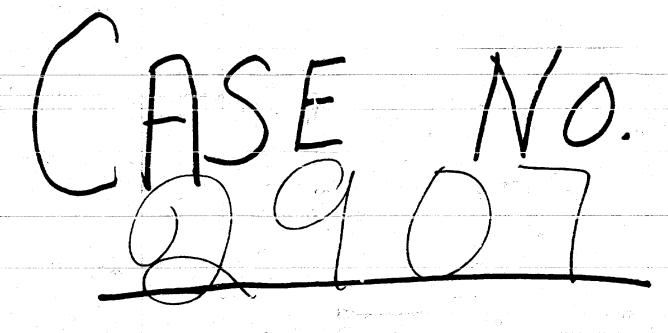
CASE 2907: Application of PENROC force-pooling interests in the INDIAN HILLS-UPPER PENN. GAS POOL.

refer:



APPlication,
Transcripts,
SMAIL Exhibits
ETC.



March 10, 1964

Re: A-25 Indian Federal #1

Eddy County, New Mexico
Case No. 2907

Order No. R-2581

Mr. Elvis A. Utz New Mexico Oil Conservation Commission P. O. Box 791 Santa Fe, New Mexico

Dear Sir:

We recently mailed to you a statement of costs to drill and complete our Indian Federal #1 well in Eddy County, New Mexico. There are some additional charges which should be included in the total cost. These charges are shown on the attached page No. 5 which should replace the page No. 5 on the report originally mailed to you.

Very truly yours,

PENROC OIL CORPORATION

John B. Castle

m

Page	<u>. 5</u>	Penroc O	il Corporation ^t s INDIAN FEDERAL #		Feb
Chec No.		Invoice No.	Description	Total	Intangible Costs
4025	Phillips Petroleum Co.		Travel Expense	\$ 57.34	\$ 57.34
4031	•		Engineering Expense	475.00	475.00
4039			Travel Expense	121.63	121.63
4053		And the second second	Telephone Expense	87.19	87.19
1076		675	Labor, flow line, test unit	19,75	19.75
3924	• • • • • • • • • • • • • • • • • • •		Travel Expense	26,46	26.46
1075	Union Supply Company	to en an artista (1971)	Miscellaneous Fittings	152,18	
	C. M. Berry		Estimated cost to clean up, and		
			fill pits	100.00	100.00
	Stevenson Tank Company		Estimated cost for used separato	r (
		i. Programa	and line heater	3,500,00	and the second of the second o
	Insurance Expense	<u> </u>	Comprehensive Liability	16.84	16.81
	Administrative Overhead		9-17-63 to 2-1-64 @ \$300.00		
	我们的一个人,就是一种事情的事情,但是一个人		per month in lieu of district		
			expense	1,330,00	1,330,00
		7			
4 1 To 1				\$208,998.24	\$175,443.98
	en de tradición de la companya de l La companya de la co	₩ 1 ² 			
Addi	tional Charges		溢出 1997年 - 李永 李 海 - 李 - 李 - 李		to the second se
1090	Welex	W38866	Perforate	\$ 315.59	\$ 315.59
1091		W38863	Perforate	1,087,47	1,087,47
1092	Welex	W38865	Perforate	495.95	495.95
					- 273, 73
1			TOTAL	\$210,897.25	\$177,342.09

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	Penroc Oil	Corporationts INDIAN FEDERAL	<u>#1</u>	<u>.</u>	ebruary 26, 1964
y e e	Invoice No.	Description	Total	Intangible Costs	Lease and Well Equipment
ış.Ço₊		Travel Expense	\$ 57.34	\$ 57.34	
o bert s		Engineering Expense	475.00	475.00	
efining		Travel Expense	121.63	121.63	
Telephone Co.		Telephone Expense	87.19	87.19	4.
ompany	675	Labor, flow line, test unit	19.75	19.75°	
. —		Travel Expense	26.46	26.46	
na pany		Miscellaneous Fittings	152, 18		\$ 152.18
		Estimated cost to clean up, and			•
		fill pits	100.00	100.00	
ompany		Estimated cost for used separat		<u> </u>	
		and line heater	3,500,00		3,500,00
ing 1. S ining the state of		Comprehensive Liability	16.84	16,84	•
erhead		9-17-63 to 2-1-64 @ \$300.00			
		per month in lieu of district	en e	A Committee of the Comm	
翻翻 网络金属 医二甲二甲基甲二甲基甲基		expense	1,330,00	1,330,00	
		onpono o	,		
		•			
			\$208,998,24	\$175,443.98	\$ 33,554.26
			Ψ2008 / /08 21	Ψ1 (3),113¢ /0	+ 33,331,ac
					
	· 1.555 / 14				
	W38866	Perforate	\$ 315.59	\$ 315.59	
<u> </u>	W38863	Periorate	1,087,47	1,087.47	
	W38865	Perforate	495,95	495.95	
		TOTAL	\$210,897.25	\$177,342.99	\$ 33,554.2c
	4 (1) (1) (1) (1) (1) (1) (1) (1) (1) (1)				

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MAIN OFFICE OCC

PENROC Oil Corporation

P. O. BOX 1004 . MIDLAND, TEXA

Phone MU 3-1861

February 28, 1964

Re: A-25 Indian-Federal #1 Case No. 2907

Order No. R-2581

Mr. Elvis A. Utz New Mexico Oil Conservation Commission P. O. Box 791 Santa Fe, New Mexico chatte 3

Dear Sir:

The enclosed statement of costs on the Penroc Indian-Federal #1 include the costs of drilling the well to its total depth and completion in both the Cisco Canyon and Morrow formations. To avoid further hearings on this well it is suggested that the costs of drilling and completing be allocated 50% to the Cisco Canyon and 50% to the Morrow.

Very truly yours,

PENROC OIL CORPORATION

H. Brace Wigzell

cc:

Amarillo Oil Hanagan and Hanagan Redfern Development Company PENROC OIL CORPORATION

INDIAN FEDERAL #1 Section 19, T-21-S, R-24-E Eddy County, New Mexico

-Check	Payee	Invoice No.			Intangible L Costs
681	Brown and Hewitt		Stake Location	\$ 77.25	\$ 77.25
689	B. D. Brazell	en de la companya de	Geological and Engineering	500.00	500.00
692	C. M. Berry	63-5377	Roads and location	300.00	300,00
693	Midland Map Company	52897	Geological and Engineering	7. 65	7.65 jaj
695	West Texas Electric Log Service	C17923	Geological and Engineering	44.37	44.37
702	Currier Abstract Company		Abstracts - Title	106.81	106.81
706	John B. Castle		Travel Expense	150.00	150.00
716	Beadle Trucking Company	06100	Trucking rig	125.98	125.98
729	B. D. Brazell		Geological - Engineering	110.00	110.00
731	Charley Powell		Drilling Gable tools		975 _00 -
737	Palmer Pipe and Supply	4221-63	Casinghead Housing and Hanger	322.12	
743	Perkins, Bezoni and Kirwan		Title Examination	37.50	37.50
745	Beadle Trucking Company	06118	Move Cable Tool Rig	84.98	84.98
746	William Shafer		Surface Damages	250.00	250.00
748	Burrows Trucking Company	923	Trucking Rig	62.37	62,37
762	West Texas Electric Log Service		Geological and Engine ering	14.79	14.79
809	Meacham Signs		Lease Sign	7.28	7.28
829	Southwestern Bell Telephone Co.		Telephone expense	103,47	103.47
	Marlo Drilling Company	463-23	Turnkey Drilling	50,000.00	50,000,00
	M. V. Roberts	\$	Engineering Expense	84.78	84.78
	Palmer Pipe and Supply	4477-63	Christmas Tree	2,263.93	vancium de la constant de la constan
	Palmer Pipe and Supply	4485-63	Trucking	32,20	32,20
861	West Texas Electric Log Service		Geological and Engineering	7.91	7.91
865	Marlo Drilling Company	463-23	Turnkey Drilling	77,875,25	77, 875, 25
	Union Supply Company	CS-3688	4-1/2" casing	16, 192, 84	

PENROC OIL CORPORATION

INDIAN FEDERAL #1 Section 19, T-21-S, R-24-E Eddy County, New Mexico

	Invoice No.	Description	Total	Intangible Costs	Lease and Well Equipment
	第 措 · · · · · · · · · · · · · · · · · ·	Stake Location Geological and Engineering	\$ 77.25 500.00	\$ 77,25 500,00	
	63=5377	Roads and location	300-00	300.00	
eany:	52897	Geological and Engineering	7.65	7.65	
ic Log Service	C17923	Geological and Engineering	44,37	44,37	
Company		Abstracts - Title	106,81	106.81	
		Travel Expense	150.00	150.00	
Sompany	06100	Trucking rig	125.98	125,98	
ない 最高 世		Geological - Engineering	110.00	110.00	
		Drilling - Cable tools	975.00	975.00	
Supply	4221-63	Casinghead Housing and Hanger	344.14		3 322,12
nd Kirwan		Title Examination	37.50	37.50	
Company	06118	Move Cable Tool Rig	84.98	84,98	
	-	Surface Damages	250.00	250,00	
Company	923	Trucking Rig	62.37	62,37	
ric Log Service		Geological and Engine ering	14.79	14,79	
		Lease Sign	7.28	7.28	
Telephone Co.		Telephone expense	103,47	103.47	
mpany	463-23	Turnkey Drilling	50,000.00	50,000,00	
		Engineering Expense	84.78	84.78	
Supply	4477-63	Christmas Tree	2, 263, 93		2, 263, 93
Supply	4485-63	Trucking	32,20	32,20	
ric Log Service		Geological and Engineering	7.91	7.91	en deserva e e da comunicación de la comunicación d
mpany	463-23	Turnkey Drilling	77,875,25	77,875,25	
pany	CS-3688	4-1/2" casing	16,192.84		15,192,84

		Penroc Oil	<u>Febr</u>		
Check No.	Pavee	Invoice No.	Description	Total	Intangible L. Costs
3 \$1	Halliburton Company	BC010461	Cement	\$ 1,226,73	\$ 1,226.73
882	Halliburton Company	T398579	DST #5	192.61	192,61
583	Travelers Notel	The state of the s	Travel Expense	222,44	222.44
884	Union Supply Company	GS-3692	2-3/8" tubing	6, 798, 63	
887	John C. Ryan July Man	1	Geological services	600,00	600,00
કુલ્દ	Union Supply Company	11630	Rock Bit	96,84	Go. 84
892	B. D. Brazell		Engineering services	150.00	150.00
897	Halliburton Company	CS786381	Cementing,	474.93	474.93
898	Halliburton Company	CS785754	Cement, 2nd Stage	809.99	80c ga 🛒
900	Palmer Pipe and Supply	4438-63	Stripper Rubber	46.80	45,80
901	rernnan Andror Service	4000		160,60	
903	Windy Myers Welding	461	Welding - casinghead	40.88	36.15
904	Marlo Drilling Company	$463 - 23 \Lambda$	Daywork	3,629,49	3,629,49
905	C. M. Berry Construction Co.	63-5486	Level around well	62.50	62,50
908	Union Supply Co., Inc.	11793	Rock bit	96.90	96,60
့ ငွင့်ရ	Halliburten Company	S-57515I	Guide Shoe, float	863.76	
212	Baker Oil Tools	162884	Casing Scraper	113,30	113.30
213	Chase Well Service	63-588	Unit - drill out, perf., log	2,457.12	2,457.12
⊊ 1. ÷	Halliburton Company	BC010477	Cement	894.59	894.59
Ç15	Halliburton Company	T398587	Packer,	342, 99	342.00
o í c	Hailiburton Company	T398588	Move packer,	72,10	72.10
5 G17	Union Supply Company	-11917	Tubing, nipples	210.75	- Committee - Comm
Çįs	Welex	W38846	Temp. log	426,11	425.11
e:=	Welex	W 38847	Periorating,	288,40	288.40
520 *	Welex	W38851	Perforating,	1,153,09	742,53
			Logging		410.46
520	M. V. Roberts		Engineering Expense	107.16	107,16
	Hadibilition Company	T398642	Bridge plug, test	601,52	o(1.52
		•			

	Penroe Oi	Corporation's INDIAN FEDER	AL #1	<u> </u>	soruary le, lend
ivee	Invoice No.	Description	Total	Intangible Costs	Lease and Worl
any	BC010461	Cement	\$ 1,226.73	\$ 1,220.73	
any	T 398579	DST #5	192.61	102,61	
alliented		Travel Expense	222.44	222.14	
pany	GS-3692	2-3/8" fubing	6, 798.63		\$ c. 708.63 @
	tyr a man of the through an elementary and elementa	Geological services	600,00	600.00	
pary	11630	Rock Bit	96.84	96.84	
Section 1		Engineering services	150,00	150.00	
any	CS786381	Cententing,	474.93	474.93	
any	CS785754	Cement, 2nd Stage	809,99	8၉၀ ခုခ	•
Supply	4438-é3	Stripper Rubber	46.80	40.80	in the second
Service	4660	Anchor	160,68		150.08
cing	461	- Welding - casinghead	112 20 10 20 1	30.13	<u> </u>
mpany	463-23A	Daywork	3,629,40	3,629,49	
struction Co.	63-5486	Level around well	62,5G	e2.50	20 mm
Inc.	11793	Rock bit	96.90	96,40	* • •
ary	S-575151	Guide Shoe, float	863.76		803.70
	162884	Casing Scraper	113.30	113,30	
e	63-588	Unit - drill out, peri, log	2, 457, 12	2,457.12	* ******
any	BC010477	Cement	894.59	894,59	-
	I398587	Packer,	342.99	342,00	
any	T398588	Move packer,	72.10	72.10	
pany	11917	Tubing, nipples	210.75		216.75
	W38846	Temp, log	+2e,11	426.11-	
	W 38847	Periorating,	288,40	288,40	
	W38851	Perforating,	1,153.09	742, 63.	
		Logging		410.46	
		Engineering Expense	107,16	167,18	
iny	T398642	Bridge plug, test	601,52	601,52	

Penroc Oil Corporation's INDIAN FEDERAL #1

Check		Invoice ?			Intangible Costs
No.	Payee	No.	Description	Total	COSIS
944	Cus Engineering	50364	WA4 Packer	\$ 526.33	
	Smith and Son Welding	2051	Cut off casing	21,63	\$ 21.63
950	Southwestern Bell Telephone		Telephone Expense	36.29	30.29
951	Welex	W34788	Perforating,	1,575.90	1,575.90
052	Welex	W38853	Perforating,	538.75	588.75
÷53	Baker Oil Iools	-165868	Retr. Packer WA43A,	680.83	387.28
୍ଦ୍ର ପ୍	Baker Oil Tools	155127	-Sealing Compound	10.80	16.89
्रभुक्त	Sieve Carlet & Son		Trucking	171.34	171,34
GC C	C. L. East	2267	Truc king	2/0.10	210010
~ 3 € 7	Halliburton Company	CH88651	.cid Treatment	494.79	404.79
\$ 2 °C	Halliburton Company	T-308503	Move bridge plug,	72,10	72.10
a _⊅ a	Halliburton Company	T-223308	Set packer, swao test	301.79	301.79
976	Halliburton Company	I-398641	Flow test, Packer,	144,20_	144.20
071	Halliburton Company	CH 88652	Acid treatment,	536.63	536 . t 3
973	Halliburton Company	CH 33725	Acid treatment,	1,388,95	1,388.00
273	Scuthwestern Bell Telephone		Telephone expense	294.69	29.69
. , 1974	Union Supply Company	12046	Stripper rubber, nipple	¢2,53	52,48
975	Welex	W38859	Perforating,	953,93	386.07
			Otis packer,		
376	Windy Nivers Welding	T480	Welding well head		<u>lee</u> -4
' '03e	Baker Oil Tools	156790	Packer,	384.19	384.19
987	Baker Oil Tools	100791	Packer rental,	251:32	251.32
988	Baker Cil Tools	155183	Packer rental,	384,19	384.19
စန္တရ	Baker Cil Tools	16el34	Bridge Plug,	300,64	349,64
200	Chase Well Service		Unit, swab test	2,733,93	2, 733.93
603	Halliburton Company	CH88654	Acid Treatment,	2, 637, 63	2,537.83
ಂದುಕ	Hallfourton Contrany	CH31757	Acid Treatment,	445,48	445.48
4.4.5	Leomis Hydraulic Testing Company	28749	Test Tubing	- 3e8.22	368,22

\$5.

	Penros Oil	Corporation's INDIAN FEDERA		·	1.621	<u> </u>
ayee	Invoice No.	Description	Total	Intangible Costs		e and West - *
	50354	WA4 Packer	\$ 526.33		5	52 6, 33
elding	2651	Cut officasing	21.63	\$ 21.63		1.00
a Telephone		Telephone Expense	36, 29	30.29		•
Exercision of the second of th	W34788	Periorating,	1,575.90	1,575.90		
	W38853	Perforating,	338.75	588.75		
	165868	Retr. Packer WA43A,	680.83	387.28	\$	293,55
	le5127	Sealing Compound	Ic.85	16.89		
lo n		Trucking	171.34	171.34		
7011	2207	Trucking	278,10	278.10	•	
	CH88051	Acid Treatment	<u></u>	ib 404, 79.		
pany	T-398593	Move bridge plug,	72.10	72.10	ē	
pary			301.70	3075	<u> </u>	
pany	I-398641	Flow test, Packer,	144.20	144.20	÷.	
pany	CH 88652	Acid treatment,	536, 63	536.63	* *	
pany	CH 83725	Acid reatment,	1,388.96	1,388.90		
rany	Off 93145	Telemone expense	29.69	29.69		
11 Telephone	12046	Stripper rubber, nipple	e2.53	52.48		10,65
npany	W38859	Perforating,	953,93	580.07		
	W 30037	Otis backer,				372.8c
	T48C	Welding well head	100,94	100.04		
alding .	166790	Packer,	384.19	384.19		
	3	Packer rental,	251.32	251.32		
	150791	Packer rental,	384.19	384.19		
	166183	- Bridge Plug,	300,64	399,64		Andreas and the second
	lock\$4	Unit, swab test	2,733,93	2, 733, 93		
ice in the second	email to the second	Acid Treatment,	2, 037, 83	2,037.83		
rany	CH88654	Acid Treatment,	445,48	445.48		
z any	CH51757	- 1	368, 22	368, 22		
ic Testing Company	18749	Test Tubing	. V. V. •			

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Page -	<u>1</u>	Penroc Oil	Corporation's INDIAN FEDERAL	<u>#1</u>	<u>Fe</u> z
Check No.	Payee	Invoice No.	Description	Total	Intangible Costs
990	National Supply	6240-77747	Packing	\$ 64.10	
998	Permian Mud Service	53638/53731	Trucking Mud	83,64	\$ 83.64
1007	Chase Well Service	64-102	Swabbing, testing	5,690,45	5,699,45
1009	Halliburton Company	CH88653	Acid Treatment	2,740,83	2,740,83
1010	Halliburton Company	CS785713	Pump truck	186.43	186.43
1011	Halliburton Company	CS785714	Pump truck	186.43	186.43
1012	Halliburton Company	CS785715	Pump truck	18c.43	186.43
1014	Stevenson Tank Company	627	Rent test tank	46.69	46.69
1015-	-Travelers Motel		Engineering Expense	310.41	3/8.41
1016	Union Supply Company	12689	Unions, nipples	38,96	
1018	Coleman Petroleum Engr. Service	4 - 1037	Back pressure test	550.02	550 . 02
1021	Murdock Machine Shop		Face flange	4.12	4.12
1038	MWL Tool and Supply	21784	Rental - power swivel	1,690.75	1,090.75
1039	Otis Engineering	12292	Wire Line	242,10	242.10
1041	Stevenson Tank Company	685	Install test unit	184.85	184.85
1043	Stevenson Tank Company	674	Rental test tank	o. 09	6.09
1048	Otis Engineering	12157	Packer cross over	774.56	
1051	Otis Engineering	12291	Otis choke, wire line	352.52	327,03
1052	Otis Engineering	11713	Top packer and cross over	1,204,49	231.75
1055	M. V. Roberts		Engineering Expense	142.85	142.85
1059	-National Supply	-6240-77796	Stripper rubber	54,93	54,93
1062	C. L. East	2307	Truck water	326.14	326.14
1063	C. L. East	2306	Truck water	298.08	298.08
1069	Stevenson Tank Company	555	Rental, test tank	88,31	88.31
3919	National Car Rental	L018401	Traveling expense	19.41	19.41
3926	Champs Aviation		Traveling expense	35.01	35,91
3960	Champs Aviation		Traveling expense	10.46	10.46
3976	Humble Oil and Refining		Traveling expense	40.62	40,40 40,02
	•		•		# C • O =

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	Penroc Oil	Corporation's INDIAN FEDERA	February 26, 1904		
Payee	Invoice No.	Description	Total	Intangible Costs	Lease and Well Equipment
2	6240-77747		\$ 4.10		\$ 64.10
bervice	53638/53731	Packing Trucking Mud	\$ 64.10 83.64	\$ 83,64	\$ 0.4° ×6
	64-102	Swabbing, testing	5,699,45	\$ 83,64 5,699,45	
【 · · · · · · · · · · · · · · · · · · ·	CH88653	Acid Treatment	2,740,83	2,740.83	
a Pany	C\$785713	Pump truck	186.43	186,43	
e party	C\$785713	Pump truck	186.43	186.43	
mapany	CS785715	Pump truck	186.43	180.43	
mpany k Company	627	Rent test tank	46,69	46.69	
ei		Engineering Expense	378.47	378.47	
ompany	12689	Unions, nipples	33,70	J; V, 11	334 9
leum Engr. Service	4-1037	Back pressure test	550.02	550.02	
ine Shop	4-1031	Face flange	4,12	4.12	
Supply	21784	Rental - power swivel	1,690,75	1,090.75	
	12292	Wire Line	242.10	242.10	
ng Company	685	Install test unit	184.85	184.85	- 1 - 1 - 1
Company	674	Rental test tank	6.09	6.09	
	12157	Packer cross over	774.50		77±.5b
ng.	12291	Otis choke, wire line	352.52	327.03	25,49
Fig. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1.	11713	Top packer and cross over	1,204,49	231.75	972.74
		Engineering Expense	142.85	142,85	
	6240-77796-	Stripper rubber	+	54,93	
	2307	Truck water	326.14	326.14	
	2306	Truck water	298.08	298.08	
Company	555	Rental, test tank	88.31	88,31	
ental	L018401	Traveling expense	19.41	19,41	· ·
)n		Traveling expense	35.01	35,91	
Since the second second	4	Traveling expense	10.46	10,46	
Refining		Traveling expense	45,62	40,02	

Panu 5		Penros Oil C	Corporation's INDIAN FEDERAL #1		i i i i i i i i i i i i i i i i i i i
Page 5 Check	Payee	Invoice No.	Description	Total	Intangiole Costs
2025 4031 4039 4053 1076	Phillips Petroleum Co. & 4071 M. V. Roberts Humble Oil and Refining Southwestern Bell Telephone Co. Stevenson Tank Company	675	Travel Expense Engineering Expense Travel Expense Telephone Expense Labor, flow line, test unit Travel Expense	\$ 57.34 475.00 121.63 87.19 19.75 26.46	\$ 57.34 475.00 121.63 87.19 19.75 26.40
1075	American Petrofina Union Supply Company C. M. Berry		Miscellaneous Fittings Estimated cost to clean up, and fill pits	152.18	100.00
	Stevenson Tank Company Insurance Expense		Estimated cost for used separator and line heater Comprehensive Liability 9-17-63 to 2-1-64 @ \$300.00	3,500.00 16.84	
	Administrative Overhead		per month in lieu of district expense	1,330.00	1,330.00
				\$208,998.24	-\$175 , 115, 98

Penroc Oil Corporation's INDIAN FEDERAL #1 Lease and Well Intangible Equipment Invoice Costs Total Description No. 57.34 57.34 Travel Expense 475.00 475.00 Co. Engineering Expense 121.63 121.63 **Soberts** Travel Expense 87.19 87.19 Refining Telephone Expense 19.75 19.75 l Telephone Co. Labor, flow line, test unit 26.40 675 26,46 Company Travel Expense 152,18 152,18 Miscellaneous Fittings fina Estimated cost to clean up, and 100.00 100.00 fill pits Estimated cost for used separator 3,500,00 3,500.00 Company and line heater 10.8= 16.84 Comprehensive Liability 9-17-63 to 2-1-64 @ \$300.00 per month in lieu of district Overhead 1,330,00 1,330.00 expense \$ 33,554,20 \$208,998.24

nse

February 26, 1964

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. 2907 Order No. R-2581

APPLICATION OF PENROC OIL CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 9, 1963, 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 25th day of October, 1963, 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
- (2) That the applicant, Penroc Oil Corporation, seeks an order pooling all mineral interests in the Upper Pennsylvanian formation adjacent to the Indian Hills-Upper Pennsylvanian and underlying Section 19, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well 1980 feet from the North line and 1980 feet from the East line of said Section 19 to be projected to the Upper Pennsylvanian formation.
- (d) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the Upper Pennsylvanian formation, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.
- (7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.
- (8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 40 percent thereof as a reasonable charge for the risk involved in the drilling of the well.
- (9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that said actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- (10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.
- (11) That \$75.00 per month should be fixed as the reasonable cost of operating the subject well and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production.
- (12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Upper Pennsylvanian formation underlying Section 19, Township

Case No. 2907 Order No. R-2581

21 South, Range 24 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a 640-acre gas proration unit, to be dedicated to a well to be located 1980 feet from the North line and 1980 feet from the East line of said Section 19.

- (2) That Penroc Oil Corporation is hereby designated the operator of the subject well and unit.
- (3) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 30 days following the date of this order.
- (4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.
- (5) That the operator is hereby authorized to withhold the following costs and charges from production:
 - (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs.
 - (B) As a charge for the risk involved in the drilling of the well, 40% of the pro rata share of reasonable well costs attributable to each nonconsenting working interest owner who has not paid his share of estimated well costs.
- (6) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.
- (7) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 30 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected

within 60 days following completion of the well, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

- (8) That within 30 days following determination of reasonable well costs any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.
- (9) That \$75.00 per month is hereby fixed as the reasonable cost of operating the subject well, and the operator is hereby authorized to withhold from production the proportionate share of such cost attributable to each next consenting working interest.
- (10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.
- (11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.
- (12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The Commission shall be notified as to the name and address of said escrow agent within 90 days from the date of this order.
- (13) 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

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

AMARILLO OIL COMPANY NAIN OFFICE DCC

AMARILLO. TEXAS

E. S. MORRIS Vice President

November 4, 1963

Penroc Oil Corporation P. O. Box 1004 Midland, Texas

Attention: Mr. John B. Castle

Re: A-25 Indian Federal #1 Eddy County, New Mexico Case Nr. 2907 Order No. R-2581

Gentlemen:

Your AFE covering the above captioned well was received on October 30, 1963.

The estimated costs for the drilling of this well appear to be unusually high and we would like to know what all is covered by the \$121,000 item shown under "drilling." It is also requested that we be furnished with the footage, size, and unit cost of surface and intermediate casing, as well as footage and unit cost of production casing and tubing.

If you will furnish us with this information as soon as possible, it will expedite our decision on this matter.

Yours very truly,

(ORIGINAL) E. S. MORRIS

E. S. Morris

ESM:dc

CC: New Mexico Oil Conservation Commission

P. O. Box 791

Santa Fe, New Mexico Attention: Mr. Elvis A. Utz

Redfern Development Corporation

P. O. Box 1747

Midland, Texas

Kerr-McCcc Oil Industries, Inc. Kerr-McGee Building

Oklanoma City 2, Oklahoma

Hervey, Dow & Hinkle

P. O. Box 10

Roswell, New Mexico

Attention: Mr. Howard C. Bratton

Hanagan & Hanagan

P. O. Box 1737

Roswell, New Mexico

November 13, 1963

2967

Court Jak

Se: A-25 Indian-Eederal #1
Eddy County, New Mexico

Amarillo Oil Company
F. O. Box 151
Amarillo, Texas

Attention Mr. E. S. Morris

Gentlemen:

We are enclosing a copy of our letter agreement with Marlo Drilling Company and a casing quotation from Union Supply Co., Inc., which we believe will answer your request of November 4.

The Cil Conservation Commission Order No. R-2581 clearly states on Page 3, Paragraph 7, that you will have the opportunity to protect the sense well cost within 60 days after completion of the well. We expect you to exercise this right and are doing our best to keep costs low without jeopardizing good oilfield practices.

Very truly yours,

PENROC OIL CORPORATION

John & Cartle rohn B. Gastle

TAC:mlra

cc: New Mexico Oil Conservation Commission Santa Fe, New Mexico

Redfern Development Corporation Midland, Texas

Hanagan & Hanagan Roswell, New Nexico

REDFERN DEVELOPMENT CORPORATION

1200 WILCO BUILDING

MIDLAND, TEXAS

POST OFFICE HOX 1717

September 19, 1963

IN REPLY RULE R TO

PILE.

Re: Section 19, 21S, 24E Eddy County, New Mexico

Penroc Oil Corporation P. O. Box 1004 Midland, Texas

Attention: Mr. John B. Castle

Gentlemen:

In answer to your letter dated September 16, 1963, we feel that pooling is not in order because the spacing for the Lower Pennsylvanian is 160 acres in this section.

Furthermore, we feel that we would not be justified in participating in your proposed test for the following reasons:

- 1. There will be a considerable delay before any gas will be sold in this general area.
- 2. We have previously been approached and are interested in drilling in Section 18, immediately to the north, and would naturally wish to await the outcome of that well before considering any further development.
- 3. In our opinion, as operators it is more expensive to let contracts on a turnkey basis. It appears to us that the turnkey bids you have received are excessive.
- 4. We feel that this is a minimum risk area; therefore, 150% penalty is too high.

Very truly yours,

REDFERN DEVELOPMENT CORPORATION

town I ballown Ar

JJR: 1k

čc:

Amarillo Oil Company

Mr. R. G. Hanagan

October 2, 1963

Re: A-25 Indian-Federal #1
Section 19-215-24E
Eddy County, New Mexico

Redfern Development Corporation 1200 Wilco Building Midland, Texas

Gentlemen:

This is to inform you that we have selected Marlo Drilling Company as contractor for our Indian-Federal #1. They are to begin moving in today and should be drilling by Sunday, October 6.

Since you believe the risk involved in the drilling of this well to be less than we do, we submit to you the following:

operation of this well and Fenroc Oil Corporation will pay to you a penalty of 150% out of production and give you an assignment of 1/2 of the acreage earned under our farmout agreements."

This is our final offer and we must have your written acceptance in our office by 5:00 p.m., CST, Monday, October 7, 1963, or we will consider it rejected.

Very truly yours,

PENROC OIL CORPORATION

John B. Castle

JBC:mlin

cc: R. G. Hanagan-Roswell
Amarillo Gil Company-Amarillo

to 1.7

September 16, 1963

Re: A-25 Indian-Federal #1
Section 19-21S-24E
Eddy County, New Mexico

Redfern Development Corporation 1280 Wil Suilding Midland, Texas

Centlemen:

Because of the great amount of risk and cost and to avoid the unaccessary time and expense of a Force Pooling Hearing on the captioned well, we submit for your consideration the following proposals:

- 1. Penroc Oil Corporation will drill and complete a lower

 Penn test on 640 acre spacing, with Redfern Development

 Corporation, et al. taking a penalty of 150% to be paid to

 Penroc, out of production.
- 2. Redfern Development Corporation, et al, to drill and complete the proposed test and Pearoc will pay a penalty of 150% out of production.

May we hear from you at your earliest convenience.

Very truly yours,

PENROC OIL CORPORATION

John B. Castle

JBC:inlm

bc: Amarillo Oil R.G. Hanagan 5 17

He



Re: Indian Basin Area Eddy County, New Mexico

CERTIFIED - Return Receipt Requested

Redfern Development Corporation P. O. Box 1747 Midland, Texas

Gentlemen:

This is to request that you join Penroc Oil Corporation in the Frilling of a Pennsylvanian test well at a location in the SW/4 NE/4 of Section 12. T-21-S. R-24-E, Eddy County, New Mexico, said well to be commanded on or before September 30, 1963. Your participation in the drilling of this well will be determined by the contribution of your acreage in the 5W/4, and the E/2 NW/4, to a 640 acre unit comprising all of Section 19-213-24E.

This well will be commenced at the earliest possible date and your response will be appreciated.

Very truly yours,

	PENROC CIL CORPORATION	
Deliver ONLY to Show address where delivered (Additional charges required for these services)		
Recorsed the numbered article dose shed on other side.	H. Brace Wigzell BEFORE EXAMIN'ER ')	
1911 B. Libert	OIL CONSERVATION COMMISS APPLIC EXHIBIT NO. 4 CASE NO. 2507	SION
AUG 16 (46)	7P-	-

HISTOGRAPHONAL MAH.

Re: Indian Basin Area Eddy County, New Mexico 推通

* 1.4

CERTIFIED - Return Receipt Requested

Amarillo Oil Company F. O. Box 151 Amarilio, Tems

Gentlemen:

This is to request that you join Penroc Oil Corporation in the drilling of a Pennsylvanian test well at a location in the SW/4 NE/4 of Section 19, T-21-5, R-24-E. Eddy County, New Mexico, said well to be commenced on or before September 30, 1963. Your participation in the drilling of this well will be determined by the contribution of your acreage in the SW/4, and the E/2 NW/4, to a 640 acre unit comprising all of Section 19-215-24-E.

This well will be commenced at the earliest possible date and your respense will be appreciated.

Very truly yours,

PENROC OIL CORPORATION A. Brace Wigzell INSTRUCTIONS: Fill in feerns below and complete #1 on other side, when applicable. Moisten garaged ends and attach to back of article. Print of front of article Rayuan Receipt Raquestan. BEFORE EXAMINER UTZ MISSION OIL CORSERY Penroc Oil Corporation NAME OF SENDER 5.55 5033 MOISTERNO HO. MALIC STREET AND NO. CR. P. O. SOX P. O. Box 1004 CASE NO. CERTIFIED NO. 626713 Midland, Texas WELLINED HO Amarillo Oil letter 8/16/63 CHOTTON MITTOR

REDFERN DEVELOPMENT CORPORATION MIDLAND, TEXAS September 9, 1963 RS #70 Re: Indian Basin Area Eddy County, New Mexico Penroc Oil Corporation Midland, Texas Attention: Mr. H. Brace Wigzell Gentlemen: We participate to your lette.

19, T-21-S in the diliping of August 16, 1963, requesting that copy of your AFF or Well County, New Mexico, we would like to request on the copy of your AFF or Well Cost Estimate, together with a proposed list of the drilling contractors, we would like to be furnished with a earliest convenience. Appreciate receiving this information at your Very truly yours, REDFERN DEVELOPMENT CORPORATION m. B. Johnston WBJ: lkcc: Amarillo Oil Company P. O. Box 151 Amarillo, Toxas Mr. Robert G. Hanagan P. O. Box 1737 Roswell, New Mexico

September 11, 1963

Re: Indian Federal #1 Eddy County, New Mexico RS #70

Redfern Development Corporation 1200 Wileo Building Midland, Texas

Attention Mr. William B. Johnston

Gentlemen:

As requested, we are enclosing the following information on our #1 Indian-Federal, Section 19, T-21-S, R-24-E, Eddy County, New Mexico:

1. Proposed operating agreement

2. Drilling bids from Gardner Bros., Lowe Drilling Co., Sharp Drilling Co., and La fland Bros.

3. Casing quotations from Continental-Emsco, Mid-Continent and Union Supply Co.

4. AFE on proposed well

We will gladly furnish any additional information you may need.

Very truly yours,

PENROC OIL CORPORATION

John B. Castle

JBC:mlm

Enclosures 4

September 16, 1963 Re: A-25 Indian Federal 11 Section 19-215-24 Eddy County, New Mexico Redfern Development Corporation Because of the great amount of risk and cost and to avoid the great amount of risk and cost and to avoid the caption the caption time and expense of a force Proling Hearing on the caption Because of the great amount of risk and cost and to avoid the dearing on the captioned well. We subjust for your consideration the following proposals: 1200 Wilco Building under sary time and expense of a force Proling Hearing on the well, we subtite for your consideration the following proposals: Midland, Texas 1. Penroc Oll Corporation will drill and complete a lower with Rediern Developme venroc Oli Corposation will drill and complete a lower person test on 640 acre spanished with Redfern to be baild to Corporation of al. taking a nematic of 150% to be paid to Centlemen: Corporation et al. taking a penalty of 150% to be paid to 2. Redfern Development Corporation, at al, to drill and new a new correspond to the proposed test and penson will nava new Rediern Development Corporation, et al, to drill and penalty of correlate the proposed test and Penace will pay a penalty of 150% out of production. May we hear from you at your sarliest convenience. PENEOC OIL CORPORATION John B. Castle Joc:mim bc: Amarillo Oil R.G. Hanagan

REDFERN DEVELOPMENT CORPORATION

1200 WILCO BUILDING MIDLAND, TEXAS

September 19, 1963

Re: Section 19, 218, 24E Eddy County, New Mexico

Penroc Oil Corporation P. O. Box 1904 Midland, Texas

Attention: Mr. John B. Castle

Gentlemen:

In answer to your letter dated September 16, 1963, we feel that pooling is not in order because the spacing for the Lower Pennsylvanian is 160 acres in this section.

Furthermore, we feel that we would not be justified in participating in your proposed test for the following reasons:

- 1. There will be a considerable delay before any gas will be sold in this general area.
- 2. We have previously been approached and are interested in drilling in Section 18, immediately to the north, and would naturally wish to await the outcome of that well before considering any further development.
- 3. In our opinion, as operators it is more expensive to let contracts on a turnkey basis. It appears to us that the turnkey bids you have received are excessive.
- 4. We feel that this is a minimum risk area; therefore, 150% penalty is too high.

Very truly yours,

REDFERN DEVELOPMENT CORPORATION

JJR:Ik

Amarillo Oil Company

Mr. R. G. Hanagan

Re: A-25 Indian-Federal #1
Section 19-21S-24E
Eddy County, New Mexico

Redfern Development Corporation 1200 Wilco Building Midland, Texas

Gentlemen:

This is to inform you that we have selected Mario Drilling Company as contractor for our Indian-Federal #1. They are to begin moving in today and should be drilling by Sunday, October 6.

Since you believe the risk involved in the drilling of this well to be less than we do, we submit to you the following:

"Redfern Development Company, et al, take over the operation of this well and Penroc Cil Corporation will pay to you a penalty of 150% out of production and give you an assignment of 1/2 of the acreage earned under our farmout agreements."

This is our final offer and we must have your written acceptance in our office by 5:00 p.m., CST, Monday, October 7, 1963, or we will consider it rejected.

Very truly yours,

PENROC OIL CORPORATION

John B. Castle

JBC:mlm

cc: R. G. Hanagan-Roswell
Amarillo Cl. Company-Amarillo

Re: In dian Basin Area Eddy County, New Mexico

CERTIFIED - Return Receipt Requested

Redfern Development Corporation P. O. Box 1747 Midland, Texas

Gentlemen:

This is to request that you join Penroc Oil Corporation in the drilling of a Pennsylvanian test well at a location in the SW/4 NE/4 of Section 17, T-21-S, R-24-E, Eddy County, New Mexico, said well to be commenced on or before September 30, 1702. Your participation in the drilling of this well will be determined by the contribution of your acreage in the SW/4, and the E/2 NW/4, to a 640 acre unit comprising all of Section 19-215-24E.

This well will be commenced at the earliest possible date and your response will be appreciated.

Very truly yours,

PENROC CIL CORPORATION

	PENROC CID GOLL
Driver (NL) to Show address where delivered (Additional charges required for these services)	H. Brace Wigzell # 4
RETURN RECEIPT Received the numbered article described on other side.	
SUBMATION OF PLANE OF ANOPENSE poor about to foliation	
AUG 17 1963	
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DEFENDER FORMAL MAN

REDFERN DEVELOPMENT CORPORATION 1200 WILCO BUILDING MIDLAND, TEXAS

ELEPHONE MUTUAL 8-5184

Movember 27, 1903

MS #70

Re: A-25 Indian Pederal #1 Eddy County, Now He Case No. 2907 Order To. 2-2581

Pensoe Gil Gespotation P. C. Non 1984 Midland, James

Canalana:

A week or so ago you varially proposed to us that you wished to drill the well, which is subject to the above order, to a deeper some than the Upper Pennsylvanian. On behalf of the owners of the oil and gas lease covering the E/2 of the HM/4 and the SW/4, we asked that this request be made in writing. We now understand from you that you do not plan to comply with this request because this well is "en a 160 acre tract"

If this well is on a 160 sero treet, we assume it is not the well pusposed in your application for compulsory pooling of 640 acre tract, so please advise us in writing at once so that we may take whatever legal steps necessary to remove the cloud on our title created by the above order.

If, on the other hand, it is your contention that this well is in accordance with the above order for 640 acre unit and simultaneously is part of a 160 acre unit for some other horizon and if it should be held that this is legal, we wish to state that the allocation of reasonable well cost between the Upper Pennsylvanian and any other somes should be apportioned so that each and every some will beer a fair share of the cost of drilling. We also wish to point out that any drilling in this well is at your sole risk, and if it is the pooled well you are liable to all owners for any damage to the hele or to the Upper Pennsylvanian producing formation.

Very truly yours,

REDYERN DEVELOPMENT CORPORATION

By:

John J. Redfern, Jr.

JJR:1k

New Mexico Oil Conservation Commission P. O. Box 791

Santa Fe, New Mexico

Attention: Mr. Elvis A. Utz

Page Two People 661 Subjection November 27, 1963

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Herr-Mides Oil Industries, Inc. Skiahems Sity 2, Oklahems

Amerilia Oll Company 7. 0, how 151 Amerilia, Summa

Benegen & Managen P. A. Ster 1737 Secondly, Nor Mexico

Salvay, Jan & Blobb F. S. Son 10 Special I. Nov Mexico

Attention: Mr. Neward C. Bratton

Obstac Militari Carelline Company 5. S. Sen John Charie, Tabas REDFERN DEVELOPMENT CORPORATION
1200 WILCO BUILDING

MIDLAND, TEXAS

MAIN OFFICE CCC

POST OFFICE BOX 1747 TELEPRONE MUTUAL 8-616

October 30, 1963

Re: A-25 Indian Federal #1

Eddy County, New Mexico

Case No. 2907

Order No. R-2581

Penroc Oil Corporation F. O. Ben 1004 Midland, Texas

Athickion: Mr. John B. Castle

Gentlemen:

This will acknowledge receipt on October 29, 1963, of your letter dated October 28, 1963, enclosing an estimate of well costs on your Indian-Federal #1.

Will you please give us more detail on the item listed as "Brilling - #121,000.00". How deep does this contemplate you will dwill? Also, we would like rootage and unit prices on casing and tubing.

Several months ago you were kind enough to send us copies of your drilling bids but the successful bidder was not among those submitted.

It may simplify our consideration of this question if we have a copy of this bid.

Very truly yours,

REDFERN DEVELOPMENT CORPORATION

Bv:

JJR:1k

ce:

Mr. Elvis A. Utz, Examiner New Mexico Oil Conservation P. O. Box 791 Santa Fe, New Mexico

Hanagan & Hanagan Roswell, New Mexico Page Two Penrec Oil Corporation October 30, 1963

MAIN OFFICE OCC

c: Kerr-McGes 0:1 Industries, Inc. Chichens City, Oklahoms

1953 NOV 1 PH 1: 33

Amerille Gil Company

Hr. Howard Bratton e/o Henney, Bow & Hinkle F. Q. Box 10 Homesil, Hen Monico

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DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 9, 1963

9:00 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:

CASE 2888: (Continued from the September 4, 1963 examiner hearing)

Application of the British American Oil Producing Company for a unit agreement, Lea County, New Mexico, Applicant, in the above-styled cause, seeks approval of the Jalmat Deep Unit Area comprising 10,568.81 acres of State land in Townships 21 and 22 South, Range 35 East, Lea County, New Mexico.

GASE 2903: (Continued from the September 25, 1963 examiner hearing)

Application of Coastal States Gas Producing Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion (conventional) of its Gulf State Well No. 1, located in Unit F of Section 20, Township 17 South, Range 36 East, Lea County, New Mexico, to produce oil from the Double-A Abordol and an undesignated Lower Leonard pool through parallel strings of tubing.

CASE 2907: (Continued from the September 25, 1963 examiner hearing)

Application of Penroc Oil Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Indian Hills-Upper Pennsylvanian Gas Pool underlying Section 19, Township 21 South, Range 24 East, Eddy County, New Mexico.

CASE 2908: (Continued from the September 25, 1963 examiner hearing)

Application of Penroc Oil Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Morrow Section of the Fennsylvanian formation underlying Section 19, Township 21 South, Range 24 East, Indian Hills Field, Eddy County, New Mexico.

CASE 2910: (Continued from the September 25, 1963 examiner hearing)

Application of Big (6) Drilling Company for extension of an existing oil pool and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the Scharb Bone Spring Oil Pool to comprise the W/2 of Section 5, all of Section 6, and the N/2 of Section 7, Township 19 South, Range 35 East. Lea Gounty, New Mexico, and for special rules therefor, including 80-acre spacing and proration units to comprise any two contiguous 40-acre tracts, and for fixed well locations.

CASE 2911:

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Francis L. Harvey & Capital Counsellors and all other interested parties to appear and show cause why the Francis L. Harvey & Capital Counsellors Bunce-Federal Well No. 1, located 1586 feet from the North line and 1503 feet from the East line of Section 19, Township 29 North, Range 10 West, San Juan County, New Mexico, should not be plugged in accordance with a Commission-approved plugging program.

CASE 2912:

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Tamanaco Oil Company and all other interested parties to appear and show cause why the Tamanaco El Poso Ranch Well No. 11, located 680 feet from the South line and 2080 feet from the West line of Section 11; the Tamanaco Pound Ranch Well No. 14 located 740 feet from the North line and 1850 feet from the West line of Section 14, and the Tamanaco Pound Ranch Well No. 27 located 330 feet from the North line and 1501 feet from the East line of Section 27, all in Township 28 North, Range 1 East, Rio Arriba County, New Mexico, should not be plugged in accordance with a Commission-approved plugging program.

CASE 2913:

Application of Gulf Oil Corporation for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 280 acre non-standard gas proration unit comprising the NW/4, W/2 NE/4 and NW/4 SE/4 of Section 29, Township 23 South, Range 37 East, Jalmat Gas Pool, Lea County, New Mexico, to be dedicated to its C. E. LaMunyon Well No. 4, Pated in Unit D of said Section 29.

- CASE 2660: (Reopened) In the matter of Case No. 2660 being reopened pursuant to the provisions of Order No. R-2348, which order established temporary 80-acre proration units for the Middle Lane-Pennsylvanian Pool, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 40-acre proration units.
- CASE 2678: (Reopened) In the matter of Case No. 2678 being reopened pursuant to provisions of Order No. R-2359, which order established temporary 160-acre provation units for the East Saunders Permo-Pennsylvanian Pool, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 40-acre provation units.
- CASE 2659: (Reopened) In the matter of the Case No. 2659 being reopened pursuant to the provisions of Order No. R-2347, which order established temporary 80-acre proration units for the North Bagley-Wolfcamp Pool, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 40-acre proration units.
- CASE 2658: (Reopened) In the matter of Case 2658 being reopened pursuant to the provisions of Order No. R-2346, which order established temporary 80-acre

-3-No. 28-63

proration units for the North Bagley-Upper Pennsylvanian Pool, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 40-

CASE 2914:

Application of Humble Oil & Refining Company for an exception to Rule 107 (d) 1, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to produce oil from the Gallup formation through 42-inch casing without tubing from its Navajo Tribe Tract 12 Well No. 1, located in Unit B of Section 19, Township 29 North, Range 15 West, San Juan County, New Mexico.

CASE 2915:

Application of Franco Western Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the South Seven Rivers Unit Area comprising 4,480 acres, more or less, of State, Federal and Fee lands in Township 20 South, Ranges 24 and 25 East, Eddy County, New Mexico.

PENROC Oil Corporation

P.O. BOX 1004 · MIDLAND, TEXAS

Phone MU3-1861

LEASE DESCRIPTION

AND

INTEREST OWNERSHIP

Section 19, Township 21 South, Range 24 East

Eddy County, New Mexico

September 23, 1963

OIL CONSERVATION COMMISSION

CASE NO. 2907

Description:	Township 21 South, Range 24 East	
	Section 19: NE/4 NE/4	
Number of Acres:	40,00	
Lessor:	United States of America	
Lessee:	Lucille Parker	
Dated:	November 1, 1951	
Serial No. of Lease.	LC-063245-B	Š.
Royalty Interest:	United States of America	12.5%
Working Interest:	Kerr-McGee Oil Industries, Inc.,	87.5%
	subject to the following production payment:	
Production Payment:	Lucille Parker, \$500 per acre out of	3.0%

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Description:	Township 21 South, Range 24 East	EVE.	Ž.
	Section 19: NW/4 NE/4 and S/	24-1-12 C	-
Number of Acres:	120.00	in the second	
Lessor:	United States of America		
Lessee:	Lucille Parker		e B
Dated:	November 1, 1951	et y	
Serial No. of Lease	LC-063245-A		
Royalty Interest:	United States of America.	12	. 5%
	Phillips Petroleum Company, subject to the following production payment	87	• 5%
Production Payment:	Lucille Parker, \$500 per acre out of	2	. 0%
Overriding Royalties:	None	٠,	70

Description: Township 21 South, Range 24 East Section 19, N/2 SE/4 and SW/4 SE/4 Number of Acres: 120.0 Lessor: United States of America Lessee: Don R. Link Dated: March 1, 1962 Serial of Lease: NM-0238436 Royalty Interest: United States of America 12.5% Working Interest: Kerr-McGee Oil Industries, Inc., 87.5% subject to the following overriding royalty interest: Overriding Royalty Int Don R. Link and wife, Alberta Link 5.0%

Description: Township 21 South, Range 24 East Section 19, SE/4 SE/4 Number of Acres: 40.00 Lessor: United States of America Lessee: Mrs. Mary E. Wills Dated: June 1, 1957 Serial No. of Lease: NM-025235 Royalty Interest: United States of America 12.5% Working Interest: Kerr-McGee Oil Industries, Inc., 87.5% subject to the following oil payment: Production Payment: Mary E. Wills, \$500 per acre out of 5.0% Overriding Royalties: None

Description: Township 21 South, Range 24 East

Section 19: E/2 NW/4

Number of Acres: 80.0

Lessor: United States of America

Lessee: Sue M. Winston

Dated: January 1, 1951

Serial No. of Lease: LC-063246-D

Royalty Interest: United States of America 12.5%

Working Interest: Redfern Development Corporation 82% of 87.5% Robert G. Hanagan, 18% of 87.5%

subject to the following overriding royalty interest and production payment:

Production Payment: Sue M. Winston, \$500 per acre out of 3.0%

Overriding Royalty: J. O. Stark and Anna Stark, his wife 0.5%

Township 21 South, Range 24 East Description: Section 19: Lot 1 Number of Acres: 39.58 State of New Mexico Lessor: L. C. Harris and Marian V. Harris, his wife Lessee: June 19, 1956 Dated: E-10169 State Lease Number:

12.5%

87.5%

State of New Mexico Royalty Interest: Monsanto Chemical Company Working Interest:

Overriding Royalties: None

Description:	Township 21 South, Range 24 East	
	Section 19: Lot 2	
Number of Acres:	39.54 acres	
Lessor:	United States of America	erio de la companya d
Lessee:	Sue M. Winston	
	January 1, 1951	en e
Dated: Serial No. of Lease:	LC-063246-B	12.5%
Royalty Interest:	United States of America Phillips Detroleum Company,	87.5%
Working Interest:	subject to the following overriding royalty interest and production payment:	
Production Payment:	Sue M. Winston, \$500 per acre out of	3.0%
Overriding Royalty:	J. O. Stark and Anna Stark	

Description: Township 21 South, Range 24 East

Section 19: Lot 3, 4, E/2-SW/4

Number of Acres: 158.96

Lessor: United States of America

Lessee: Sue M. Winston

Dated: January 1, 1951

Serial No. of Lease: LC-063246-C

Royalty Interest: United States of America 12.5%

Working Interest:

Redfern Development Corporation 82% of 87.5%
Robert G. Hanagan 18% of 87.5%
subject to the following

overriding royalty and production payment:

Overriding Royalty: Sue M. Winston
Rubie Crosby Bell
0.5%

Re: Indian Basin Area Eddy County, New Mexico

CERTIFIED - Return Receipt Requested

Amarillo Cil Company i. C. Box 151 Amarilio, Texas

Gentlemen:

This is to request that you join Penroc Oil Corporation in the drilling of a Pennsylvanian test well at a location in the 5 H/4 NE/4 of Section 19 T-21-S. R-24-E. Eddy County, New Lexico, said well to be commenced on or before September 30, 1963. Your participation in Egg drilling of this well will be determined by the contribution of your acreage in the SW/4, and the E/2 NW/4, to a 640 acre unit comprising all of Section 19-215-24-E.

This well will be commenced at the earliest possible date and your response will be appreciated.

Very truly yours,

Deliver ANLY to Show address where delivered (Additional charges required for these services)	PENROC GIL CORPORATION
RETURN RECEIPT Received the numbered article described on other side.	H. Brace Wigzell
grankerse og eleme og kennetter fambaltare til filleding.	
SIGHT SHIFT CHANGESSEES AGENT, IF ANY	
DATE DELIVEED (only if requested in hem #1)	297
C85-14-71544-4 GPO	

September 11, 1963

Re: Indian Federal #1

Eddy County, New Mexico
RS #70

Redfern Development Corporation 1260 Milco Building Nidland, Texas

Attention Nr. William B. Johnston

Sentlemen:

As requested, we are enclosing the following information on our #1 Indian-Federal, Section 19, T-21-S, R-24-E, Eddy County, New Mexico:

- 1. Proposed operating agreement
- 2. Drilling bids from Gardner Bros., Lowe Drilling Co., Sharp Drilling Co., and Ld fland Bros.
- 3. Casing quotations from Continental-Emsco, Mid-Continent and Union Supply Co.
- 4. Ark on proposed well

We will gladly furnish any additional information you may need.

Very truly yours,

PENROC OIL CORPORATION

John B. Castle

JBC:mlm

Enclosures 4

4 0%

REDFERN DEVELOPMENT CORPORATION

1200 WILCO BUILDING MIDLAND, TEXAS

POST OFFICE BOX 1737 ...
FELEPHONE MUTUAL 5-5184

September 9, 1963

FILE RS #70

Re: Indian Basin Area
Eddy County, New Mexico

Penroc Oil Corporation P. O. Box 1004 Midland, Texas

Attention: Mr. H. Brace Wigzell

Gentlemen:

Relative to your letter of August 16, 1963, requesting that we participate in the drilling of a Pennsylvanian test well in Section 19, T-21-S, R-24-E, Eddy County, New Mexico, we would like to request a copy of your AFE or Well Cost Estimate, together with a proposed Operating Agreement.

In addition to the above, we would like to be furnished with a list of the drilling contractors from whom you requested bids and results of such bids. We will appreciate receiving this information at your earliest convenience.

Very truly yours,

REDFERN DEVELOPMENT CORPORATION

San B fl

WBJ:1k

cc:

Amarillo Oil Company P. O. Box 151 Amarillo, Texas

Mr. Robert G. Hanagan P. O. Box 1737 Roswell, New Mexico 3 97

JACK M. CAMPBELL CHAIRMAN

State of Nation Commission Bil Conserbation Commission

C. S. JOHNHADIGHER



R C. SEX 871

October 25, 1963

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

AT.	Jeson	Kel:	lahi	n
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FOST	02210	30 Bo	x 1	713
-encl	Pe,	Her	Mex:	Lœ

Re: Case No. 2907 Order No. R-2581 Applicant:

PERROC OIL CORPORATION

Dear Sire

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

Very truly yours,

A. L. PORTER, Jr. Secretary-Director

Carbon copy of order also sent to:

Mobbs OCC __x

Artesia OCC _x

Astec OCC __

OTHER Mr. Howard Bratton

Case 2907 KELLAHIN AND FOX MAIN OFFICE OCC ATTORNEYS AT LAW 4M EAST SAN FRANCISCO STREET POST OFFICE BOX 1713 JASON W. KELLAHIN ROBERT E. FOX 1963 SEP 24 III 8 :- 18 2991 SANTA FE, NEW MEXICO

September 23, 1963

Oil Conservation Commission of New Mexico P. O. Box 871 Santa Fe, New Mexico

ATTENTION: Mr. Dan Nutter

Gentlemen:

In accordance with my telephone conversation with Mr. Nutter this morning, I wish to concur in the request of Mr. S. B. Christy that cases Nos. 2907 and 2908, applications of Penroc Oil Corporation for forced pooling be continued to the commission examiner hearing on October 9.

Very truly yours,

- W. Kellahi JASON W. KELLAHIN

jwk:mas

DOCKET MAILED

BEFORE THE

OIL CONSERVATION COMMISSION

OF NEW MEXICO

APPLICATION OF PENROC OIL CORPORATION FOR THE COMPULSORY POOLING OF ALL, INTERESTS IN SECTION 19, TOWNSHIP 21 SOUTH, RANGE 24, EAST, N.M.P.M., FOR PRODUCTION FROM THE INDIAN HILLS-UPPER PENNSYLVANIAN GAS POOL, EDDY COUNTY, NEW MEXICO.

No. 3907

APPLICATION

Comes now Penroc Oil Corporation and applies to the Oil Conservation Commission of New Mexico for an order pooling all interests in Section 19, Township 21 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, for production of gas from the Indian Hills-Upper Pennsylvanian Gas Pool, and in support thereof would show the Commission:

- 1. Applicant is the owner of all right to drill, develop and produce oil and/or gas from the NE% and the Want of said Section 19, Township 21 South, Range 24, East.
- 2. Applicant proposes to drill a well to be located 1980 feet from the North line, and 1980 feet from the East line of said Section 19, for production from the Indian Hills-Upper Pennsylvanian formation.
- 3. Under the pool rules for the Indian Hills-Upper Pennsylvanian Gas Pool, as provided in Commission Order No. R-2516, any well drilled or projected to the Indian Hills-Upper Pennsylvanian formation shall be located on a standard unit of 640 acres consisting of a single governmental section.
- 4. Applicant has been unable to effect the voluntary pooling of the working interests and royalty interests in the subject proration unit.

- 5. In order to prevent waste, avoid the drilling of unnecessary wells, protect correlative rights, and afford the owner of each interest in the proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas and associated hydrocarbons in and under the proposed unit, this Commission should:
 - (a) Pool all interests in Section 19, T21s, R24E, for production from the Indian Hills-Upper Pennsylvanian formation.
 - (b) Determine the costs of drilling, completing and operating the subject well, and allocate or charge such costs to the working interest owners on an equitable basis.
 - (c) Make such other provisions as may be just and reasonable under the circumstances.

WHEREFORE, applicant Penroc Oil Corporation requests that this matter be set for hearing before the Commission's duly appointed examiner at as early a date as possible, and that after notice and hearing as required by law, the Commission enter its order granting this application.

PENROC OIL CORPORATION

KELIAHIN & FOX
P. O. BOX 1713

Santa Fe, New Mexico

ATTORNEYS FOR APPLICANT

-2-

DOCKET MALLED

9/13/63

DRAFT

JMD/esr Oct. 15, 1963

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. 2907

Order No. R- 758/

APPLICATION OF PENROC OIL CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 9, 1963, 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 day of <u>October</u>, 19 63, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, <u>Flyis A Utz</u>, 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, Penroc Oil Corporation, seeks an proceed order pooling all mineral interests in the Pennsylvanian formation adjacent to the Indian Hills-Upper Pennsylvanian Gas Pool and underlying Section 19, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well to be located 1980 feet from the North line and 1980 feet from the East line of Upper Pennsylvanian formation.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
 - (5) That to avoid the drilling of unnecessary wells, to

able well costs any non-consenting working interest owner that has his share of estimated costs in advance as provided above shall pay to the operator any emeunt that reasonable well costs exceed estimated well costs and shall receive from the operator and amount that test imated that

amount that estimated well costs exceed reasonable well costs.

(2) Find \$75.00 per month is nereby fixed as the reasonable cost of operating the subject well, and the operator is hereby authorized to withhold from production the proportionate share of such that attributable to each non-consenting working interest.

That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of allocating costs and charges under

of production shall be withheld only from the working interests.

Share of production shall be withheld only from the working interests.

which are not disbursed for any reason shall be placed in escrow in Eddy County New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The Commission shall be notified as to the name and address of said escrow agent within 90 days from the date of this order.

(B) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Pe, New Mexico, on the day and year herein-

has not objected with. 60 days setting.
Complian of the well, the action of the well, the action of the seasonship well conte: property to actual well of there is an object. To actual well costs within said 60 - days seried, the Commission will literarie.

reasonable well costs of the tile of the seasonship well costs of the seasonsh

Company of the commission and each school of the subject unit an itemized of

re 2807. eard. 10-10-63 Rec. 16-14-63 porling of the 600 with price of the force of pricing of see. 19-215-236 to the respect Renter 3 one equivalent of the for working interested + 7500

OIL CONSERVATION COMMISSION P. O. BOX 871 SANTA FE, NEW MEXICO

April 10, 1964

Mr. Sim B. Christy Burvey, Dow & Hinkle Attorneys at Law P. O. Box 10 Roswall, New Mexico

> me: Cape No. 2907 Créer No. R-2581

Bear Sims

I recently dispatched a letter to Mr. John J. Redfern, Jr., conserning the above case and neglected to send you a copy. I am enclosing herewith a copy for your file.

Very truly yours,

J. M. DURRETT, Jr. Attorney

DO/esr Enclosure

OIL CONSERVATION COMMISSION P. O. BOX 871 SANTA FE, NEW MEXICO

April 8, 1964

Redfern Development Corporation P. O. Box 1747 Midland, Tunne 79701

Attention: Mr. John J. Redfern, Jr.

Re: Case No. 2907 Order No. R-2581

ventiewen;

We have your letter of April 2, 1964, objecting to well costs in the above case. Your letter was received by the Commission on April 6, 1964. As the above order provide that the objections to actual well costs must be received by the Commission within 60 days following completion of the well and the well was completed on February 2, 1964, your objection is not timely under the provisions of the order.

If you desire to have the Commission reopen the case and reconsider the question of well costs, please have your attorney file an application. We will then docket a case to determine if Case No. 2907 should be reopened.

Please contact me if you have any further questions concerning this matter.

Very truly yours,

J. M. DURRETT, Jr. Attorney

JMD/esr

Penroc Oil Corporation
P. O. Box 1004
Midland, Texas

REDFERN DEVELOPMENT CORPORATION

1200 WILCO BUILDING MIDLAND, TEXAS

EXAS MAIN OFFICE OCC

POST OFFICE BOX 1747

EIP CODE TOTOL

TELEPHONE MUTUAL 8-5164

ARRA CODE 915

April 2, 1964

JOSA APR 6 PT

Eddy County, NEW MEXICO 60/006 L

REGISTERED MAIL AIRMAIL

> Re: Case No. 2907 Order No. R-2581

New Mexico Oil Conservation Commission Post Office Box 791 Santa Fe, New Mexico

Attention: Mr. Elvis A. Utz

Gentlemen:

In accordance with the terms of the above Case and Order and on behalf of Odessa Natural Gasoline Company, Amarillo Oil Company, Merl C. Kelce, Frank W. Podpechan, we wish to object to the costs as furnished by Penroc Oil Corporation as not being an itemized schedule and not being reasonable well costs.

Very truly yours,

REDFERN DEVELOPMENT CORPORATION

ohn J. Redfern, Jr.

JJR:1k

cc:

Amarillo Oil Company P. O. Box 151 Amarillo, Texas

Odessa Natural Gasoline Company P. O. Box 3908 Odessa, Texas

Penroc Oil Corporation P. O. Box 1004 Midland, Texas

OIL CONSERVATION COMMISSION P. O. BOX 871

SANTA FE, NEW MEXICO

April 13, 1964

Case No. 2907, Order No. R-2591, Your File RS 470, Eddy Co., N.M. 600/006 L

we have your letter of April 10, 1964, concerning the shove order.

was completed on Hovember 29, 1963. The USGS Well Completion Report in our well file states that the well was first produced on January 31, 1964, and tested on February 2, 1964.

we computed the 60-day period from the latter of the above datas. If you feel the 60-day period was not properly computed, please file an application to reopen the case. We will then docket a hearing to determine the matter.

very truly yours,

J. M. DURPRITT, Jr. Attorney

JMD/esr

REDFERN DEVELOPMENT CORPORATION

1954 APR 11

EIP CODE TOTAL 8-5164

AFFA CODE 215

April 12; 4564

Eddy Co., N.M. 60/006 L

AIRMAIL

Re: Case No. 2907 Order No. R-2581

State of New Mexico
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Attention: Mr. J. M. Durrett, Jr.

Gentlemen:

Thank you for your letter of April 8, 1964, relative to the above captioned case and order numbers.

We have no evidence that the well has ever been completed, except your statement in your letter of April 8th. If the well has been completed, please send us evidence thereof.

Very truly yours,

REDFERN DEVELOPMENT CORPORATION

John J. Redfern, Jr.

JJR:1k

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL COMBERVATION COMMISSION OF NEW MEXICO FOR THE PURPOSE OF COMSIDERENG:

> CASE NO. 2907 Order No. R-2581

APPLICATION OF PENROC OIL CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

CY THE COMMISSION!

1976 N

This cause came on for hearing at 9 o'clock a.m. on October 9, 1963, at Santa Fe, New Maxico, before Elvis A. Uts, Examiner duly appointed by the Oil Conservation Commission of New Maxico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

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, Penroc Oil Corporation, seeks an order pooling all mineral interests in the Upper Pennsylvanian formation adjacent to the Indian Hills-Upper Pennsylvanian Gas Pool and underlying Section 19, Township 21 South, Range 24 East, MCPM, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well 1980 feet from the North line and 1980 feet from the East line of said Section 19 to be projected to the Upper Pennsylvanian formation.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

-2-Case No. 2907 Order No. R-2581

- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the Upper Pennsylvanian formation, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.
- (7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.
- (8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 40 percent thereof as a reasonable charge for the risk involved in the drilling of the well.
- (9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that said actual well costs should be adopted as the reasonable well costs in the absence of such objection.
- (10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.
- (11) That \$75.00 per month should be fixed as the reasonable cost of operating the subject well and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production.
- (12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Upper Pennsylvanian formation underlying Section 19, Township

-3-Case No. 2907 Order No. R-2581

21 South, Range 24 East, MMPM, Eddy County, New Mexico, are hereby pooled to form a 640-acre gas provation unit, to be dedicated to a well to be located 1980 feet from the North line and 1980 feet from the East line of said Section 19.

- (2) That Penroc Oil Corporation is hereby designated the operator of the subject well and unit.
- (3) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 30 days following the date of this order.
- (4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.
- (5) That the operator is hereby authorized to withhold the following costs and charges from production:
 - (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs.
 - (B) As a charge for the risk involved in the drilling of the well, 40% of the pro rate share of reasonable well costs attributable to each nonconsenting working interest owner who has not paid his share of estimated well costs.
- (6) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.
- (7) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 30 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected

-4-Case No. 2907 Order No. R-2581

within 60 days following completion of the well, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

- (3) That within 30 days following determination of reasonable well costs any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.
- (9) That \$75.00 per month is hereby fixed as the reasonable cost of operating the subject well, and the operator is hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.
- (10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.
- (11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.
- (12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The Commission shall be notified as to the name and address of said escrow agent within 90 days from the date of this order.
- (13) 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
OIX CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. MALKER, Member

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

(and file PEWECOC Oil Corporation MIDLAND, TEXAS 1963 007 長海、州 後:19月04 Phone MU 3-1861 1 - 1 1 1 W.

October 28, 1963

Re: A-25 Indian Federal #1 Eddy County, New Mexico Case No. (2907) Order No. R-2581

Mr. Elvis A. Utz, Examiner New Mexico Oil Conservation Commission P. O. Box 791 Santa Fe, New Mexico

Dear Mr. Utz:

Referring to subject Oil Conservation Commission Case and Order, we enclose an itemized schedule of estimated well costs relating to our Indian Federal #1 well being drilled in Eddy County.

Very truly yours,

PENROC OIL CORPORATION John B. Castle

JBC:mlm

cc: Redfern Development Corporation Midland, Texas

Hanagan and Hanagan Roswell, New Mexico

Kerr-McGee Oil Industries, Inc. Oklahoma City, Oklahoma

Amarillo Oil Company Amarillo, Texas

PENROC Oil Corporation

P.O. BOX 1004 MIDLAND, TEXASTER 000

	WELL COST E	STIMATE	983 001 29	M 8:31
TATE New Moxico	COUNTY Eddy	F IELD	Wildcat	
FASE Indian-Federal	WELL NO. 1 PROPOSE	ED DEPTH 7950°	_HORIZON_Ci	sco-Canyon
	ESTIMATED LEASEHO	OLD COST		• .
Other (Travel Expe	Opinion, Abstracts, Rec- ense, Telephone, etc.)	ording Fees, etc	.)	
OTAL Estimated Lease A	equisition Cost	LE COST		
<u> </u>	ESTIMATED DICT NO			The second of the second second section with the second se
Intangible Well Costs Surveying Locatio Surface Damages Location and Road Drilling	n 	/ft. /day	\$ 	76.50 300.00 700.00 21,000.00 4.000.00
Day Work Mud and Admixture		•		2,000,00
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Trucking Misc. Consumable Overhead and Supply Plugging	Equipment (shoes, centrervision	alisers, bits, e	tc.)	2,500,00 1,000,00 750,00
Well Equipment Costs				
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NET Estimated Dry Hole		terest of Dry Ho	le	
	ESTIMATED COMPLI	ETION COSTS		
Intangible Well Cost	days at	/day		3,500,00 2,500,00
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Casing	ft. of 4-1/2" ft. of 2-3/8"	at \$	/ft.	5,435,10
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Tanks			•	1,000,00
Separator and/o	nent		-	300,00
Flow Lines	nd Engine or Motor			
Rods, Pump, Po. Other, Pkr, ho	limh Rod. etc.			700.00
•	tional Cost for Producer			\$ 36,014.71
				\$170,591.21
TOTAL COST OF COMPLE	T:. 4	rest of Producing	ng Well	
E Company	stimatedinte	·• · · · · · · · · · · · · · · · · · ·		

NEW MEXICO OIL CONSERVATION COMMISSION Santa Fe, New Mexico September 25, 1963

EXAMINED HEARING

IN THE MATTER OF:

Application of Penroc Oil Corporation for compulsory pooling, Eddy County, New Mexico, seeking an order force-pooling all mineral interests in the Indian Hils Upper Pennsylvanian Gas Pool underlying Section 19, TS 21 South, Range 24 East, and Application of Penroc Oil Corporation for compulsory pooling, Eddy County, New Mexico, seeding an order force-pooling all mineral interests in the Morrow section of the Pennsylvanian formation underlying - Sec. 19, TS 21_So._Range_24,_East.____

Case 10. 2907

HEPORE:

DEARNLEY-MEIER REPORTING SERVICE,

DANIEL S. NUTTER, EXAMINER

TRANSCRIPT OF HEARING



1120

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION Santa Fe, New Mexico September 25, 1963.

EXAMINER HEARING

IN THE MATTER OF:

Application of Penroc Oil Corporation for compulsory pooling, Eddy County, New Mexico, seeking an order force-pooling all mineral interests in the Indian Hills-Upper Pennsylvanian Gas Pool underlying Section 19, Township 21 South, Range 24 East, and Application of Penroc Oil Corporation for compulsory pooling, Eddy County, New Mexico, seeking an order force-pooling all mineral interests in the Morrow section of the Pennsyl-) vanian formation underlying Section 19, TS 21—) South, Range 24 East.

CASE NOS.

2907 & 290

BEFORE: DANIEL S. NUTTER, Examiner for the Commission

TRANSCRIPT OF HEARING

MR. NUTTER: Case 2907 and 2908.

MR. DURRETT: Application of Penroc Oil Corporation for compulsory pooling, Eddy County, New Mexico.

MR. CHRISTY: My name is Sim Christy, Roswell, New Mexico. Mr. Jason Kellahin of this city represents the applicant in the case. We represent other interested parties. Mr. Kellahin and I, subject to the Examiner's concurrence, have agreed to a



DEARNLEY, MEIER, WILKINS and CROWNOVER General Court Reporting Service

mms Building Albuquergue, New Mexico

extension of the case until the next Examiner Hearing on October MR. NUTTER: Is there an objection to the continuance of Cases 2907 and 2908 to October 9th? The cases will be continued



New Mexico

Building

Simms

Suite 1120

STATE OF NEW MEXICO

COUNTY OF BERNALILLO I

I, ROY D. WILKINS, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attahced Transcript of Hearing before the New Mexico
Oil Conservation Commission was reported by me, and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill, and ability.

WITNESS My Hand and Seal of office, this 12 th day of October, 1963.

NOTARY PUBLIC

My Commission Expires; September 6, 1967.

I do hereby carsity that the foregoing is a complete record of the proceedings in the Examiner hearing of Case 40. 2907-2906 heard by se on 125 19.65

New Mexico Uni Conservation Constitution

PAGE 1 BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION Santa Fe, New Mexico े तुन्दे. IN THE MATTER OF BEFORE: TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE,

ALBUQUERQUE, N. II. PHONE 243-6691



DEFORE THE OIL COMSERVATION COMMISSION Santa Fe, New Mexico October 9, 1963

EXAMINER HEARING

IN THE MATTER OF:

Applications of Penroc Oil Corporation for) compulsory pooling, Eddy County, New Mexico.)

CASE MOS.

2907 & 2908

REPORE:

MR. BLVIS A. UTZ, EXAMINER

TRANSCRIPT OF HEARING

MR. UTZ: Case 2907.

MR. DURRETT: Application of Penroc Oil Corporation for compulsory pooling, Eddy County, New Mexico.

MR. KELLAHIN: Jason Kellahin of Kellahin & Fox of Santa Fe, representing the applicant. We do not wish to have the case continued. I have one witness I would like to have sworn, please.

(witness sworn)

MR. UTZ: Are there other appearances in this case?

MR. BRATTON: Howard Bratton on behalf of Redfern

Development Corporation.



MR. UTZ: Are there any other appearances?

MR. KELLAHIN: If the Examiner please, the area involved and testimony that will be presented is practically identical to the situation in Case 2908, involves the same identical property for that matter, and for that reason, we would suggest that the two cases be consolidated solely for the purposes of the record.

Separate consideration, separate orders to be entered in the cases.

MR. UTZ: It is my understanding that 2907 involves the Indian Hills Upper-Pennsylvanian area, and 2908 involves exactly the same unit.

MR.KELLAHIM: That is correct.

MR. UTZ: Except that it is for the Morrow Section.

MR. BRATTOM: If the Examiner please, on behalf of the Redfern Development Comporation, we would move that Case Number 2908 be dismissed, suggesting to the applicant that there is no jurisdiction in the Commission to consider an application for compulsory pooling of the Morrow Section of the Pennsylvanian formation, underlying all of Section 19, inasmuch as Section 19 is neither in or within one mile of any Morrow Gas Pool. The spacing in Section 19 as to the Morrow Gas Pool is state wide 160 acre spacing and we can see no jurisdiction in the Commission to consider any application for compulsory pooling of more than 160 acres.

MR. DURRETT: Mr. Kellahin, are you going to argue the



MR. KELLAHIM: It is true that the Norrow, the well location and the unit is not within a mile of a developed Morrow Pool. We have filed the application after discussion with the Commission to the effect that possibly the case could be heard and order held in abeyance until such time as the well had been completed. Certainly as to the other, there is no question on it, on the Indian Hills Upper Pennsylvanian Pool.

MR. BRATTON: We object to hearing the matter at all. We just believe there is no jurisdiction in the Commission.

MR. KELLAHIE: We will not resist the motion.

MR. UTZ: Inamuch as the well is being drilled, a mile or more, almost a mile and three charters, from current Morrow production or current Morrow Pool as designated by the Commission, and there is no Morrow discovery at the present time within the unit, the Case, 2908, will be dismissed, until such time as Morrow production is developed in the area.

JOHN CASTLE,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

Suite 1120 Simms Building Albu juerque, New Mexico Phone

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- Q With whom are you employed, and in what position, Ar. Castle?
 - A President of Penroc Oil Corporation.
- Q Have you had any training or experience as a Petroleum Engineer or Geologist?
- A Petroleum Geologist. I attended Oklahoma University and hold a degree in Petroleum Geology. Since graduating, I have had more than 14 years in the oil business, the last four of which has been self employed.
- Q Has that experience included any experience in the area involved in the application in Case No. 2907?
- A I have personally participated in the drilling of more than 30 wells in Eddy County area.
 - Q All right.
 - MR. KELLAHIN. The witness' qualifications acceptable?

 MR. UTZ: Yes, sir, they are.
- Q (By Mr. Kellahin) Now, Mr. Castle, are you familiar with the application of Penroc Oil Corporation in Case Number 2907
 - A Yes, sir.
 - Q What is Penroc's position in this case?
- A Penroc is proposing that we put all of Section 19 into one unit for drilling of an Upper Pennsylvanian gas well.
- Q And would that be in the formation which is known as the Pennsylvanian Indian Hills Pool?



- Q It is not within the presently designated boundaries of that pool, is it, Mr. Castle?
- A No, sir. It is about three fourths of a mile outside the western boundary.
- Q The western boundary of the pool does not follow a section line, does it?
 - A Mo.
- Q Within a section. In Penroc Oil Corporation the owner of all the working interests within the proposed unit?
- A No. Penroc Oil Corporation has a farm-out from Phillips
 Petroleum Company, Morr McCos Oil Company and Monsanto Oil Company
 of the Mortheast quarter of Section 19, and the West Half of the
 Morthwest Quarter of Section 19. We have the Southeast Quarter
 of Section 19 committed to the unit.
- Q Now, referring first to what has been marked as Exhibit
 Number One, would you identify that exhibit and discuss the information shown on it?
- A Exhibit Number One is an ownership plat which shows the ownership of Section 19.
- Q Now, referring to what has been marked as Exhibit Number Two, would you identify that exhibit and discuss the information shown on it?
- MR. UTZ: Just a moment, before we leave Exhibit Number



All of Section 19 is committed to the well at the present time, except the Southwest Quarter and the Bast Half of the Morthwest quarter.

MR. UTZ: Refern Development Corporation.

- Exhibit Number Two is a Lease Description and Interest Ownership which I had in discussing Exhibit Number One. Gives the entire lease ownership, plus any overriding oil payments and records, all information on all the leases in Section 19 that we had as of September 23, 1963.
- (By Mr. Rellahin) What is the source of that information, AT. CESTLE?
- The source of that information is abstracts and other information which we had in our office at this time.
- And the best of your knowledge, and belief, does Exhibit Number Two correctly reflect the working and royalty interests under Section 19?
 - A.
- Now, referring to what has been marked as Exhibit Number Q Three, would you discuss that exhibit?
- Exhibit Number Three is a well location plat, and shows all of the gas wells and dry holes within the immediate area of our Section 19.
- Does it also show the ownership of the leases within the vicinity of the well?

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- A Yes. It shows the interest ownership of the leases within the vicinity at the time this map was made.
 - Q They are, or may have been changes since that time?
 - A There has been changes since this time.
- Nr. Castle, in an effort to obtain voluntary pooling of Section 19 for the purposes of drilling a well to the Pennsylvanian Indian Hills Pool?
 - A Yes, we have.
 - Q What was the result of that?
- A We received an answer to our letter. Could I read this letter? Maybe that would help.
- Q That has been marked, or they have been marked as Exhibit
 Mumber Four; is that correct?
 - A Yes.
- Q Now, referring to what has been marked as Exhibit Eumber Four, would you identify that exhibit, please?
- A Exhibit Number Four is a group of letters which we have written to Redfern Development Corporation with copies going to Hanagan and Amarillo. That is Hanagan in Roswell, and Amarillo Oil Company in Amarillo. Our first letter was written to them August 16, 1963, and that is our when we first requested that they join us in this unit.
 - Q Did they agree to join you in the unit?
 - A No. I have a letter from Redfern Development Corporation,



Simms

dated September 9, 1963, requesting information on the well. September 11, we sent them the information they requested. And we didn't hear any more from them. Then, on September 16th, we wrote another letter to them, making them two propositions. One, that they would give us a 150 percent penalty and we would drill the well. Two, if they wanted to drill the well, we would give them the 150 percent penalty. They could drill it.

- Did you get a response to that proposal?
- Got a letter to that September 19th, which they rejected both propositions.
- Now, in connection with this 150 percent penalty, Mr. Castle, are you still willing to give Redfern the 150 percent penalty?
- Yes. Redfern Development is an interested party. Yes, we would do that, right now.
 - Is there a well drilling on the unit? Q
 - Yes. We have a well drilling on there now, at this time A
 - What is the status of that? Q
 - They are drilling this morning at 265 in hard Dolomite.
 - What type of rig do you have on the unit? Q
 - We have a large rotary rig.
- Now, what cost estimate do you have on this well, Mr. Castle?
- I expect that well will cost, we think that completed A ell will cost \$170,591.21. A dry hole will cost \$136,126.50.



MR.	UTZ:	What	Was	that	rigure	againy
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- A \$136,126.50.
- Q (By Mr. Kellahin) That would be a dry hole?
- A Yes, dry hole.
- Q Did you get the figure on the other?
- A Yes.
- Q Have you any figures on well costs in this area drilled to the Indian Hills Reservoir?
- A Yes. This information came from Ralph Lowe, who has drilled more wells in this immediate area than anyone. And his Number One Indian Basin, which was a Morrow test, a deep test, cost over three hundred thousand dollars completed. His Number One Indian Basin is another dual, cost hundred ninety-two thousand, and the Indian Hills, which is the closest well to us in a single completion, cost hundred seventy-five thousand.
 - Q Is it a single completion?
 - A Yes.
 - Q In the upper zone?
 - A Right
- Q And that is the same zone you are projecting your well to at the present time?
 - A Yes.
- Q Are there any risk factors involved, in your opinion, in the drilling of this well?



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Yes, there is. I think about any risk that you find drilling anywhere; we have severe loss circulation problems, both on the surface string and the intermediate string. Cementing problems are expensive. Also, have for the first, probably, three thousand feet, or maybe 35 hundred feet, we will have bolders which could fall in the hole, give a lot of trouble. Drilling is extremely hard.

- What is the goology of the area?
- We have our interpretation of geology in the area, which depicts this immediate area to be on a nose extending basinward, which is to the east, and our well to be located on the north edge of this east-west, or trending anticline or nose, as we think it probably is.
 - Generally, what is the nature of the reservoir?
- The nature of the reservoir is in a Dolomite, and which I believe the oil-water contact in this Dolomite is about 3740, minus 3740, and we hoped to have, of course, some of this Dolomite section above the water zone.
- What determines the limits of a pool as a productive pool?
- Probably several things. Which the most important would be structural position. Ralph Lowe drilled his Number One Staple about one and a half miles east of the discovery, the Number One Indian Hills, and plugged and abandoned it because it was low structurally, and also was no porosity, permeability. That



well was plugged last week, I believe.

- Do you face the same risks?
- We face the same risks, even moreso, because we are further away than that well. We are about a mile and three-fourths. Of course, it is the other direction, but that shouldn't effect the pororeity and permeability, and we could still be structurally low and have no porosity and permeability.
- What do you consider a fair risk factor for drilling of the well?
- I think a fair risk factor would be a lot more than the Commission will give, but we have offered 150 percent. So, I think we should be entitled to 150 percent. We are still willing to give in percent.
- Now, Mr. Castle, will approval of this application, in your opinion, result in the prevention of waste?
 - Yes.
 - In what way?
- Well, will avoid the drilling of unnecessary wells, and will aid in more economical recovery of the production under this section.
- In the event it is not approved, will the well you are Q drilling be penalized as an economical operation?
- Yes. I think it will because of our allowable, will be so much less. I know that we don't have the market for the gas in the area right now, but we hope to have one, oh, soon. We



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don't know or have any idea when that will be, but the reason we GE 13 couldn't wait for market, because our leases were expiring. We had to drill.

- And in the event the application is not approved and you are unable to dedicate the entire section to the well, could that possibly result in, or influence premature abandonment of the well at some future date?
- Probably could, if allowable was so low, or maybe even that we would not make as good a well as we expected.
- Would that result in the failure to recover gas that would not otherwise be recovered?
 - I chink it would.
- Were Exhibits One, Two and Three prepared by you or under your direction?
 - Yes.
- And is the Exhibit Four, a collection of the copies of the correspondence taken from your files kept in the ordinary course of business?
 - Yes.
- At this time, we would like to offer in evidence Exhibits One through Four, inclusive.

MR. UTZ: Without objection, Exhibits One through Four will be entered in the record of this case.

MR. KELLAHIN: That is all I have in the direct examination, Mr. Uta.



now?

MR. UTZ: You propose a well which costs hundred seventy-three thousand. What is the location of that well by Mr.

Location of that well is approximately 660 feet from the South and West of Section 21, 21 South, 24 East, Number One Indian Hills Unit.

MR. UTZ: Located on your Exhibit Number --

Located on Exhibit Number Two, Number three, right. MR. UTZ: You say that is a single completion in the Upper Penn?

That is right.

MR. UTZ: That is the closest completed well to your proposed location?

A Yes.

MR. UTZ: How many wells are in the Upper Penn Pool

In the Indian Hills Upper Penn Pool, one well. MR. UTZ: One well. Now, you mentioned a dry hole. What is the location of that well?

The dry hole is Ralph Lowe Number One Sample and it is located approximately 2310 feet from the West, 1650 feet from the South, Section 22, Township 21 South, Range 24, East.

MR. UTZ: That would be the well that is also showing in Section 22 on Exhibit Three?

MR. UTZ: Yes. All right. Do you know how much that well cost?

A No, I don't. That well was just plugged last week and I don't have any figures on it.

MR. UTZ: Will be plugged approximately the first part of October then?

A Yes.

MR. UTZ: Now, on the other side of the well, on the east, what is the closest well in that vicinity?

A To the east of our well would be the Ralph Lowe Number One Indian Hills. Other than that would be the Sample, which we were talking about to the west.

MR. UTZ: I mean to the west. I am sorry.

A Closest well to the west is Ralph Lowe's Indian Basin wells, dual, completed in the Upper Pennsylvanian, and Lower Pennsylvanian. They are approximately two to two and a half miles to the west.

MR. UTZ: They are the three wells shown on Exhibit

Three in Section 14,23 and 22, right? You have any cost figures
on those wells?

A Those are some of the costs that I have given you a few minutes ago. Number One Indian Basin well, which is located in Section 23, cost, that discovery well cost more than three hundred thousand dollars to complete. The Number One A, which is in Section 22, cost over hundred ninety-two thousand. And that is



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all the cost information I have on those wells.

MR. UTZ: Your structural information, insofar as the Upper Penn is concerned, between the Indian Basin or Indian Hills, how does that look?

- we have a slight low coming down between the two. MR. UTZ: That low would be in the vicinity of Section
- The low is immediately east of the Ralph Lowe Indian Basin Number One, and One B.

MR. UTZ: And that is now doubt one reason why you located in the northwest quarter?

A We located in the northwest quarter because that lease was expiring.

MR. UTZ: Structure had nothing to do with it?

A ... No, not really. We had such a little amount of information at that time, part of the lease was expiring, so at that time, that was a good location as any.

> MR. UTZ: Any other questions of the witness? MR. BRATTON: Yes, sir.

EXAMINATION

BY MR. BRATTOM:

- Mr. Castle, when did you file your notice of intention to drill this well?
 - I don't have a copy of that with me. I can't remember



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the exact date, but I can- I imagine it was somewhere around the 8th or 10th of August. Now, wait a minute. I may have that, too. No, I don't have it.

- Q Well, Mr. Castle, it was filed prior to the time the boundary of the Indian Hills was moved to within a mile of this location?
 - A That is right, yes.
- Q So, you filed a notice of intention to drill on 160 acre tract; is that correct?
 - A Right.
 - Q And to what depth is that notice of intention to drill?
 - A I believe it is 9500.
 - o That is to test the Morrow formation?
 - A Right. Which was our plans at that time.
- Q You have this on a farm-out from Phillips and Kerr-McGee and Monsanto?
 - A Yes, that is right.
- Q The terms of your contract with them, what are you required to test?
- A On the original agreement, which is only agreement we have in writing, required us to test the Penn formation, the Lower Penn formation.
 - Ω That is the Morrow formation?
- A Right. I have talked to them verbally and their district offices, and they have indicated that they will recommend to their



	PAGE 18
manageme	nt that if it becomes necessary, that they will let us
drill an	Upper Penn test.
, , , , ,	As of now, your contract with them is to test the Morrow
Transmirate and constitution with the constitution of the constitu	Right.
	You have a contract with the drilling contractor?
A -	We have a letter from the drilling contract, which I
don't ha	we with me.
Q Q	What type of agreement do you have with them; do you have
a turn-k	ey agreement?
A A	We have a turn-key agreement with them.
Q	That is for this \$170,000.002
А	No. That is not a turn-key completed. That is a turn
key to	esing point, or to TD.
Q	That is to test the Morrow?
	We have Yes.
Q	So
A	But, these figures, I just
<u>Q</u>	your contract with Phillips is to test your Morrow,
turn-key	contract with your contractor to test the Morrow?
A	I don't have a contract with the drilling contractor.

Q Your notice of intention to drill is to test the Morrow?

A Right.

O Does the contractor have any intetest in the well, or is this a cash arrangement with him?

<u>A. Cash arrangement</u>

2 1120 Simms Building Albuquerque, New Mexico

Now, Mr. Castle, I believe you stated that the reason the well was located where it is is because that lease was expiring. Actually, the expiration date was September 30th, right?

- A Right.
- Q So, the necessity to drill right now is because of lease expiration on your lease; is that correct?
 - A Yes.
 - Q There is no pipeline in the area?
 - No.
 - And nobody knows when there will be one?
 - A I don't know whether anyone does, or not. I don't.
 - Q So, the necessity of urilling now is to held your lease?
 - A Right.
 - Q You say there is a rotary rig on there now?
 - A Yes.
- Q Has that rotary rig been on there from the beginning, or have you had a spudder on there?
- A No. We had a spudder on there, and were attempting to set surface pipe with a spudder. Since they do have so much problem with loss circulation on the surface pipe, the rotary spudded, I believe, last Sunday.
 - Q Now long did you have the spudder on there?
- A Had the spudder on there approximately 15 days, and they weren't making any headway. The drilling was so rough, so we took them off and put the rotary on.



Q	The rotary to	
-	The rotary is on a t	urn-key basis?

- To TD.
- Now, a turn-key contract normally would have some pad there, wouldn't it, Mr. Castle?
 - Mormally, it would, but I don't think this one has.
- Now, the Indian Hills well is a little over a mile to the east, the one producing well, you say that cost \$170,000.00?
- That is the information which I got from Ralph Lowe, cost something over \$175,000.00.
 - And that tested the Morrow, didn't it?
- That drilled into the Morrow. As far as I know, it hasn't been tested yet.
 - But, it went down to the Morrow?
 - Yes.
- Now, this figure of \$170,000.00 that you gave, is that just to the Upper Penn, or is that the Morrow figure? A
- That is the figure that Ralph Lowe's employee gave me for cost of the well.
 - Well, I am talking about the well you are drilling? Q λ
 - The figure I gave you?
 - Q Yes.
 - Figure I gave was for the Upper-Pennsylvanian gas well. A
 - That is for the Upper-Pennsylvanian?
 - A Yes.
 - Approximately the same as the Ralph Lowe well that tested



the Morrow?

- A No. It is somewhat less, something less than that.
- Q And the Indian Basin wells to the west, do you know any of the breakdown of the cost on those, how much they were testing and how much, or what depth did they go to?
- A I have got all the depths on logs which I have here.

 They all went to approximately 9600. And I have got some of the costs broken down here, which would be more than glad to give you.
- Q Let's see, the initial well, Mr. Castle, the one that was so expensive, wasn't it?
 - A It was the most expensive, yes.
- Q Now, Mr. Castle, your letter of September 11th to Redfern Development Corporation, you transmitted an operating agreement, drilling bids and casing quotations and AFE. Were those all on a Morrow test?
- A Yes. At that time, we were trying to interest Redfern in a Morrow test.
- Q So, actually, have you given them a proposal with an AFE or an Upper-Pennsylvanian test?
 - A No.
- Now, let me prefice this question by stating I am not arguing with you that there are risks involved in this well at all, I would ask you does not the fact that there is Upper Pennsylvanian production to the west, and to the east of this, lower that risk factor somewhat as to the possibility of obtaining



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production?

- I don't think so, because as I mentioned a few minutes ago, Ralph Lowe's Number One Staple is closer to production than we are, and it was dry.
 - There is no production to the east of it, though?
 - A Not immediately.
 - It is not between producing wells, like you are?
- Well, it is not as closely in between producing wells as we are.
- Q In your judgment, Mr. Castle, is there a good possibility that these two pools are actually one?
- I hope so. I have seen interpretations on this that separate them, though. Even Ralph Lowe's interpretation separated them.
- Now, as you say, you hope so. I am sure you do. And in that connection, I think probably you do. Your deal with farm-out deals are not magnanimous to you, they are rather slim deals, you might say?
 - Yes.
- So, that you must feel reasonably confident that you Q are going to get some kind of a well in there?
- We are fairly confident on every well we spud, or we never would spud. We drill some dry holes, though.
 - All right.

MR. BRATTON: If the Commission please, I will not pursue



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further the question of cost as of this time, if my understanding of the statute is correct, that if the area is force pooled, the issue of cost would be determined at a later hearing in the event of a disagreement as to cost. That is my understanding of the way the statute reads, and like to ask if Mr. Kellahin reads it the same way.

MR. KELLAHIM: I think there would be an opportunity for a hearing before the Commission on the cost, but the Commission certainly can enter an order imposing a risk factor at the present time. The cost to be reviewed perhaps at a later date.

next page.

MR. KELLAHIM: I do agree that a hearing could be held on the cost, but perhaps we won't arrive at that state.

MR. BRATTON: I believe we have no further questions.

MR. UTZ: Are there any other questions of the witness?

MR. DURRETT: I have a question before he goes back to redirect, if you would, please. Mr. Castle, did you, if you did, I missed it, did you offer any testimony concerning cost of supervision, operating costs on this well, your opinion concerning

A I don't think we broke it down, but you are referring to his cost of supervision after the well is completed.

Q Yes.

the same?

A We think that probably \$75.00 a month would be sufficient.



Is that pretty close to what the other operating costs are in the area for similar wells?

I am not familiar with others in the immediate area. have some in the area which we charge more than that for.

Yes, but- -

MR. UTS: There actually isn't any production in the area in order to arrive at cost, is there?

No. But, you are basing this \$75.00 on similar wells, similar producing area.

(By Mr. Durrett) You do have contracts for more than \$75.00?

In Eddy County. Yes, we do.

MR. UTZ: Are there other questions?

MR. KELLAHIM: I would like to ask a couple of questions on redirect.

REDIRECT EXAMINATION

BY MR. KELLAHIE:

Mr. Castle, on cross examination by Mr. Bratton, you stated that your farm-out agreement and the letter agreement you have with the drilling contractor and the notice of intention to drill all related to a Morrow test; is that correct?

That is right.

In connection with the Morrow test, did you contemplate that you would or would not test the Upper Pennsylvanian formation



λ	Yes	. we	int	ende	d to

- Now, in your correspondence with Redfern Development Corporation, you initially, in your letter of August 16th, stated only that you wanted to make a Pennsylvanian test, is that correct?
 - That is correct.
- And as pointed out by Mr. Bratton, in your letter of September 11th, you referred to a test of the Lower Penn. That is the AFE on the proposed well?
 - That is right.
- How, did the AFE include a dual completion in the Upper
 - Yes, it did.
- So, the proposal as to the upper zone was in fact submitted to Mr. Redfern in that connection?

MR. KELLAHIM: That is all the questions I have.

MR. UTZ: Mr. Castle, it is my understanding that the

\$170,000.00 included no casing?

- That includes casing, in a completed well. MR. IFTZ: It does?
- Yes.

MR. UTZ: In other words, your contract with the driller includes casing and cementing?

No. We don't have a complete turn-key contract with the



driller. We have a turn-key contract with him to drill to TD, to casing point.

MR. UTZ: Which is something less than \$170,000.00?

A Yes.

MR. UTZ: This hundred seventy, that is your AFE for completed well?

A That is right.

MR. UTZ: Is that a dual now?

A No. That is single completion well in the Upper Penn.

MR. UTZ: In the Upper Penn. Are there other questions?

MR. BRATTON: If the Examiner please, I would like to clarify this matter. I haven't gone all the way into this cost matter, other than to indicate I think pretty clearly we are not entirely satisfied as to the cost situation. The reason I am not prolonging the hearing at this time is that I would anticipate if the area were force pooled, the order of the Commission might include a risk factor. But, would not determine the matter of cost. That that could be determined at a later hearing.

MR. UTZ: Would be unusual for the Commission to set any cost figures or have any consideration of cost other than the risk factor.

MR. KELLAHIM: If the Examiner please, we submit that under the terms of our application and the case that has been presented here as provided by Section 65-3-14 of the New Mexico statutes, the Commission can and we feel should enter an order



force pooling the property involved here and include in the order a provision that the owner may recover up to 150 percent of the cost of the well out of the production before their consenting working interest owners would participate in the production. How, if there is a dispute over what the costs are, that is another matter which, as Mr. Bratton pointed out, can be presented here but we do submit that the order should include the factor on the recovery on the cost, whatever they may be, including a reasonable risk factor, which we submitted at 50 percent.

MR. BRATTOM: We agree that the order of the commission should determine at this time what risk factor the Commission might assign. Not the amount of cost, because I believe they are limited to the actual cost, but not to exceed what is reasonable.

MR. KELLAHIM: That is right.

MR. BRATTON: That could be determined at a late: date.

MR. KELLAHIM: That is right.

MR. UTZ: My recommendation to the Commission will be insofar as force pooling is concerned and risk factor and operating cost. Not my intention to go any further with the recommendation.

Are there any other questions? Statements to be made in this case?

MR. BRATTON: We have some evidence to present.

MR. UTZ: Oh, you have. You want to put on witnesses.

(Witness sworn)



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JOHN J. REDFERN, JR.,

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

DIKECT KAMINATION

BY MR. BRATTON:

- Q Will you state your name, please, sir?
- A John J. Redfern, Jr.
- Q And what is your connection with the Redfern Development Corporation and others?
 - A I am the President of that Redfern Development Corporation.
 - Q Are you representing the corporation?
 - A Yes.
 - Q And- -
 - A And the other parties.
 - Q The operates the 240 acres in Section 19?
 - A Correct.
- Q Now, Mr. Redfern, will you state your position as to whether or not you are interested in having a well drilled in this section at this time, and give your reasons?
- A Well, essentially, our reasons for not wishing to join in drilling a well in the section at the present time are purely and simply the economics of the situation. After we purchased our lease in this area, we surveyed the available pipelines that might be the ones that would gather gas from the two pools. And the two are really Transwestern and El Paso, and we believe in the



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long run that over the life of the property, El Paso would probably offer the best market, and it is our understanding that the main line of El Paso is approximately 30 miles or so to the south. I think we are all aware at the present time of the MPC being agains vigorously, surveying the California market, and will be some time before the question is resolved. We think that will have a material effect upon the date when El Paso would be willing to build a line that would be approximately 30 miles in length, and that period of delay is, in our opinion, of the extreme importance to an operator who is going to put his money in any well out there, because essentially in the oil business, you have to have cash flow back if you are going to do any good. If you are going to set there for a number of years and wait it out, wait the outcome of the FPC hearing and the usual delays that go with it, why, it is going to materially effect it if you are going to put your mone in today. Now, as we told Mr. - - the Penroc group, prior to their request, we had received a letter from Union Oil Company and I believe their maps will show a part of the lease to the north in the section immediately north, which is Section 18. And we own a portion of that lease. And they have a lease that expires in February of 1964. They are proposing drilling an Upper Pennsylvanian well on that section, and we have verbally told them, prior to the date of the Penroc request, that we would be interested in joining them in drilling in that section. Now, basically, our position when Penroc approached us, was this, that the Morrow was



And I presume the also. Although a creage position, in and more or length of the series of the serie

a wildcat, and we being ask to drill a wildcat well with a very limited acreage position, with all the contrary economics of the delay in the marketing of the gas from the Upper Pennsylvanian.

And I presume that we could assume that the Morrow would be gas, also. Although as such, you don't know. So, with a limited acreage position, we didn't justify— feel justified in stepping in and more or less drilling a wildcat, whereby they were in effect straing acreage.

O So, Mr. Redfern, basically, your reasons are economic, as far as drilling an Upper Penn test?

- Q And not associated with the risk factor involved?
- A No, it isn't. We purchased the lease, our lease interest in Section 19, I believe, maybe in June of this year, when the Ralph Lowe was already completed and so, naturally, we didn't get the lease for nothing.
- Q But, there is no urgency to you to drill a well at this
- A No, there isn't. And we, of course, have been in the same position that Penroc is at different times, and we understand their problem, but we don't see why we in effect should attempt to help the other fellow out in acreage basically.
- You had experience with shut in wells, gas wells, Mr. Redfern?
 - Well, yes. I think about two years ago, I had some



interest in something between 25 and 30 shut in gas wells in three different states. I am a veteran on getting pipeline connections and other things that can happen to you as you wait.

- o so, from your stoudpoint, there is nothing to be gained by drilling a well at this time?
 - A No.
 - Q And there are economic factors?
 - A Economics are really the only thing.
- Q Is there anything further you care to state in connection with this?

was having and we did, Bill Johnson, who is our land man, went over to talk with them, oh, I think shortly before the original date of this examiner hearing, which was several weeks ago, at which time he suggested that if the possibility be that the matter might be resolved, if they would suggest an operating agreement, providing for 125 percent and we would talk with Amarillo and see if they would go along with it. But, it was the position of Penroc that, at that time, they were confident that the Commission would give them 150 percent and the matter died at that particular point.

- Q If the Commission force pools an Upper Pennsylvanian well, and an Upper Pennsylvanian well is drilled, what, in your estimate, would be a fair risk factor to assign, Mr. Redfern?
- A Well, of course, we had experience before, because we have resorted to this particular part of the Commission rules.



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think probably three or four times we have been in the position of having to force pool. At those times, why, the Commission allowed 125 percent, and personally, it would be my impression that that is very adequate.

Q In your opinion, Mr. Redfern, is this substantially, to quote a situation, where you have pooled insofar as the possibility of getting production?

A yes. The other witness will show some structure contours and other things that I believe indicate the reason why we consider the risk factor as far as dry holes are concerned, vertially mill. Risk factor is mostly when the question of gas market is going to be resolved.

Q All right.

MR. BRATTON: I believe we have nothing further, Mr. Redfern, at this time.

MR. UTZ: Mr. Redfern, your leases expire in December 1, 1964; is that correct?

A Correct.

in drilling a well on your leases until near that time?

A That is correct. And in view of the Union operation, you see, why, we have an opportunity to participate in the drilling of a well, and, of course, by next December, we don't know what the situation may be. I don't think we are going to drop the leases next December, but we don't know what the situation

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At least, we do have the 15 or 16 months to resolve in our mind what the outcome is going to be economically.

MR. UTZ: How far along is the Union proposition?

When Penroc staked their location as a Morrow well in the early part of August, during the first ten days or so, Union told us they thought they would just wait and let Penroc drill the Morrow because it would then give them information as to whether, or not there was a possibility for the Morrow on Section

MR. UTZ: So, your position is that you just as soon let Penroc drill on 160 acres for the time being.

Well, they started out drilling a Morrow and that, of A course, is 160. I mean, they had, we felt, the acreage that they needed for the particular obligation that they had.

MR. UTZ: Do you consider the Upper Penn zone as being a wildcat area?

No. not at all.

MR. UTZ: Now, about the Morrow?

The Morrow, I think, - - The next witness will show you what it looks like, a continuous Dolomitic section, with a minimum of risk.

MR. UTZ: Do you have amy opinion as to the amount of expense required to go from the Upper Penn to the Morrow?

I don't really. I believe the next witness has some figures on that.

A They investigated it more than I did, so he would be competent.

MR. UTZ: Are there other questions of the witness? Witness may be excused.

MR. KELLAHIN: One moment. May I put my two bits in?

EXAMINATION

BY MR. KELLAHIM

- Q Mr. Redfern, as I understand, you said your leases expire in December of '64?
 - à Tes, collect.
- You would have to drill prior to that date, at least, or turn them loose?
 - A Right.
 - Q They are not held by production?
 - A No.
- Q You contacted Phillips and Monsanto and requested a farm-out in the Section 19?
 - A Correct.
 - Q You did not get the farm-out?
- A Well, the situation was this: Phillips Petroleum Company talked to us about all of us going together and drilling a well. We said we didn't think the economics were in our favor,



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and then, further discussion is they more or less indicated they would consider a farm-out of their acreage on an 8th override and half of the payout, providing we would test the Morrow some. We wrote them a letter and made them such an offer subject to our being able to get a proper support from Kerr-McGee. Now, Kerr-McGee didn't want to farm out anything. They said no, they didn't want to. They just as soon let this 40 run out, or they would join, I think—— I think the maps will show, maybe, or they don't show, Kerr-McGee hold the whole section to the south, section 30. It was our contention that Kerr-McGee's test of the Morrow, which was a wildcat, would give them information, so therefore, they ought to farm-out on the same basis to Phillips. So, the deal fell down, you might say, We said to Phillips we couldn't make the deal, because we couldn't get enough acreage to support what we considered to be a wildcat.

- Did you know that Union is giving dry hole money to Penroc?

 - O You did not know that?
 - A No.
- Q You said, too, I believe, that you didn't feel that you should help Penroc earn acreage by drilling this well.
 - A Correct.
 - on October 2nd, Mr. Castle, in a letter directed to you,



which is part of Exhibit Number Four, offered you one-half of the acreage earned under the farm-out agreement, if you took the well over, did he not?

- A Yes. Well, you see, there you would in effect -What he is saying is that he will give us half, but we put up all
 the money. We could have made that deal with Phillips and had it
 all.
 - Q He also offered you 150 percent payout, did he not?
- A Well, the thing about the penalty, the 150 percent, and going back to what I said before, I got in the position of having interest in between 25 and 30 shut in gas wells. They are not very—— You can't put them up as collateral very well.

 Basically, in the oil and gas business, you must have cash flow back, and if you have got it, you have working capital, and when you have your working capital in shut in gas wells, you are going to go out of business, practically, until the pipelines are extended. So, the 150 percent, I don't reel that I am in business to try to earn interest on the other fellow's money, really.
- well, now, from a strict economic point of view, aside from this 150 payout, which might come in the future, you would have no money tied up on this well, at the present time, would you?
 - A Correct.
- Q And from the strictly economic point of view, pending the time the pipeline is available, you have not been penalized?

- That is right.
- By Penroc drilling this well?
- That is right.
- In addition, you hold your acreage in the event there is Q no pipeline beyond 1964, would it not?

I guess that would be right. I am not quite sure. We would have to have some kind of agreement, I guess, and get the BLM or USGS to approve it.

MR. KELLAHIM: That is all the questions I have. you.

MR. UTZ: Are there other questions?

MR. BRATTON: Let me just clarify one matter here. Mr. Redfern, assuming that it is proper under the statutes to pool all of the Section 19 for Upper production, Upper Penn Production, are you here opposing the pooling itself?

No. I think the statutes- that a statute is really necessary in the development of oil and gas reserves. said, before, at certain times we have been in thoin the position of having to force pool other people.

MR. BRATTON: I believe that is all.

MR. UTZ: Naturally, insofar as force pooling is concerned, Mr. Redfern, your only argument is the difference between 125 and 150 percent.

Well, I believe in the exhibit that they put in, we point



out that it is more expensive to let a contract on a turn-key basis, as a general rule. I think we participate in probably between about 30 wells a year, on an average, and at different times, we have investigated turn-keys to see if they would be any advantage to us. We invariably find you wind up paying about ten percent more for it, for the well. So, basically, that is to - our feeling, that is one of the things that in the letting of the contract, we don't think it is being done in the manner that we would do it. But, yes, in enswer to your question, I think that is really one of the basic things. 150 maximum risk.

MR. UTZ: Any other questions? Witness may be excused.

FRANK W. PODPECHAN,

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

DIRECT EXAMINATION

BY MR. BRATTON:

- Will you state your name and address and occupation?
- Prank W. Podpechan, consulting geologist, Midland, Texas.
- Have you previously testified before this Commission as an expert witness?
 - No, I haven't. A
- Would you state very briefly your professional and Q educational background?



A I have a BA degree in Geology, Oklahoma State University.

I have had ten years in the -- experience in the Petroleum

Geology field in New Mexico.

- Q Primarily in southeastern New Mexico, Mr. Podpechan?
- A Primarily, but all over the state.
- Q Are you familiar with the area under discussion in this
 - A Yes.
 - Q Witness' qualifications acceptable?
 MR. UTZ: Yes, they are.
- Q (By Mr. Bratton) Turn to your Exhibit Number One; Mr. Podpechan, and explain what it is and what it shows?
- Penn pay, in the area of the Indian Hills and Indian Basin units.

 This map was made prior to the information computed on the Lowe

 Staple well. Relationship is the same. There is a little

 difference in the amount of dips. This map plus the cross section

 will show the unit that is mapped. It is a continuous horizon

 will shown by the cross section. It indicates that to the east

 of the Lowe Indian Hills well, which is the basis of this pooling,

 that your ditch would naturally be lower. I mean, be steeper and

 also the structural horizon would be lower, and to the west, they

 would naturally be higher, due to regional dips.
 - O Mr. Podpechan. I believe you said this map was prepared



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before the data was available on the Lowe Staple well; is that correct?

- A That is correct.
- You have shown here?
- A The relationship is the same. There is a little difference in the amount of dip. It would be -- It is approximately 100 foot less than, on this map, than it actually is.
- In other words, the dip to the east of the Lowe Indian Hills Unit Number One well is a little sharper than you reflect it?
 - A Right.
- Q All right. Then, your structure keeps coming up-to-the west as reflected here?
 - A What is reflected by the information we have.
- Q And the proposed location is between the Lowe Indian
 Hills Unit Well Number One and the Indian Basin wells to the west?
 - A That is correct. They produce out of the same horizon.
- O Is there anything further you care to point out in connection with this map at this time?
- A To make this nose, if you notice the three wells back in the Indian Basin area, there is a flatening to the east of the well in 22. Therefore, it tends to pull this out to the east without the Indian Hills well, but with the Indian Hills well, then you get both flatening in both directions. Might indicate



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that this horizon that is going to incur a reef carbonate, which indiates it would be intensive, moreso than the sands there.

That would be our experience in Southeast New Mexico, that the reefs tend to be large.

- Q Turn then to your Exhibit Number Two, Kr. Podpechan.
- A All right.
- Q Explain what it is and what it reflects?
- A This is the Devonian map, just back up the map, that we have just looked at, indicating dips in the same direction.

 And that this location that is proposed should be higher on that horizon, also, although we won't penetrate to that zone. I might point out on the previous map that of all the wells drilled in Western Eddy County, especially in this area, there has been no west dip which would eliminate a lot of your risk of this being an anticline or something. All these wells indicate dips to the east.
- getion. Now, this cross section goes straight east-west, from the west of the Indian Basin to east, or to the Indian Hills, and them, south to an outside well that has really very little to do with this prospect. It is a structural cross section showing correlative markers from the Devonian up through the Upper Penn zone. And since we have both Upper and Lower markers, why, and the geology is laid down from the bottom up, it seems that these correlations are very good from the Mississippi, or from the

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Devonian up through this carbonate marker. And it is obvious by observation that this Upper Carbonate member looks the same in all wells. It has the same, relatively the same, within a few feet of the same water table in all wells. It has the same bottom hole pressure in all wells. It is structurally the same. It is structurally the same. It is a Dolomite in all of the wells that are concerned in these two fields, and produces gas of the same type in all wells.

- g Based upon your studies, Mr. Podpechan, what would be your conclusions as to the risk involved in drilling an Upper Pennsylvanian well at the proposed location, the risk being of obtaining production or of obtaining a dry hole?
- have 150 feet of pay in this well to the east of us, which stands a good chance of being a Lowe, which therefore, we should have a very low risk factor in this drilling to the Upper Penn Carbonate. Just have to consider the field- Well, there are some risks, no doubt, but it would be in the lower- If you will look at Exhibit One again, of all the locations, in or around the producing well, ours should be the lowest risk of all.
- Q As far as obtaining a producing well, Upper Pennsylvanian well?
- A Producing Upper Pennsylvanian well. All information would indicate that there would be nothing against it.
 - O What, in your opinion, would be a fair risk factor to



assign, Mr. Podpechan?

- A Do you mean that on a percentage basis?
- Q Yes.
- A I would think that would be somewhere between 85 and 90 percent positive.
- o well, but, in the terms of risk fuctor that the Commission might assign?
- A Since the two ends to the risk are 150 or 100, I would say it was in the neighborhood of 110 and 125 percent.
 - g Exhibit One through Three prepared by you?
 - A Yes.
 - Q You have anything further you care to state, Mr. Podpechan?
 - A Not concerning the Upper Pennsylvanian.
 - Q All right.

MR. ERATTON: Offer in evidence Redfern Development Corporation's Exhibits One through Three. We have no further questions of this witness at this time.

MR. UTZ: Without objection, Exhibits One through Three Redfern, will be accepted into the record of this case. Now, Mr. Podpechan, what is the datum which your Exhibit Number Three is hung on?

A It is on sea level. It is a structural.

MR. UTZ: So, that it does properly show structure as you know it now?

Yes, sir. And the proposed location would be in between



MR. UTZ: The Ralph Lowe Number One Indian Hills and Ralph Lowe Number One B Indian Basin; is that true?

- A Yes, sir.
- Now, on your Exhibit Number Two, I am not sure that I properly understand it, Is this a thickness map 440 foot-
- A Now, Number Two is the Devonian map, strictly a lower structural marker. Now, Number One shows in block numbers. It is a Carbonate map. It shows the thickness of total carbonate sections in those wells that have been drilled through it.
- Q And these figures of minus 4400 are sub C at what position?
- A On the Carbonate, top of the carbonate producing member Pennsylvanian.
 - Q That would be the Upper Penn?
 - A Yes, sir.
- Q So, to interpret this map, whatever you have contoured and shown as data, you would have 440 feet of Carbonate thickness?
- A No. This has nothing to do with chickness. The carbonate thickness is just shown on there as a matter of information, and it is not incorporated into the contouring at all. This is-
 - Q This is a contour map of the Upper Penn structure?
 - Right. At 100 foot intervals, to sea level.

 MR. UTZ: Are there other questions of the witness?

It might be noted on this that the Devonian structure and



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the Carbonate structure are similar and the movement that put this structure here occurred after the carbonate was laid down, and therefore, the structure seems to be high back to the west. Which is what we need primarily.

MR. UTZ: Now, according to your cross section, which is Exhibit Number Three, is that true?

A Yes.

MR. UTZ: The top of the Morrow pay would be in the neighborhood of 9426 and the top of the Cisco, or what we are terming here as the Upper Penn, would be 74?

- A Somewhere between 63 and 74.
- Q So, that is actually about two thousand feet difference roughly?
 - A Yes, sir. Roughly 2,000 feet.
- Q How much expense, in your opinion, would be incurred in drilling from what you term to be an in field well to a wildcat some?
- per footage from contractors, foot cost would be roughly ten to \$11.00 a foot in addition, which would be roughly \$20,000.00.

 Then, to penetrate this Upper zone, you have to go to a mud program. Down to this zone, they have been using air as much as possible and their mud bills have increased after they penetrated the Upper Penn, rather than before. So, there is a hard -
 this is hard to estimate an amount of money there in mud, depending



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on what kind of section this Upper Penn had, whether it had loss circulation, or not. So, you could give it anywhere between five and ten mousand dollars worth of additional mud, or could be less than that. It would just be undetermined at this stage. You do know that you are going to have a problem there with mud. Of course, if you had your day work contract, why, I mean, your footage contract, you would know that, what that would be. You would have drillstom tests incurred in going to this Morrow, which would be additional cost to roughly a thousand or \$1,200.00 per test. You would have additional amount of risk in loss circulation. I would may somewhere in the neighborhood of \$35,000.00, probably, additional cost.

MR. UTZ: You read my mind. I was going to ask you if that would be your upper limit?

- Somewhere in that area. I might == MR. UTZ: And all these--Go ahead.
- All these well costs we have in here, all these wells penetrate the Morrow, we don't really know what an Upper well would cost, exactly. The well we are comparing it to here actually went to the Devonian, which penetrated the Mississippian section, which usually is expensive. So, we have to make our cost estimate based on footage bids and expense.

MR. UTZ: I see. Any other questions of the witness?



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EXAMINATION

BY MR. KELLAHIM:

- 0 Mr. -
- A Podpechan.
- o -- Podpechan, on your Ethibit One, you have the structure map with the Upper Pennsylvanian pool, and as I understand your testimon, that was prepared prior to the drilling of the Lowe Staple well?
 - A That is right.
 - Q Is that correct? This was a dry hole, wasn't it?
 - A That is right.
 - Q How far is this from their producing well?
 - A It is right -- roughly a mile and a quarter, mile and

a half.

- Q That is to the east?
- A Yes, sir.
- Q And, on your map, you used the information from their producing well as your control, I assume?
 - A Yes.
 - Q Now, you did the same in going to the west, did you not?
 - A Yes.
- Q And how far is the Penroc location from the Lowe producing well?
- A It is roughly the same as the other one. Maybe just a quarter more.



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	Q	You	could	be	off	100	feet	on	that	well,	too,	could
you	not?		.e.,	Ą	ere open	 	or in the second	-1 -1-1-2-3	e. ,		esta e	

- If you want to compare, a comparative answer, I would say not as much as you could to the east.
- You think it would be over to the east more than to the west?
 - Definitely.
- But, on the basis of that 100 foot difference, Lowe did get a dry hole?
 - No. He got it on the basis of being 300 feet low.
 - 300 feet low?

 - Was he 300 feet over on the structure?

 - The contours on your map don't indicate that?
- I intimated that to begin with. They only show to be over 200. I mean, the dip to be at the rate of 200. Actually, the dip is 300. The relationship is the same.
 - Actually, your estimate was off a hundred?
 - Yes, sir.
- And on the basis of the fact that your estimate was off 100, putting them in a different structural situation, they got a dry hole because of 300 foot difference?
 - Right. A
 - You could have a 300 foot difference on the Penroc



- Based on experience of actual wells drilled, no.
- What wells?
- All wills in Western Eddy County. There is no west dip on any well in Western Eddy County.
- All right. Now, in reference to your Exhibit Number Two, I believe you stated that there is no Wester dip in Eddy County?
 - Oh, on this Upper Penn marker.
- You had reference there to your Devonian structure map Exhibit Number Two?
 - If I said that, I made a mistake.
 - Actually, there is a Western dip- -Q
 - One well.
- There is a Western dip shown on your Exhibit Number Two, is there not? I refer you to the difference between Section 9 and 22, South, 23 East, over to Section 17. You show a Western dip, do you not?
 - Not a straight west dip, I don't show any.
 - It is Western dip, though, isn't it?
 - It is southwest.
- Southwest. They could also be a Western dip in the Pennsylvanian, too, in this area, could there not?
 - There has not been.
 - That doesn't indicate that there won't be, though, does



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it?

- If you want to take a positive attitude, it would.
- Mow, you gave some information on some well costs and without going into any detail on the well costs, I balieve you stated you were anticipating a mud bill of five to six thousand dollars?
- Five to ten, additional over and above, down to where were getting to.
 - Over and above that?
 - The Morrow mud bill, we are talking about, as I recall.
 - You were not talking about the total mud bill? Q
 - No.
 - Did you investigate the mud bills on other wells?
- I had no way of investigating the mud bill down to the Upper Carbonate.
 - Did you investigate the total mud bill? Q
 - They are higher. À
 - They are higher, aren't they?
- Would you agree that Ralph Lowe had a \$23,500.00 total Q mud bill?
 - I don't know that for a fact, but I would agree. A
- That on an average they have run in excess of \$10,000.00 Q and up to twelve thousand on other wells that were drilled?
 - Yes. I would assume that to be true, but I would say



that the maximum part of the mud bill didn't occur- -

- But, your testimony relates solely to the projecting the well from the Upper Fenn to the Lower?
 - Yes.
 - I didn't understand your answer.

MR. KELLAHIN: Thank you very much.

MR. UTZ: Any other questions of the witness? Witness excused. Is there any other other testimony to be given? MR. BRATTON: We have no further evidence.

> MR. UTZ: Any statements to be made in this case? MR. BRATTON: Yes, we would like to make a statement.

I believe Mr. Redforn stated that he is not here opposing

a force pooling on the drilling of a well to the Upper Pennsylvanian formation. Force pooling all of the Section 19. That is our position. I would point out to the Commission that while the well is located within a mile of the pool boundary, the Western row of the forties in Section 19 is beyond - - a mile beyond the pool boundary. I don't believe there is any precedent for the situation I think it is a legal matter that the Commission should study as to the correlation between the rule on forced pooling and the rule on spacing and proration of wells within a mile of the pool boundary.

Now, I think further, onething that is clear as to our position is that to date, there has been nothing except the projection of a Morrow test, with a proposed test and dual com-



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pletion of the Upper Pennsylvanian. It is probably, I say, possibly, not a matter of concern to the Commission. It might be a matter of concern to the Courts. But, I don't quite understand how you can force pool an Upper zone, and stall utilize that same hole to go down to a lower zone that is entirely his own acreage, because certainly the person who is force pooled has an interest in that well, and how it can be utilized to go down below that zone, I can't see. And I doubt if legally it can be done. Nothing has been presented to the Redfern group except a Morrow test, with this proposed intermediate completion, or testing of the Upper Penn.. If the well is projected to and is drilled to and is an Upper Pennsylvanian test, and if the one minor legal question that I have pointed out to the Commission is resolved to the satisfaction of the Commission, that they can force pool all of these interests, including the State of New Mexico, and the Federal Government, then, Mr. Redfern's only concern is one, the amount of risk factor and two, the cost factor, which, I believe, we have pointed out, we are not satisfied with at all. And would want to bring before this commission. I think we have pointed clearly why we believe this is not a maximum risk well. Now, I would like to state my firm views as to what factors should be properly included in this risk factor. It says risk. It doesn't say delay, and interest and economics. It says risk. So, I think that is the one thing that can be evaluated. We have cinted out that certainly this is not a maximum risk well



The legislature, I think, has clearly indicated a legislative intention of a maximum of 50 percent. Certainly that should be graded down as to wells that are less risky or chancey than a maximum risk well.

dangers in drilling and incurring costs in connection with drilling the well. But, this is not a risk of obtaining production. This is a question of what are reascrable costs. There is a difference and the risk factor is whether you are going to obtain a producing well, not how much difficulty you are going to have in getting to the production, and how much the cost might be unless you are talking about obtaining a limited production that wouldn't recover back your cost.

I believe Mr. Redfern has indicated that it is not the risk that is involved in drilling the well, and obtaining production from the Pennsylvanian. It is a matter of economics.

The Penroc group has been forced by their lease situation, their farm-out agreement, to go ahead and drill at this time. And it is to their advantage to do so. They have to. But, that is no reason why Mr. Redfern should be assigned a larger risk factor, or be forced to contribute to a well when he is not ready to do so, and there is no- - there is every economic disadvantage to him doing so at this time. I don't believe that it is Mr. Redfern's position at all that he wants a free ride on this well, or wants a foo day after the well is completed to determine whether he wants



to pay his share in advance. I would assume that the Commission would proceed to decide the matter, would decide what they believe is appropriate for a risk factor. Then, would aford him an opportunity to pay in advance, or assume that risk factor. He would not anticipate that that time would extend to where the well is completed, and you could evaluate it. So, it is not at all a matter of wanting a free ride. It is a matter of an economic penalty, that Mr. Redfern sees no point that he should assume on this well, because of the lease situation by the Penroc group.

MR. UTZ: Mr. Kellahin.

MR. KELLAHIM: I would like to just state very briefly, some legal questions have been posed here to my way of thinking would be a distinct step backward if the Commission follows or reaches the conclusion that have been suggested by Mr. Bratton.

In the first place, he suggests that since the Western tier of the forty is more than a mile from the outer boundary of the Upper Pennsylvanian pool, might be some question as to the Commission's authority to grant force pooling. Of course, we must, in the first instance, assume that Rule Number 104 regarding well spacing was adopted by authority of the statutes says that any well which is to be drilled less than one mile from the outer boundary of a refined pool, or which has produced oil and gas, projected, shall be spaced, drilled and operated and prorated in accordance with the regulations in effect in its nearest such pool. Doesn't say



case, the well is much closer than one mile to the outer boundary of the pool. The question on the risk factor, which has been discussed at considerable length, is a matter which is addressed to the sole discretion of the Commission, and in that connection, we submit that it includes all risks which are incurred in the drilling of a well, and to attempt to specify item by item just what risks we are talking about, goes far beyond the contemplation of the statute. The statue says that, "shall include a reasonable charge for such service and may include a charge for risks involved in the drilling of such well." Now, risks involved in the drilling of such well contemplates all of the risks which are faced by the operators, whether he is drilling on his own acreage or on a farm-out, or under the situation as it is here. unit which we propose to force pool, includes all of the risks.

anything about the acreage. Says, the well. Certainly in this

Certainly at the outset, we have a loss circulation zone which was testified to by Mr. Castle. The normal risks are included in the drilling of any well, must be contemplated and to say that on the basis of a contour map that this is certain to encounter a formation at a structural position which will be productive is reaching a conclusion which is not warranted on the basis of the information that is presently available, and certainly when a well is a mile and a quarter to one side of the producing well is a dry hole, and we have no control in the other direction, then to say that a well a mile and a quarter the other side of



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that producing well will not be a dry hole is optimistic. Of course, we don't believe it will be a dry hole, but the risk still is there. We submit it is 150 percent. Has been stated that Redfern has only been offered a Morrow test at the outset. At the outset, as pointed out, and I think as reflected by the correspondence, the Morrow test was mentioned only once, and throughout the correspondence, a Pennsylvanian test was discussed. And certainly since we are not at this time attempting to pool the Morrow formation on account of the fact that this case has been dismissed, we are only talking about the Upper Pennsylvanian and this is a force pooling for the Upper Pennsylvanian and at no time did the Redfern interests show the slighest inclination of joining in any Penroc tests in this area. The 150 percent risk factor was offered to Redfern. They declined it. We submit that we are entitled to the same risk factor. And in connection with Mr. Bratton's statement that Mr. Redfern is not looking for a free ride, I don't think he is. The well is presently drilling on this acreage and certainly we would urge the Commission to issue an order as soon as possible in this case, or Mr. Redfern's interests might inadvertently get a free ride.

Thank you.

MR. BRATTON: I would just like to state for the record, because I think it is important. I am inclined to agree with Mr. Kellahin's interpretation of Rule 104 and its relation to the force pooling statute. But, conversely, where you are force pooling



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all of the mineral interests in the section, I think it behooves the Commission to look at it pretty carefully and make up its own mind on this question, because could be of significance in this case, and possibly in the future cases.

MR. UTZ: I don't believe that the spacing in the Indian

MR. UTZ: I don't believe that the spacing in the India.

Hills Upper Penn has been mentioned throughout this hearing.

Since we have some argument as to the meaning of Rule 104, I think it would be well for the record to show that the spacing is 640 acres. Is that true?

MR. BRATTON: That is true.

MR. UTZ: Any other statements to be made? Case will be taken under advisement.



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STATE OF NEW MEXICO

I, ROY D. WILKIMS, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill, and ability.

WITHESS my Hand and Seal of Office, this 6th day of December, 1963.

BOTARY PUBLIC

My Commission Expires: September 6, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2202 (Figure 1963)

New Mexico Oil Conservation Commission

