Quarter.

Q I see.

A If we get a poor well, why, we may conclude it's not economical.

Q Do you know of any other development in the Pennsylvanian that is going on in this area at the present time either in, say, Section 3, 9, or 10?



A As indicated by the the Sackett acreage, we operate the great bulk of that acreage, and we certainly have no plans for development at this time in the Red Lake-Pennsylvanian on those sections, so far as I know. We are a member of the Chalk Bluff Draw Unit with Humble who owns the Northwest Quarter of nine. We have received no proposal from Humble for development on that. I can't speak for Carper, but I have heard nothing to that effect.

MR. MORRIS: Thank you, sir.

Q (By Mr. Utz) Has this well received administrative approval?

A No, sir. We plan to review our logs and samples and so forth, and then request an approval.

Q Do you know whether it is eligible for administrative approval?

A So far as I know, it would be.

MR. UTZ: Are there other questions? This witness may be excused. Are there other statements in this case? The case will be taken under advisement.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, MICHAEL P. HALL, 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 19th day of July, 1961.

Michael P. Hall
 Notary Public-Court Reporter

My Commission expires:

June 20, 1965.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2340, heard by me on July 19, 1961.

[Signature] Examiner
 New Mexico Oil Conservation Commission

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