

CASE 2908: Application of PENROC
for pooling interests in the
MORROW section of PENNSYLVANIAN
FORMATION - INDIAN HILLS FIELD.

Cont'd to
Page 49

Reviewed

CASE No.

2908

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

DRAFT

JMD/esr

October 24, 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. 2908

Order No. R- 2584

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 October, 1963, the Commission,
a quorum being present, having considered ~~the application, the~~ *and formation are read*
~~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 attorney for Redfern Development Corporation
moved to dismiss the case as the area *and formation are* under consideration ~~was~~ not
in or within one mile of a pool requiring 640-acre spacing units.

(3) That the motion to dismiss should be granted.

IT IS THEREFORE ORDERED:

That Case No. 2908 is hereby dismissed.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

JASON W. KELLAHIN
ROBERT E. FOX

KELLAHIN AND FOX

ATTORNEYS AT LAW
54 1/2 EAST SAN FRANCISCO STREET
POST OFFICE BOX 1713

SANTA FE, NEW MEXICO 87501

TELEPHONES
983-9396
982-2991

August 20, 1963

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

Gentlemen:

Enclosed find original and two copies of application of Penroc Oil Corporation for compulsory pooling of all interest in Section 19, T21S, R24E, NMPM, for production from the Indian Hills-Upper Pennsylvanian Gas Pool, Eddy County and also enclosed are original and two copies of application of Penroc Oil Corporation for compulsory pooling of all interests in Section 19, T21S, R24E, NMPM, for production from the Indian Basin-Morrow Gas Pool, Eddy County for filing.

Very truly yours,

Jason W. Kellahin

JASON W. KELLAHIN

jwk:mas
enclosures
cc: Penroc Oil Corporation

DOCKET MAILED

Date 9/27/63

DOCKET MAILED

Date 9-13-63

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 BASIN-MORROW
GAS POOL, EDDY COUNTY, NEW MEXICO.

No. 2908

*Hills Field, Morrow
formation*

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 ~~Basin~~ ^{*Hills*}-Morrow Gas Pool, and in support thereof would
shown the Commission:

1. Applicant is the owner of all right to drill, develop
and produce oil and/or gas from the NE $\frac{1}{4}$ and the W $\frac{1}{2}$ NW $\frac{1}{4}$ 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 ~~Basin~~ ^{*Hills*}-Morrow
formation.
3. Under the pool rules for the Indian Basin-Morrow Gas
Pool, as provided in Commission Order No. R-2441, any well
drilled or projected to the Indian ~~Basin~~ ^{*Hills*}-Morrow 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 interest 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 Basin-Morrow 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

By Jason W. Kellahin
KELLAHIN & FOX
P. O. Box 1713
Santa Fe, New Mexico

ATTORNEYS FOR APPLICANT

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.

CASE 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 (conversion) 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 Abo Pool 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 Pennsylvanian 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 County, 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, located 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 proration 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 proration 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-acre proration units.

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 4 1/2-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.

Case 2885

Heard. 10-9-63

Rec. 10-9-63.

Dismiss Penrou's case for forced
posting in the Monow zone.

Thur. 10/9/63

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. 2908
Order No. R-2584

APPLICATION OF PEMROC 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 30th day of October, 1963, the Commission, a quorum being present, having considered the record 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.

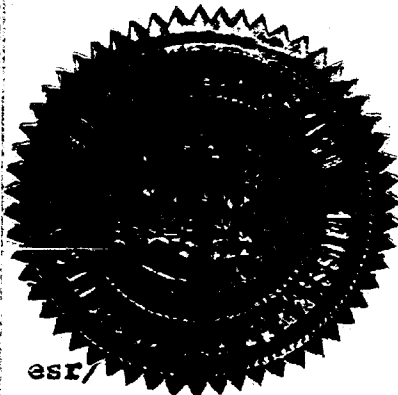
(2) That the attorney for Redfern Development Corporation moved to dismiss the case as the area and formation under consideration are not in or within one mile of a pool requiring 640-acre spacing units.

(3) That the motion to dismiss should be granted.

IT IS THEREFORE ORDERED:

That Case No. 2908 is hereby dismissed.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Jack M. Campbell
JACK M. CAMPBELL, Chairman

E. S. Walker
E. S. WALKER, Member

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

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
C. B. JENNIFY WALKER
MEMBER

P. O. BOX 871
SANTA FE

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

October 30, 1963

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1713
Santa Fe, New Mexico

Re: Case No. 2902
Order No. 2-7524
Applicant:

PENROC OIL CORPORATION

Dear Sir:

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

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ix/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Artoc OCC

OTHER Mr. Howard Bratton

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
October 9, 1963

EXAMINER HEARING

IN THE MATTER OF:

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

Case No. 2907 &
2908

BEFORE: MR. ELVIS A. UTZ, EXAMINER

TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.
PHONE 243-6891

SANTA FE, N. M.
PHONE 923-3871

FARMINGTON, N. M.
PHONE 325-1162

BEFORE THE
OIL CONSERVATION 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 NOS.

2907 & 2908

BEFORE:

MR. ELVIS 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.

DEARNLEY, MEIER, WILKINS and CROWNOVER

General Court Reporting Service

Suite 1120 Simms Building Albuquerque, New Mexico Phone 243-6691



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 2906, 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. KELLAHIN: That is correct.

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

MR. KELLAHIN: Morrow Section.

MR. BRATTON: If the Examiner please, on behalf of the Redfern Development Corporation, 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. PURRETT: Mr. Kellahin, are you going to argue the

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motion?

MR. KELLAHIN: It is true that the Morrow, 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. KELLAHIN: We will not resist the motion.

MR. UTZ: Inasmuch as the well is being drilled, a mile or more, almost a mile and three quarters, 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?

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Suite 1120 Simms Building Albuquerque, New Mexico Phone 243-6691

A John Castle.

Q With whom are you employed, and in what position, Mr. 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?



A Yes.

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 No.

Q Within a section. Is 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, Kerr-McGee Oil Company and Monsanto Oil Company of the Northeast quarter of Section 19, and the West Half of the Northwest 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 One. I want to be clear on just how much of this section is

committed at the present time.

A All of Section 19 is committed to the well at the present time, except the Southwest Quarter and the East Half of the Northwest Quarter.

MR. UTZ: Refern Development Corporation.

A 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.

Q (By Mr. Kellahin) What is the source of that information, Mr. Castle?

A The source of that information is abstracts and other information which we had in our office at this time.

Q And the best of your knowledge, and belief, does Exhibit Number Two correctly reflect the working and royalty interests under Section 19?

A Yes.

Q Now, referring to what has been marked as Exhibit Number Three, would you discuss that exhibit?

A 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.

Q Does it also show the ownership of the leases within the vicinity of the well?

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Suite 1120 Simms Building

Albuquerque, New Mexico

Phone 243-6691



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General Court Reporting Service

Suite 1120 Simms Building Albuquerque, New Mexico Phone 243-6691

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.

Q Now, referring to - - Have you had any correspondence, Mr. 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 Number Four; is that correct?

A Yes.

Q Now, referring to what has been marked as Exhibit Number 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,



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dated September 9, 1963, requesting information on the well. On 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.

Q Did you get a response to that proposal?

A Got a letter to that September 19th, which they rejected both propositions.

Q Now, in connection with this 150 percent penalty, Mr. Castle, are you still willing to give Redfern the 150 percent penalty?

A Yes. Redfern Development is an interested party. Yes, we would do that, right now.

Q Is there a well drilling on the unit?

A Yes. We have a well drilling on there now, at this time.

Q What is the status of that?

A They are drilling this morning at 265 in hard Dolomite.

Q What type of rig do you have on the unit?

A We have a large rotary rig.

Q Now, what cost estimate do you have on this well, Mr. Castle?

A I expect that well will cost, we think that completed well will cost \$170,591.21. A dry hole will cost \$136,126.50.



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MR. UTZ: What was that figure again?

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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A 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 boulders which could fall in the hole, give a lot of trouble. Drilling is extremely hard.

Q What is the geology of the area?

A 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.

Q Generally, what is the nature of the reservoir?

A 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.

Q What determines the limits of a pool as a productive pool?

A 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



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A 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 boulders which could fall in the hole, give a lot of trouble. Drilling is extremely hard.

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Q Generally, what is the nature of the reservoir?

A 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.

Q What determines the limits of a pool as a productive pool?

A 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.

Q Do you face the same risks?

A 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 porosity and permeability, and we could still be structurally low and have no porosity and permeability.

Q What do you consider a fair risk factor for drilling of the well?

A 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 150 percent.

Q Now, Mr. Castle, will approval of this application, in your opinion, result in the prevention of waste?

A Yes.

Q In what way?

A Well, will avoid the drilling of unnecessary wells, and will aid in more economical recovery of the production under this section.

Q In the event it is not approved, will the well you are drilling be penalized as an economical operation?

A 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 couldn't wait for market, because our leases were expiring. We had to drill.

Q 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?

A Probably could, if allowable was so low, or maybe even that we would not make as good a well as we expected.

Q Would that result in the failure to recover gas that would not otherwise be recovered?

A I think it would.

Q Were Exhibits One, Two and Three prepared by you or under your direction?

A Yes.

Q And is the Exhibit Four, a collection of the copies of the correspondence taken from your files kept in the ordinary course of business?

A Yes.

Q 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. Utz.

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

A 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- -

A Located on Exhibit Number Two, Number three, right.

MR. UTZ: You say that is a single completion in the Upper Penn?

A 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 now?

A 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?

A 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?

A Yes.



MR. UTZ: Yes. ~~At~~ 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~~ ^{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?

A We have a slight low coming down between the two.

MR. UTZ: That low would be in the vicinity of Section 192

A 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. BRATTON:

Q Mr. Castle, when did you file your notice of intention to drill this well?

A I don't have a copy of that with me. I can't remember



the exact date, but I can't - 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 9650.

Q 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.

Q 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

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management that if it becomes necessary, that they will let us drill an Upper Penn test.

Q As of now, your contract with them is to test the Morrow?

A Right.

Q You have a contract with the drilling contractor?

A We have a letter from the drilling contractor, which I don't have with me.

Q What type of agreement do you have with them; do you have a turn-key agreement?

A We have a turn-key agreement with them.

Q That is for this \$170,000.00?

A No. That is not a turn-key completed. That is a turn key to casing point, or to TD.

Q That is to test the Morrow?

A We have -- Yes.

Q So --

A But, these figures, I just --

Q -- 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.

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

A Cash arrangement.



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Q 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?

A 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 drilling now is to hold 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 How 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.

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Q The rotary is on a turn-key basis?

A To TD.

Q Now, a turn-key contract normally would have some pad there, wouldn't it, Mr. Castle?

A Normally, it would, but I don't think this one has.

Q 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?

A That is the information which I got from Ralph Lowe, cost something over \$175,000.00.

Q And that tested the Morrow, didn't it?

A That drilled into the Morrow. As far as I know, it hasn't been tested yet.

Q But, it went down to the Morrow?

A Yes.

Q 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.

Q Well, I am talking about the well you are drilling?

A The figure I gave you?

Q Yes.

A Figure I gave was for the Upper-Pennsylvanian gas well.

Q That is for the Upper-Pennsylvanian?

A Yes.

Q 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.

Q 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

the Morrow?

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production?

A 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.

Q There is no production to the east of it, though?

A Not immediately.

Q It is not between producing wells, like you are?

A 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?

A I hope so. I have seen interpretations on this that separate them, though. Even Ralph Lowe's interpretation separated them.

Q 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?

A Yes.

Q So, that you must feel reasonably confident that you are going to get some kind of a well in there?

A We are fairly confident on every well we spud, or we never would spud. We drill some dry holes, though.

Q 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. KELLAHIN: 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.

MR. BRATTON: That is right. I think it is over on the next page.

MR. KELLAHIN: 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 the same?

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.

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

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

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

Q Yes, but--

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

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

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

A Yes, we do. In Eddy County.

MR. UTZ: Are there other questions?

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

REDIRECT EXAMINATION

BY MR. KELLAHIN:

Q 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?

A That is right.

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

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A Yes, we intended to.

Q 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?

A That is correct.

Q 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?

A That is right.

Q Now, did the AFE include a dual completion in the Upper zone as well?

A Yes, it did.

Q So, the proposal as to the upper zone was in fact submitted to Mr. Redfern in that connection?

A Yes.

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

* * * * *

MR. UTZ: Mr. Castle, it is my understanding that the \$170,000.00 included no casing?

A That includes casing, in a completed well.

MR. UTZ: It does?

A Yes.

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

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



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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. KELLAHIN: 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



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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. Now, 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. BRATTON: 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. KELLAHIN: That is right.

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

MR. KELLAHIN: 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)



JOHN J. REDFERN, JR.,

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

DIRECT EXAMINATION

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 Who 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 FPC being against, 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 money 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



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 earning acreage.

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

A Yes.

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 time?

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.

Q You had experience with shut in wells, gas wells, Mr. Redfern?

A Well, yes. I think about two years ago, I had some

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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.

Q So, from your standpoint, 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?

A Well, at one time, recognizing the problems that Penroc 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. I



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, virtually nil. 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.

MR. UTZ: So, for that reason, you are not too interested 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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will be. 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?

A 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 18.

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

A Well, they started out drilling a Morrow and that, of 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?

A No, not at all.

MR. UTZ: Now, about the Morrow?

A 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 any opinion as to the amount of expense required to go from the Upper Penn to the Morrow?

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

MR. UTZ: All right, sir.

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. KELLAHIN:

Q Mr. Redfern, as I understand, you said your leases expire in December of '64?

A Yes, correct.

Q 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 zone.

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.

Q Now, you made reference to this well in Section 18. Did you know that Union is giving dry hole money to Penroc?

A No, I did not.

Q 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.

Q 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 feel that I am in business to try to earn interest on the other fellow's money, really.

Q 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?

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A That is right.

Q By Penroc drilling this well?

A That is right.

Q In addition, you hold your acreage in the event there is no pipeline beyond 1964, would it not?

A 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. KELLAHIN: That is all the questions I have. Thank 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?

A No. I think the statutes - - that a statute is really necessary in the development of oil and gas reserves. As I said, before, at certain times we have been in the - - forced in 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.

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



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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 answer 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 oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BRATTON:

Q Will you state your name and address and occupation?

A Frank W. Podpechan, consulting geologist, Midland, Texas.

Q Have you previously testified before this Commission as an expert witness?

A No, I haven't.

Q Would you state very briefly your professional and educational background?



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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 case?

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?

A This is a structure on top of the carbonate or Upper 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 for at least 15 miles east-west, and I think this could be pretty well 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.

Q Mr. Podpechan, I believe you said this map was prepared



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

A That is correct.

Q How does that actual data correspond with the type that 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.

Q 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.

Q 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 indicates 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, Mr. 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.

Q Turn then to your Exhibit Number Three, your cross section. Now, this cross section goes straight east-west, from the west of the Indian Basin to east, or to the Indian Hills, and then, 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 Mississippian, 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 stratigraphically 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.

Q 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?

A I feel like the risk is quite low, especially since we 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.

Q 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 90 and 90 percent positive.

Q Well, but, in the terms of risk factor 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.

Q 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. BRATTON: 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?

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

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the Ralph Lowe Number One--

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

A Yes, sir.

Q 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 thickness. 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?

A Right. At 100 foot intervals, to sea level.

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

A 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 zone?

A Well, based on information we have had submitted on a 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 thousand 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 drillstem 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 say 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?

A Somewhere in that area. I might- -

MR. UTZ: And all these- - Go ahead.

A 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?



EXAMINATION

BY MR. KELLAHIN:

Q Mr. - -

A Podpechan.

Q -- Podpechan, on your Exhibit One, you have the structure map with the Upper Pennsylvanian pool, and as I understand your testimony, 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 a 100 feet on that well, too, could you not?

A If you want to compare, a comparative answer, I would say not as much as you could to the east.

Q You think it would be over to the east more than to the west?

A Definitely.

Q But, on the basis of that 100 foot difference, Lowe did get a dry hole?

A No. He got it on the basis of being 300 feet low.

Q 300 feet low?

A Yes.

Q Was he 300 feet over on the structure?

A Yes.

Q The contours on your map don't indicate that?

A 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.

Q Actually, your estimate was off a hundred?

A Yes, sir.

Q 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?

A Right.

Q You could have a 300 foot difference on the Penroc



location, could you not?

A Based on experience of actual wells drilled, no.

Q What wells?

A All wells in Western Eddy County. There is no west dip on any well in Western Eddy County.

Q All right. Now, in reference to your Exhibit Number Two, I believe you stated that there is no Wester dip in Eddy County?

A Oh, on this Upper Penn marker.

Q You had reference there to your Devonian structure map on Exhibit Number Two?

A If I said that, I made a mistake.

Q Actually, there is a Western dip -

A One well.

Q 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?

A Not a straight west dip, I don't show any.

Q It is Western dip, though, isn't it?

A It is southwest.

Q Southwest. They could also be a Western dip in the Pennsylvanian, too, in this area, could there not?

A There has not been.

Q That doesn't indicate that there won't be, though, does

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it?

A If you want to take a positive attitude, it would.

Q Now, you gave some information on some well costs and without going into any detail on the well costs, I believe you stated you were anticipating a mud bill of five to six thousand dollars?

A Five to ten, additional over and above, down to where we were getting to.

Q Over and above that?

A The Morrow mud bill, we are talking about, as I recall.

Q You were not talking about the total mud bill?

A No.

Q Did you investigate the mud bills on other wells?

A I had no way of investigating the mud bill down to the Upper Carbonate.

Q Did you investigate the total mud bill?

A They are higher.

Q They are higher, aren't they?

A Yes.

Q Would you agree that Ralph Lowe had a \$23,500.00 total mud bill?

A I don't know that for a fact, but I would agree.

Q That on an average they have run in excess of \$10,000.00 and up to twelve thousand on other wells that were drilled?

A Yes, I would assume that to be true, but I would say



that the northern part of the land didn't occur -

But, your testimony relates solely to the projecting
the well from the Upper Penn to the lower?

Yes.

I didn't understand your answer.

MR. KELLAMIN: Thank you very much.

MR. UTZ: Any other questions of the witness? Witness
may be 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. Redfern 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 operation of wells within a mile of the pool
boundary.

Now, I think further, something 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 still 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 pointed 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.

Now, Mr. Castle pointed out that there are risks and 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 reasonable 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 60 day after the well is completed to determine whether he wants

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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 afford 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. KELLAHIN: 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

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anything about the acreage. Says, the well. Certainly in this 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 statute 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. In a unit which we propose to force pool, includes all of the risks.

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 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



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 slightest 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 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

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 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.

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

Roy D. Wilkins
NOTARY 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. 2267008 heard by me on Oct 9, 1963.
Thurston Examiner
New Mexico Oil Conservation Commission

DEARNLEY, MEIER, WILKINS and CROWNOVER

General Court Reporting Service

Suite 1120 Simms Building Albuquerque, New Mexico Phone 243-6691

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

REGISTER

HEARING DATE

OCTOBER 9, 1963

TIME:

9 A.M.

NAME:	REPRESENTING:	LOCATION:
<i>HC Bull</i>	<i>HAT</i>	<i>Bull</i>
<i>John Redfern</i>	<i>Redfern Dev. Corp</i>	<i>Midland Tex</i>
<i>Frank W. Redfern</i>	<i>Redfern Dev. Corp</i>	<i>Midland, Texas</i>
<i>H. B. Wiggell</i>	<i>Permco Oil Corp.</i>	<i>Midland, Texas</i>
<i>John B. Caste</i>	<i>Permco Oil Corp.</i>	<i>Midland, Texas</i>
<i>Jason Kellahi</i>	<i>Kellahi & Fox</i>	<i>Santa Fe, N.M.</i>
<i>R. B. Morin</i>	<i>Soth, Montgomery, Edmunds & Co.</i>	<i>Santa Fe</i>
<i>WV Kastler</i>	<i>GULF OIL CORP</i>	<i>Roswell, N.M.</i>
<i>J.H. Hoover</i>		
<i>W. M. Langstaff</i>	<i>Cabot Corp.</i>	<i>Pampa, Texas</i>
<i>Frank E. Luby</i>	<i>State Engr. Office</i>	<i>Santa Fe</i>
<i>Emory Ames</i>	<i>Permco</i>	<i>aytec</i>
<i>R. J. Hissom</i>	<i>Hissom Drilling Co.</i>	<i>Santa Fe</i>
		<i>Midland, Texas</i>

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 23, 1963

~~EXAMINER~~ HEARING

IN THE MATTER OF:

Application of Pease Oil Corporation for
compulsory pooling, Bddy County, New
Mexico, seeking an order force-pooling
all mineral interests in the Indian Hills
Upper Pennsylvanian Gas Pool underlying
Section 19, T8 21 South, Range 24 East,
and Application of Pease Oil Corporation for
compulsory pooling, Bddy County, New
Mexico, seeking an order force-pooling
all mineral interests in the Morrow section
of the Pennsylvanian formation underlying
Sec. 12, T8 21 So. Range 24, East.

Case No. 2987

2 2988

BEFORE: DANIEL S. HUTTER, EXAMINER

TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 329-172

SANTA FE, N. M.
PHONE 963-3971

ALBUQUERQUE, N. M.
PHONE 243-1891

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 & 2908

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

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extension of the case until the next Examiner Hearing on October 9th.

MR. NUTTER: Is there an objection to the continuance of Cases 2907 and 2908 to October 9th? The cases will be continued to October 9th.

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STATE OF NEW MEXICO X

COUNTY OF BERNALILLO X

I, ROY D. WILKINS, 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.

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


NOTARY PUBLIC

My Commission Expires;
September 8, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2907-2908 heard by me on 9/25, 1963.

, Examiner
New Mexico Oil Conservation Commission

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