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AREA CODE 505

Willard B. Wagner, Jr., Esq.
The Superior Oil Company
P. O. Box 1521
Houston, Texas 77001

Re: Amax Chemical Corporation application
for Extension of Potash Area, R-111-A,
N. M. Oil Conservation Commission Case 5428

Dear Mr. Wagner:

Confirming our telephone conversation, the above case will be reconvened before the Oil Conservation Commission's examiner on March 19, 1975. The case is the last on the docket for the day, and probably won't be heard until afternoon.

At that time I feel we should be prepared to put on testimony as to our evaluation of the property for oil and gas. In view of the testimony presented at the last hearing showing commercial deposits of potash in the northern portion of Section 24, and the alleged need for a buffer zone in the northern portion of Section 23, our engineers should examine the area for possible well locations, and be prepared to support the necessity for these particular location with testimony based on geology and engineering. In this connection you should bear in mind that formations of Pennsylvanian age or older, for gas production, require the dedication of 320 acres, with standard well locations 1980 feet from the shorter boundary and 660 feet from the longer. Under the circumstances unorthodox well locations would probably be approved by the Commission, if they are acceptable to the operators. As I understand it, the area is a prospect for production from the Morrow formation, which requires 320 acres. Formations of less than Pennsylvanian age require 160 acres for gas. For all formations oil production requires 40-acre units, unless a wider spacing has been approved by the Commission.

Mr. Warnock is out of the country, but I will be in touch with him prior to the hearing, and would like to have him on hand when the hearing reconvenes, although I do not anticipate we will use him as a witness.