

CASE 3367: Application of PENROC
OIL CORP. for non-standard oil
unit and unorthodox location .

ASE No.

3367

Application,
Transcripts,
Small Exhibits
ETC.

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 26, 1966

EXAMINER

HEARING

IN THE MATTER OF:

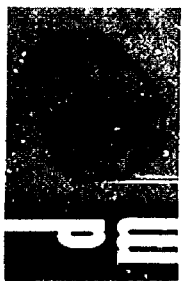
Application of Penroc Oil Corporation for a
non-standard oil proration unit and an
unorthodox location, Lea County, New Mexico.

Case No. 3367

BEFORE:

Elvis A. Utz - Gas Engineer

TRANSCRIPT OF HEARING



NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOREGISTER

HEARING DATE

JANUARY 26, 1966

TIME:

9 A.M.

NAME:	REPRESENTING:	LOCATION:
John F. Hacey	Texaco Oil	Midland, Texas
John Cameron	Standard Oil Co. of Tex.	Houston, Texas
Jason Kellake	Kellake & Son	Santa Fe
John B. Battle	Texaco Oil Corp.	Midland, Texas
W. B. Hurst	PENROCK OIL CORP.	Midland, Tex.
A. DuBaine	Humble, Bondurant & Christy	Roswell, N.M.
Bob Kargarian	PW Payam & Co.	SF.
John S. Cron	Shell Oil Co.	Farmington, N. Mex.
Paul H. Dudley Jr.	Humble Oil & Refining Co.	Midland, Texas
Jack R. McGraw	Humble Oil & Ref.	Midland Tex
W.D. Elliott	Coastal Refining	Midland Tex
Joe R. Howard	State Engr. Office	Corpus Christi, Tex
Mark E. Saly	State Engr. Office	ABILENE, TEXAS
Richard S. Martin	State Engr. Office	Santa Fe
Art Kendrick	State Engr. Office	Santa Fe
E. C. Arnold	State Engr. Office	Santa Fe

NEW MEXICO OIL CONSERVATION COMMISSION

Examiner HearingSanta Fe, NEW MEXICOREGISTERHEARING DATE January 26, 1966 TIME: 9 A.M.

NAME:	REPRESENTING:	LOCATION:
<i>Joe Portin</i>	<i>Cumia Capital, Inc.</i>	<i>Albany NY</i>
<i>V. L. Kelly</i>	<i>Wholesale Fuel & Oil Co.</i>	<i>SF</i>
<i>H. P. Goss</i>	<i>TEXACO Inc.</i>	<i>Holbe</i>
<i>Harold A. McIntyre</i>	<i>MIDWEST OIL CORP</i>	<i>MIDLAND, Tex</i>
<i>B. D. Butler</i>	<i>Midwest Oil Corp</i>	<i>Midland</i>
<i>George H. Hunter</i>	<i>C. W. Trainer</i>	<i>Roswell, N. M.</i>
<i>W. Trainer</i>	<i>Self</i>	<i>Holbe</i>

MR. UTZ: The hearing will come to order, please.

There are a few changes on the docket which I will call at this time. Cases 3367 and 3368 will be heard first, followed by the three Oil Commission Cases rule changes, cases 3372, 73 and 74. Case 3371 will be taken first case after lunch if we're through with the docket. The first case is 3367. Application of Penroc Oil Corporation for a non-standard oil proration unit and an unorthodox location, Lea County, New Mexico.

MR. KELLAHIN: Jason Kellahin of Kellahin and Fox, appearing on behalf of the applicant. We have one witness I would like to have sworn, please.

(Witness sworn.)

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

J. C. R Y A N, a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A J. C. Ryan.

Q By whom are you employed?

A Penroc, Vice President in charge of exploration.

Q Have you ever testified before the Oil Conservation Commission?

A No, sir.

Q For the benefit of the Examiner, Mr. Ryan, would you state your education and experience qualifications?

A Graduated from Texas Western College at El Paso in 1949, been practicing geology for sixteen years.

Q Where have you worked as a practicing geologist?

A Throughout Southeast New Mexico and Texas and Australia.

Q What companies?

A Texas Merkel Corporation, three years; and Delhi Taylor Corporation.

Q In connection with your work, have you had any experience in Southeastern New Mexico?

A Yes.

Q And how long, for what period of time was this experience obtained?

A Most of the time from approximately 1954 through today.

Q For the past 11 years you have worked in Southeastern New Mexico as a geologist?

A Yes, sir.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. UTZ: Yes.

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Q (By Mr. Kellahin) Are you familiar with Penroc Oil Corporation in Case 3367?

A Yes, sir.

Q Would you state what Penroc proposes?

A Penroc proposes to drill a Strawn well in the Lusk field, Lea County, New Mexico.

Q In connection with that, is Penroc asking for a non-standard unit in an unorthodox well location?

A Yes, sir.

Q Referring to what has been marked as Penroc's Exhibit 1, would you identify that exhibit and discuss the information shown on it?

A Exhibit 1 is a land plat showing Penroc's 160 acre unit, and the well location being 660 from the south line and 1650 from the east line of the section.

Q Now, the area there colored in yellow is a lease held by Penroc at the present time?

A Yes, sir.

Q And which Penroc owns the operating rights?

A Yes, sir.

Q Has any effort been made to form a standard unit in this area?

A We have asked the Southern New Mexico Oil Corporation for a farm out on the southeast 40 acres of the section 7 and

and we were turned down. We subsequently then asked in the letter, if they would join a unit and we never received an answer from them.

Q Then, at the present time there's no possibility insofar as you know, of forming a standard unit for the proposed well, is this correct?

A As far as we're concerned at this time, we've already proceeded to line out the well; we have a rig available; our bids are complete, and we're ready to drill a well immediately upon okay by the Commission.

Q Adjacent to the proposed unit there is an area shown by a dashed line. What is that area?

A This is a unit operated by Southern New Mexico Oil Corporation.

Q Now, referring to what has been marked Applicant's Exhibit 2, would you identify that exhibit?

MR. UTZ: Mr. Kellahin, let's clarify this exhibit. I've got a bunch of exhibits marked Plat "A", "B", "C" and so forth.

MR. KELLAHIN: Mr. Porter has an official exhibit and they are marked with the number.

MR. UTZ: I don't seem to have an Exhibit 1 as you call it.

MR. KELLAHIN: It's this exhibit. Mr. Porter has the exhibits that were marked by the reporter as Exhibits 1

through 5.

MR. NUTTER: Exhibit 1 is the location?

MR. KELLAHIN: Yes, sir.

MR. UTZ: Exhibit 2 there?

MR. KELLAHIN: That's marked Plat "A", "B", "C", "D".

MR. UTZ: And 3 will be "B"?

A That is correct; 4 will be "C" and 5 will be "D".

Q (By Mr. Kellahin) If you will refer to Exhibit Number 2 which is designated as Plat "A", would you identify that exhibit, please, Mr. Ryan?

A Plat "A" is a contour map on the top of the Strawn Reef which is a pay horizon of the field.

Q What is the purpose of this exhibit?

A The purpose is to show that our well location is, in our eyes, one of the most favorable locations to drill a well and to recover all the oil possible that we're entitled to, and we feel that this well should be the most favorable location as far as the economics of our tract.

Q In your opinion, is the entire proposed unit located in a high within the Strawn Reef?

A Yes.

Q In the lower left-hand corner of the exhibit there are portions of logs, what's the purpose of that?

A This is an illustration of the correlation of the

top of the reef, which is what the contours are based on. It's more or less just to show that this is the point that we're concerned with in the Exhibit 2.

MR. UTZ: Which wells are shown there?

A These are just two wells selected at random that I thought would illustrate--

Q (By Mr. Kellahin) In other words, this is in the nature of a sample log?

A Yes.

Q Referring to Exhibit 3, would you identify that, please?

A Exhibit 3 is an isopach of the Strawn Reef Section. There again, in the south or in the corner of the map the coloring in blue illustrates the section involved in compiling the map.

Q In preparing your exhibits did you refer to logs from a number of wells in the area?

A Yes, sir.

Q Could you say about how many?

A Practically all of them, I think we might have lacked only one or two, I believe two. We had access to practically all the wells.

Q In general, what thickness of the pay section would you find in the pay section?

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A In excess of 100 of reef section.

Q Referring to Exhibit 3, would you identify that exhibit?

A Exhibit 3 is a contour map on top of the Strawn Reef porosity.

Q How was that map prepared?

A This is a pick that would be the uppermost effective porosity in each well bore. There again, our geology shows that our location is most favorable as far as getting as high on top of the reef porosity as possible.

Q Is the purpose of this to show the location of the porosity within the vertical limits of the formation?

A Yes, sir.

Q And this exhibit, you say, reflects that it would be high on the formation, high in the structure?

A Yes, sir.

Q What is the general nature of the formation in the Lusk Strawn pool, is it a porosity development primarily or is it--

A In this area of interest in our well location, the reef is more, we have a maximum of about a hundred feet of reef expected and we believe in late permian time this area was, you know, again to form a structure, so we have a combination of reef development plus structure.

Q And you look for both in trying to pick a well location?

A Yes, as you go off where we show structure and the reef, that actual reef will diminish at the same time it has been uplifted in the structure.

Q Referring to Exhibit 5, would you identify that exhibit?

A This is an isopach of the net reef porosity. This just shows that we believe that we're going to find in excess of 30 feet of reef porosity within our reef section, which we believe we'll have better than a hundred feet.

Q In this application, Mr. Ryan, Penroc Oil Corporation is asking for an unorthodox well location. What is the reason for this well location?

A The location according to the data that we've developed here is most ideally located. It should reach the highest point on the reef, we should find our porosity at the highest point. We should have maximum reef development and maximum porosity development.

Q In your opinion are all of the proposed units productive of oil from the Strawn?

A We believe it is.

Q According to the exhibits you have submitted, a location farther to the north would be satisfactory to you, would

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it not?

A Well, it would be.

Q Do you have any reason for not moving farther north then?

A Yes. We look at our maps, we can see that there are a number of dry holes that have been drilled in, say, the north portion of this field that we're involved in. There is an apparent high risk factor, there is evidence of a dense portion of the reef that may be actually a factor of secondary porosity development from structural uplift, and we believe that it will be on the flanks of this development as shown by our Exhibit 5. We've shaded an area in gray that we have proof is, we'll say, tight. There is no reef porosity developed. It would be commercial. There is a chance and we can't be dogmatic about it, but there is a chance that this actually could be a dense streak through the reef that could come right across your structure.

Q That would not mean it was not productive, it would just be a reduced recovery, is this correct?

A Well, it would depend, say, we did drill a location to the north, say, 1980 from the south and east of the section. There is a possibility that we wouldn't have any porosity. We don't believe it is. We believe our mapping is accurate. We have a lot of good control. We thoroughly believe

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in it, but a small company as we are, we have to spend every dollar we have in the best way we can. These wells cost from a hundred and ten to a hundred and fifteen thousand dollars. We believe this location is the best location we could take with the least risk.

Q In your opinion, a well drilled at that location, would it impair the correlative rights of any operator?

A No, sir.

Q Were the exhibits prepared by you?

A Yes, Mr. John Castle and myself.

MR. KELLAHIN: At this time I would like to offer Exhibits 1 through 5.

(Whereupon, Applicant's Exhibits 1 through 5 were offered into evidence.)

MR. UTZ: Without objection the exhibits will be entered.

(Whereupon, Applicant's Exhibits 1 through 5 were admitted into evidence.)

MR. KELLAHIN: That's all I have on direct examination.

CROSS-EXAMINATION

BY MR. UTZ:

Q Mr. Ryan, who did you say was in the Southeast and Southeast of Section 7?

A The operating rights of the tract belonging to the

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Southern New Mexico Oil Corporation.

Q You contacted them?

A Yes, sir.

Q And no response?

A The first response is that they wouldn't farm out to us. We asked for this at first and they said, "No", and on our second request we asked to join and we weren't advised.

Q Apparently they weren't interested in communitizing?

MR. PORTER: Do you have a copy of your communication?

Q (By Mr. Utz) Mr. Ryan what would be a standard location for this well in the Southeast quarter of Section 7?

A 660 from the south line and 1980 from the east line.

Q That's the location you have?

A No, the location we have selected is 1650 from the east line.

Q I see. The standard location would be 1980, did you say?

A Yes, sir.

Q So actually you're 330 feet off from the standard location?

A Yes, sir.

Q You received no objection from the Southern New Mexico Oil Company?

A No.

Q I believe you stated that it was your opinion, based on your contours shown here in these exhibits, that the entire unit would be productive if the well was productive?

A Yes, sir.

MR. PORTER: One question. This is a wildcat well, isn't it?

A No, sir, this would be a regular field well location.

MR. NUTTER: What kind of well is that, I'm just curious; Pan American Greenwood Number 7?

A Number 7 is a very poor well. It was completed from Bone Springs Wolf Camp and the reef.

MR. PORTER: All right. What about this Tenneco Well Number 32?

A That is a good well.

MR. PORTER: I believe that's all I have.

CROSS-EXAMINATION

BY MR. NUTTER:

Q Mr. Ryan, how many feet of net porosity does it generally take to make a good well here?

A Well, at this depth, perhaps fifteen. There are wells that--say, here's a well over here, had nineteen feet in Section 14, it's a good well. We'd have ten feet at this depth. It would probably be considered marginal. The fact seems to be that if you have--if you are in the best spot for your

maximum porosity development, it seems to be better. You get off on the flank and your porosity is broken, isn't as uniform.

Q You calculate that you will have approximately 30 feet of net porosity throughout your unit?

A Yes, sir, within the 30 foot contour line.

Q Do you know what Southern New Mexico intends to do with that 40 of theirs sitting in the corner?

A It is assigned to the unit and we've been told that the royalty owners under that 40 are being paid royalty from the unit, they're participating in the unit production.

Q What type of a lease is that, State, Fee, or Federal, or what?

A I believe that's a Federal Lease.

MR. KELLAHIN: I think the records will show that it is a Federal Lease held by Pan American.

Q (By Mr. Nutter) But Southern New Mexico is the operator of the unit that this 40 is dedicated?

A Yes, sir.

Q When the well was drilled in the Southwest of the Southwest of that Section, how much was dedicated to it?

A Actually, ours is a new lease, we weren't involved in that.

Q I see.

A I'm not familiar with what acreage is designated to that well at that time.

MR. NUTTER: I believe that is all.

CROSS-EXAMINATION

BY MR. PORTER:

Q Mr. Ryan, generally speaking, how is the production holding up on the wells in this pool, the allowables are rather high?

A Well, we've checked production history on quite a few of the wells and they're--we've seen a failure, initially, quite a bottom hole pressure drop, but they've recovered a lot of oil. The wells surrounding our tract aren't making their top allowable. The Shell Middleton Number 1 is relatively a poor well considering some of the wells down in Section 30. They're all excellent top allowable wells.

MR. PORTER: Thank you.

RECROSS-EXAMINATION

BY MR. UTZ:

Q Mr. Ryan, here on the 330 feet non-standard, do you think the 330 feet would make that much difference in moving away from the dry hole over in the Southwest of the Southwest, is that dry hole the reason you're afraid to move over there?

A We don't know. It's what I would say would be

insurance. 330 feet could be very important.

Q What acreage was dedicated to the Tenneco Number 32 Number 1?

A The 32 is the 32 feet.

Q That's southwest of Section 8?

A The data that we could gather, it apparently is scattered in Section 8, I'm not exactly sure how this 80 acres fits down in the south half of the Southwest quarter of 8, but from the data we have it's associated with the odd unit in Section 18, and we're not exactly sure how the 40 in Section 7 got up there. They told us that the unit was set out on the basis of a geologic interpretation productive area that they wanted to include in their unit, but I can't understand the odd setup that was apparently approved through this application for the unit.

Q At any rate, that 40 is dedicated to some unit?

A Yes, it's dedicated to the unit to the south.

MR. UTZ: Any other questions? The witness may be excused.

MR. KELLAHIN: I would like to put in another exhibit, Mr. Utz.

REDIRECT EXAMINATION

BY MR. KELLARIN:

Q Mr. Ryan, I hand you what's been marked as Exhibit 6

and ask you to identify that.

A This is the request by Penroc for the unit, the Southern New Mexico Oil Corporation unit to participate in a well with the standard unit of the Southeast quarter of Section 7.

Q What does the lower portion show?

A We sent the letter certified mail.

Q This is a copy of records in your files, is this correct?

A Yes, sir.

Q Did you receive an answer to that letter?

A No, sir.

MR. KELLAHIN: At this time I would like to offer in evidence Exhibit 6.

(Whereupon, Applicant's Exhibit 6 offered into evidence.)

MR. UTZ: It will be entered.

(Whereupon, Applicant's Exhibit 6 admitted into evidence.)

MR. KELLAHIN: That's all I have.

MR. UTZ: Any statements in this case?

MR. CHRISTY: Sim Christy, for Southern New Mexico Oil Corporation. Mr. Examiner, Southern New Mexico is the operator of the Lusk Deep Unit which is shown on Exhibit 1. It is also the owner of 75 percent of the working interests and

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I appear here as the working interest operator and not as a unit operator. We did receive the letter referred to as Exhibit 6. We communicated that request to the other working unit owners. I believe the letter says a net 70 percent interest, Penroc; in fact, we only have 68 percent. We did apply, I quote back from the telegram to Penroc which I believe was sent yesterday or the day before; "Cannot accept your request for farmout at 70 percent net interest in the operating rights in the Southeast quarter, Southeast quarter, Section 7, 19 South, 32 East, Lea County, New Mexico. SNMOC will negotiate on some equitable basis for the formation of a standard proration unit with the well site being located 660 feet from the South line and 1650 feet from the East line of Section 7 as you have proposed in Case 3367.

This morning at 8:00 o'clock, Midland time, we received a wire back from Penroc. It said, "Please advise by 8:30 A.M. what basis you will farmout or participate". We cannot answer them in a half hour. We have to communicate with the other working interest owners who are Phillips, Kerr McGee and Gulf, and perhaps Pan American. I forgot, we have no objection to the well location sought. We wish them well in the effort to discover new oil. We do object to the unorthodox spacing and we are willing to negotiate on some rules. I believe the Commission has had enough difficulty on this. To answer the Commission's question in connection with the Tenneco Well, I happen to know this offhand, the Tenneco No. 1 Well, in Section

8 is a communitized area consisting of the entire southwest quarter of Section 8. The unit committed the South half of the Southwest, and the Tenneco committed the North half of the Southwest.

MR. UTZ: Mr. Christy, this would indicate the Southeast of the Southeast of 7 is not dedicated to the unit.

MR. CHRISTY: It is within the Strawn formation. The unit is receiving some allocation, it is a Federal Lease.

MR. UTZ: It is not dedicated to a drilling unit?

MR. CHRISTY: No, and we are willing to participate on a standard proration area. We have no objection in the Southeast quarter.

MR. UTZ: Mr. Ryan, this 160 acres shown on your Exhibit 5 in yellow, consists of all the acreage you own in Section 7?

A No, sir, actually New Mexico Lease 558128 is the North half of the Southeast and the Southwest of the Southeast and the North half of the Southwest. We only include the 160 acres in this application as shown in yellow. The Northwest Southwest is Penroc, a Penroc Lease, it's a portion of the base lease.

MR. UTZ: Any further statements?

MR. KELLAHIN: Would you tell us when the telegram was

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sent Mr. Christy, the telegram saying you could not accept the offer of December 29th?

MR. CHRISTY: I received it last night, Jason. I don't know whether it was sent yesterday or the day before, and the other wire we received back from you was received this morning at 8:00 o'clock.

MR. KELLAHIN: I have just observed that the letter asking for participation in the unit was dated December 29, and the receipt shows it was received by Southern New Mexico on December 30th. Apparently no answer has been received from Penroc at the time Mr. Ryan left Midland to attend this hearing, so I would say the time was a little short all the way around.

MR. UTZ: Mr. Ryan, what urgency is there as far as drilling this well is concerned? Are you ready to go, or is it a matter of a couple of weeks making too much difference to you?

A Mr. Examiner, we are ready to go. We have secured the reasonable drilling bid, there is a rig in the area which will be available to us, and we have our financing completely lined out. We have partners in this venture. We arranged for these partners, prior to coming to this meeting. It would be rather difficult for us to rearrange our working interest participation in the well at this time. At an earlier

date we could have perhaps negotiated some reasonable deal, but we have a schedule of drilling which is more or less unique to a small company. We have to do these things as we get to them and get on something else. I would suggest that we're ready on this one.

MR. PORTER: May I ask a question.

MR. UTZ: Surely.

MR. PORTER: I notice your letter to Southern New Mexico Corporation is dated December 29, 1965. What is the date of your application for this hearing?

A I don't know.

MR. PORTER: It was received here, I believe, January 3rd, so actually not much time elapsed between the time you notified these people and the time you filed your application, apparently three or four days.

A Something like that. There again, that's the factor of the way we operate. We can operate fast, we realize that. They have their problems with committee meetings, I assume, and groups. At the same time we have to operate in our own way. We assume that if they did answer, say, within a week, they could give us some indication to go and we could have a hearing. At the same time we wanted to go ahead with our hearing and in the event they objected, didn't want to join, we'd go ahead with our rig plans and drill the well.

MR. PORTER: Mr. Christy, I understand you're objection is to the configuration here that they propose rather than the location of the well?

MR. CHRISTY: That is correct. We have no objection to well location. We do have objection to getting off the pattern of standard 160 proration unit.

MR. PORTER: At this time do you have any idea how long it will take to bring the negotiations to a successful conclusion?

MR. CHRISTY: If I could answer when we would hear back from Gulf and Phillips, and so on, I would assume we would know something definitive in two or three weeks.

MR. UTZ: I gather, Mr. Ryan, you won't want to start the well until this has been worked out completely?

A We're all worked out as far as we're concerned. We're completely lined out on the well. If the Commission should grant this request, this application, we'll start the well as quick as we can; our working interest is set, too. If the application is turned down and we are forced to go into working out an agreement with the unit, I think at this time we're at a disadvantage because then they can dictate to us. What's mutually satisfactory to them might not be to us. We've been turned down, now, we're in trouble so to speak. We have to fight Phillips, Kerr McGee, Shell--we're a little old

Penroc in Midland, it's difficult; it might not be two or three weeks.

MR. UTZ: If they're really interested in trying to get together with you in a couple of weeks it should tell the tale one way or the other.

A We've been that route before, though, with them. We respect them, but at the same time--

MR. UTZ: In view of the circumstances I think the Examiner will rule at this time that they will set aside a decision on this for a period of two weeks to see what the outcome of the negotiations will be. I think that will give them enough time.

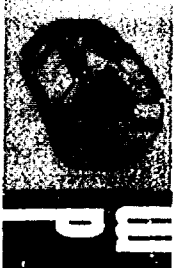
MR. KELLAHIN: Mr. Christy, would you so notify your clients--

MR. CHRISTY: They will be so notified.

MR. KELLAHIN: --that the Examiner will withhold recommendations for two weeks pending outcome of these negotiations?

MR. UTZ: The Case will be taken under advisement as stated.

THE WITNESS: Thank you very much.



I N D E XWITNESSES:PAGE

J. C. RYAN

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1120 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO
1213 FIRST NATIONAL BANK EAST • PHONE 236-1294 • ALBUQUERQUE, NEW MEXICO



STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, BOBBY J. DAVIS, 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 this 9th day of February, 1966.

Bobby J. Davis
NOTARY PUBLIC

My Commission Expires:

March 13, 1969

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3367 heard by me on January 26, 1966.

Julia J. [Signature], Examiner
New Mexico Oil Conservation Commission

December 29, 1965

N.M. 111

Re: Lusk Deep Unit
Lea County, New Mexico

Certified - Return Receipt Requested

Southern New Mexico Oil Corporation
P. O. Box 1659
Midland, Texas

Attention Mr. S. H. Snoddy, Land Manager

Gentlemen:

Penroc Oil Corporation proposes to drill a Strawn test to approximately 11,600 feet at a location in the SE/4 of Section 7, T-19-S, R-32-E, Lea County, New Mexico. As owner of the operating rights in the SE/4 SE/4 Section 7, we request that you consider joining Penroc in the drilling of the above well, or farmout a 70% net interest in the operating rights in the SE/4 SE/4 of Section 7, to a depth 100 feet below total depth drilled. Penroc proposes to drill the above test at the earliest possible date. Your early reply will be appreciated.

Very truly yours,

PENROC OIL CORPORATION

H. Brace Wignell

HBW:mlm

cc: Mr. P. B. Abbey
Pan American Petroleum Corporation
P. O. Box 268
Lubbock, Texas

App 1 P. 6
12/30/65

No. 626746

RECEIPT FOR CERTIFIED MAIL - 204

Southern New Mexico Oil Corp	
P. O. Box 1659	
Midland, Texas	
XX	It shows to whom, when, and address where delivered
XX	It shows to whom, when, and address where delivered
XX	It shows to whom, when, and address where delivered
FEES ADDITIONAL TO POSTAGE	
CAUTION NOT FOR INTERNATIONAL MAIL	

DEC 30 1965

INSTRUCTIONS TO DELIVERING EMPLOYEE
Show to whom and when delivered ☐ Deliver ONLY to addressee
(Additional postage required for these services)

RECEIPT
Received the numbered article described below.

REGISTERED NO. 626746

CERTIFIED NO. 626746

INSURED NO.

DATE DELIVERED DEC 30 1965

SIGNATURE OF ADDRESSEE'S AGENT IF ANY

POSTAGE COVERED (mark if required)

DEC 30 1965

626746

Case 3367

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

APPLICATION OF PENROC OIL CORPORATION
FOR APPROVAL OF A NON-STANDARD PRORA-
TION UNIT IN THE LUSK-STRAWN POOL, LEA
COUNTY, NEW MEXICO.

A P P L I C A T I O N

Comes now Penroc Oil Corporation and applies to the Oil Conservation Commission of New Mexico for approval of a non-standard drilling and proration unit consisting of 160 acres, as an exception to the provisions of Order No. R-2175-B, and in support thereof would show:

1. Applicant proposes to drill at a location 660 feet from the South line and 1650 feet from the East line of Section 7, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico, and dedicate to said well the $N\frac{1}{2}SE\frac{1}{4}$, $SW\frac{1}{4}SE\frac{1}{4}$, and $NE\frac{1}{4}SW\frac{1}{4}$ of Section 7, Township 19 South, Range 32 East.

2. Attached to this application is a plat, showing to the best of applicant's information and belief the ownership of acreage in the vicinity of applicant's acreage.

3. Approval of this application will result in the prevention of waste, and the correlative rights of other owners in the pool will not be impaired.

WHEREFORE, applicant prays that this application be set for hearing before the Commission's duly appointed examiner and that after notice and hearing as required by law, the

DOCKET MAILED

Date 1-3-60

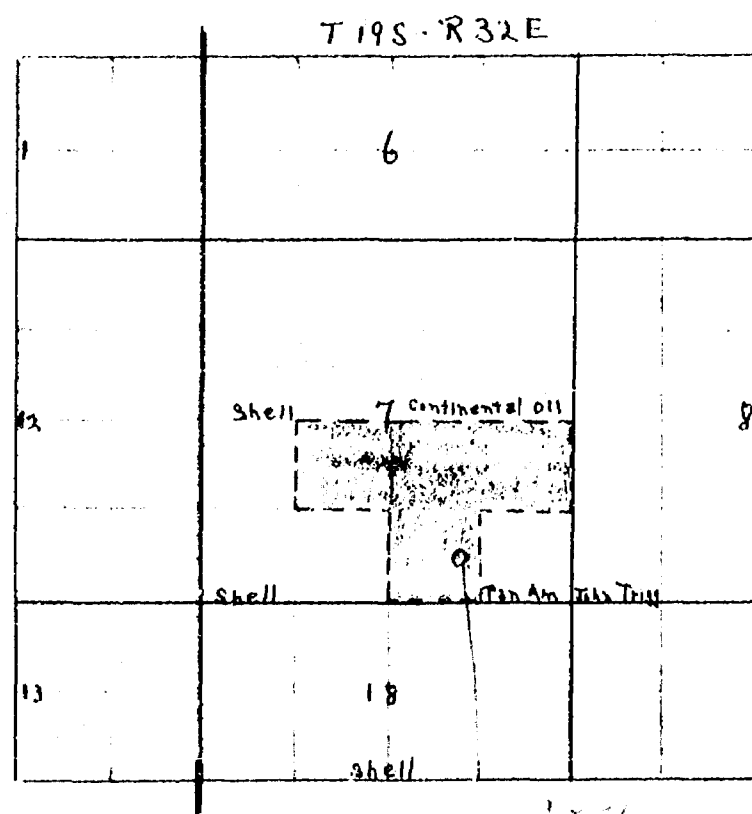
Commission enter its order approving the non-standard unit
as prayed for.

Respectfully submitted,
PENROC OIL CORPORATION

By Jason W. Kellahin
KELLAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico

ATTORNEYS FOR APPLICANT

Case 3367



660' FSL
1650' FSL

Proposed Unit

DRAFT

JMD/esr

Feb. 9, 1966

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:

CF Subj. _____

CASE No. 3367

Order No. R-3042

APPLICATION OF PENROC OIL CORPORATION
FOR A NON-STANDARD OIL PRORATION UNIT,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
January 26, 1966, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this _____ day of February, 1966, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, 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 approval
of a 160-acre non-standard oil proration unit comprising the NE/4
SW/4, N/2 SE/4, and SW/4 SE/4 of Section 7, Township 19 South, Range
32 East, NMPM, in the Lusk-Strawn Pool, Lea County, New Mexico.
- (3) That the applicant proposes to dedicate the proposed non-
standard unit to a well to be drilled 660 feet from the South line
and 1650 feet from the East line of said Section 7.
- (4) That approval of the proposed non-standard oil proration
unit would afford the applicant the opportunity to produce more
than its just and equitable share of the oil in the Lusk-Strawn
Pool.

(5) That approval of a 120-acre non-standard oil proration unit comprising the N/2 SE/4 and SW/4 SE/4 of said Section 7 will afford each operator in the Lusk-Strawn Pool the opportunity to produce his just and equitable share of the oil in the pool, and will otherwise prevent waste and protect correlative rights.

(6) That the application should be denied insofar as it requests inclusion of the NE/4 SW/4 of said Section 7 in the proposed non-standard proration unit.

IT IS THEREFORE ORDERED:

(1) That a 120-acre non-standard oil proration unit in the Lusk-Strawn Pool comprising the N/2 SE/4 and SW/4 SE/4 of Section 7, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, is hereby established and dedicated to the Penroc Oil Corporation well to be drilled 660 feet from the South line and 1650 feet from the East line of said Section 7.

(2) That the applicant's request for inclusion of the NE/4 SW/4 of said Section 7 in the proposed non-standard oil proration unit is hereby denied.

(3) 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.

COPY

COPY

SOUTHERN NEW MEXICO OIL CORPORATION
P. O. BOX 1659
MIDLAND, TEXAS

MAIN OFFICE 000

FEB 21 AM 1966

February 18, 1966

Penroc Oil Corporation
Box 1004
Midland, Texas

Re: Your NM-44
Lusk Deep Unit Area
Lea County, New Mexico

Attention: Mr. John B. Castle

Gentlemen:

Please refer to our prior correspondence in connection with the above referenced matter.

This will advise you that we have now polled the other working interest owners in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 7, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico, as requested by you, and we have the following to report:

1. Kerr-McGee Oil Company and Phillips Petroleum Company do desire to participate with you in forming a standard proration unit to drill a proposed Strawn test well 660' FSL and 1650' FEL of Section 7, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico.
2. Neither Gulf Oil Corporation nor Southern New Mexico Oil Corporation elect to participate with you in drilling this proposed well.
3. As a matter of compromise with regard to Southern New Mexico Oil Corporation's interest in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 7, Southern New Mexico Oil Corporation will agree to farm out its interest to you on a basis so that after you recover 125% of all drilling, completion and direct operating expenses incident to the test well, the assignment of operating rights from Southern New Mexico would cease, and all interest assigned thereunder would revert to Southern New Mexico

Penroc Oil Corporation

-2-

February 18, 1966

Oil Corporation. Your own testimony before the New Mexico Oil Conservation Commission indicated that you have an excellent chance of making a good producer at the location you have selected, so presumably the proposed well would not be classified as a rank wildcat.

4. We believe that Gulf Oil Corporation might agree to farm out their interest to you on a basis similar to our proposal in paragraph number 3 above.

Very truly yours,

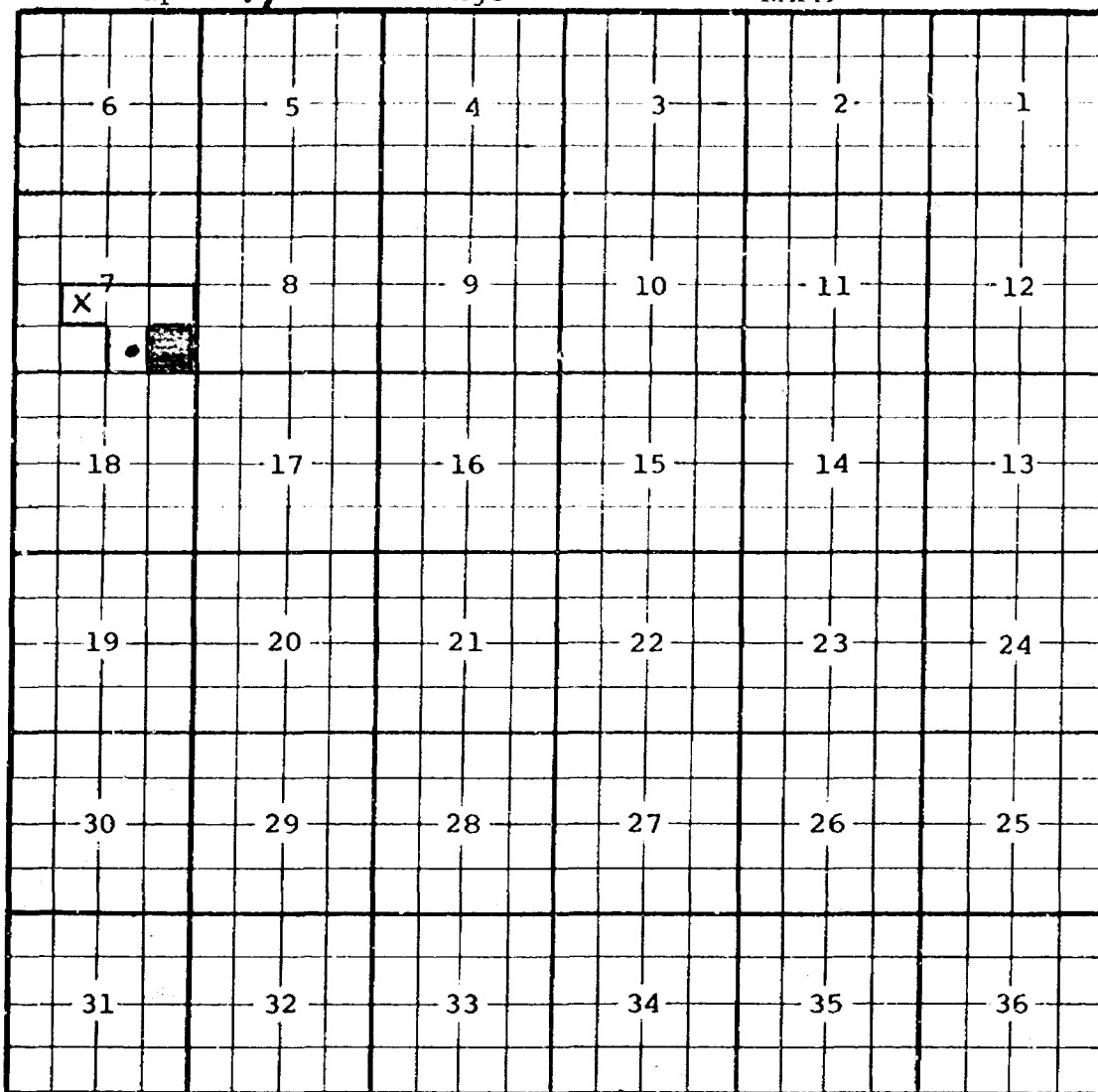
SOUTHERN NEW MEXICO OIL CORPORATION

By S. H. Snoddy
S. H. Snoddy, Land Manager

SHS:bb

cc: ✓ New Mexico Oil Conservation Commission
Phillips Petroleum Company
Gulf Oil Corporation
Kerr-McGee Oil Company

County LEH Pool 1-USA-SIKHUN
 Tounship 19 Range 32 NMPM



- Note →
1. The spacing unit for this oil pool is 160 acres.
 2. Applicant requested 160 non-standard unit outlined in red.
 3. Application was opposed by owners of 40 acres shown in blue.
 4. The examiner ruled that he would withhold a recommendation for two weeks to allow time for further negotiations (an effort was made by applicant to begin negotiations Dec. 29, 1965).
 5. The two weeks are up and no agreement has been reached. Owners of blue acreage request two more weeks. Further delay is opposed by applicant.
 6. Examiner recommends non-standard unit of 120 acres leaving out the 40 acres indicated by an X.
 7. This would allow applicant to drill the well and leave the door open to either party for compulsory pooling.

COPY

COPY

SOUTHERN NEW MEXICO OIL CORPORATION
P. O. BOX 1659
MIDLAND, TEXAS

MAIN OFFICE OCC

FEB 2 PM 1:23

January 28, 1966

Penroc Oil Corporation
201 Wall Building
Midland, Texas

Re: Lusk Deep Unit Area
Lea County, New Mexico

Attention: Mr. Castle

Gentlemen:

You have indicated that Penroc and its associates wish to drill a Strawn test well 660' FSL and 1650' FEL of Section 7, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico. You have requested Southern New Mexico and its associates to either join in the drilling of this well or to farm out their working interest in a standard Strawn proration unit which may be allocated to your well if productive. Such standard proration unit is the SE $\frac{1}{4}$ of said Section 7, and Southern New Mexico and its associates own working interests in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 7 by virtue of Federal lease NM 025779-A.

We have heretofore advised you that Southern New Mexico and its associates own only a 68% net working interest, and you are advised that Southern New Mexico is the owner of 75% of these working interest rights; and the other owners are Phillips Petroleum Company, Gulf Oil Corporation and Kerr-McGee Oil Company. These recitals of interest and ownership are for your information, but are not to be considered as covenants upon which you may rely.

Subject to the other provisions hereof, Southern New Mexico agrees to farm out to you its interest in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 7 without cash consideration; this offer of farm out is open for thirty (30) days from this date and is subject to the following:

January 28, 1966

1. Within thirty (30) days after you accept the farm out, you shall commence or cause to be commenced the drilling of a test well located approximately 660' FSL and 1650' FEL of Section 7, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico, and you shall thereafter diligently and promptly, and in a good and workmanlike manner, drill such well to a sufficient depth to adequately test the Strawn formation; if production in paying quantities is encountered in such formation, you will promptly and diligently complete such well and shall thereafter operate the same in a manner customary in the area and industry. If after testing the Strawn formation it is determined that production therefrom cannot be obtained in paying quantities, you may complete the well in any other formation at a greater or lesser depth, failing in which you shall properly plug and abandon the well. The entire risk, cost and expense of all drilling, completion, plugging and operating expenses relative to said well shall be borne exclusively by you, and Southern New Mexico shall have no liability or responsibility therefor.

2. If the test well is completed as a producer of oil or gas in paying quantities in the Strawn formation, Southern New Mexico will assign to you, by operating rights and not by record title, all of its interest in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 7 for depths from 4500 feet to 100 feet below the total depth the well is drilled but not deeper than 100 feet below the base of the Strawn formation. Such assignment of operating rights to be on a form and to contain such terms and provisions as are customary in the industry and area and which are reasonably acceptable to our attorneys. The assignment of operating rights shall contain a provision that when you and your associates have recouped 100% of all drilling, completion and direct operating expenses incident to the test well, the operating rights assignment shall cease and all interest assigned thereunder shall revert to Southern New Mexico. In this connection the operating agreement shall provide that any proceeds representing production allocated to any interest created, sold or conveyed by you subsequent to January 26, 1966 shall constitute amounts recovered by you in determining such 100% recoverable costs.

3. In the drilling, completion and production of the test well and during the lifetime of the operating agreement, if earned, you shall furnish Southern New Mexico such reports, samples, logs, and similar data as it may reasonably require,

Penroc Oil Corporation

-3-

January 28, 1966

and you shall prepare and file all required notices, reports, and other information required by any regulatory body having jurisdiction. If your attorneys so require it, Southern New Mexico will join in an appropriate communitization agreement covering the Strawn formation in the SE $\frac{1}{4}$ of said Section 7, the terms of which communitization agreement shall be reasonably acceptable to our attorneys.

We wish to emphasize that this offer of farm out relates solely to the interest of Southern New Mexico in the premises and should not be considered as such an offer from the other working interest owners in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 7; you will doubtlessly wish to contact them concerning this matter.

Yours very truly,

SOUTHERN NEW MEXICO OIL CORPORATION

By: S. H. Snoddy
S. H. Snoddy, Land Manager

SHS:bb

cc: New Mexico Oil Conservation Commission
Phillips Petroleum Company
Gulf Oil Corporation
Kerr-McGee Oil Company

COPY

SOUTHERN NEW MEXICO OIL CORPORATION
P. O. BOX 1659
MIDLAND, TEXAS

MAIN OFFICE OCC

COPY

FEB 7 AM 7:51

February 3, 1966

Penroc Oil Corporation
Box 1004
Midland, Texas

Re: Your NM-44
Lusk Deep Unit Area
Lea County, New Mexico

Attention: Mr. John B. Castle

Gentlemen:

We are in receipt of your letter dated February 1, 1966 in connection with the captioned, which is in reply to our letter to you of January 28, 1966. We note that you find our offer of a farmout "unreasonable and unacceptable." We regret that you feel our offer is unacceptable; we feel that the offer is reasonable in view of the testimony and documentary evidence you offered in N.M.O.C.C. Case No. 3366. However, we realize that opinions differ on the matter, and we are certainly willing to continue to negotiate with you in an attempt to find some equitable basis for the formation of a standard proration unit, in order that you may proceed to drill a Strawn test well 660' FSL and 1650' FEL of Section 7, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico.

In your letter of February 1st, you request that we advise you specifically what equitable terms the Lusk Deep Unit participants desire. As we advised you in our letter of January 28th, our offer of farmout related only to Southern New Mexico's interest in the property, and we therein suggested that you might wish to contact the other working interest owners, to-wit: Phillips Petroleum Company, Gulf Oil Corporation, and Kerr-McGee Oil Company. We now understand that you are requesting us to contact these other working interest owners for you, and we will immediately do this and we will advise you as soon as we have heard from them on the point. By

February 3, 1966

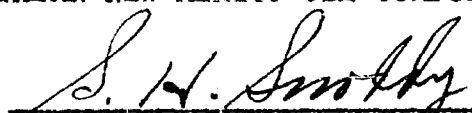
carbon copy hereof, we are submitting to such working interest owners a copy of all of our correspondence with you on this matter, and we are asking each of such companies to advise us upon what basis they would be willing, and upon what basis they feel is equitable, to either farm out or join with you in the drilling of the above well.

As we previously explained to you in Santa Fe, New Mexico, and as we advised the Commission in connection with your application for unorthodox proration unit, there will doubtless be a minor delay in hearing from Phillips, Gulf and Kerr-McGee but we will certainly keep you advised of all pertinent information received from them, and will let you know as soon as we have definitive thoughts from our co-owners. However, in view of the fact that you have requested us to contact Phillips, et al, instead of your contacting them directly, we feel it only reasonable to ask the New Mexico Oil Conservation Commission to further defer consideration of your application in Case 3366 for an additional two week period in order that we may have time in which to receive replies from these companies and to forward them to you; therefore, by carbon copy hereof, we are asking the New Mexico Oil Conservation Commission to further defer consideration in Case 3366 until at least February 23, 1966.

Respectfully submitted,

SOUTHERN NEW MEXICO OIL CORPORATION

By:


S. H. Snoddy, Land Manager

SHS:bb

cc: New Mexico Oil Conservation Commission
Phillips Petroleum Company
Gulf Oil Corporation
Kerr-McGee Oil Company

MAIN OFFICE OCC

JAN 31 AM 10:38

January 29, 1966

Re: Lusk Field Area
Lea County, New Mexico

Southern New Mexico Oil Corporation
P. O. Box 1659
Midland, Texas, 79701

Attention Mr. S. H. Snoddy

Gentlemen:

On Thursday, January 27, 1966, we called you requesting information on what Southern New Mexico Oil Corporation had in mind concerning negotiating with Penroc in the drilling of the reference well. This is in answer to your telegram of January 25, 1966, and subsequent New Mexico Oil Conservation Commission hearing on January 26, 1966.

Now, in that Southern New Mexico Oil Corporation did not have a proposal formulated at the time of our telephone conversation, Penroc does submit the following proposal to Southern New Mexico:

Penroc does request a farmout on the 40 acre tract, being the SE/4 SE/4, Section 7, T-19-S, R-32-E, Lea County, New Mexico, on the basis of a 65% net interest lease and will drill a well sufficient to test the Strawn reef pay zone of the Lusk (Strawn) Field at a location 660' FSL and 1650' FEL of the section as proposed in Case 3367 before the Commission, said 40 acre tract to be part of the drilling unit with the N/2 SE/4 and SW/4 SE/4 of Section 7, so as to form a standard proration unit as required by Lusk (Strawn) Field rules.

We respectfully request as early an answer to our proposal as possible. As you know the Examiner, Mr. Utz, did set a two week limit to conclude negotiations. We do advise that a drilling rig will be available to us prior to that time and that we do have a bid from the contractor. In the event

Southern New Mexico Oil Corporation

January 29, 1966

we should fail to utilize this rig and bid because of delay, we may be faced with an additional considerable expense in moving in another rig.

Very truly yours,

PENROC OIL CORPORATION

John B. Castle

JBC:lm

cc: Mr. Elvis A. Utz
New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

COPY FOR -

Mr. Jason Kellahin
Kellahin and Fox
P. O. Box 1769
Santa Fe, New Mexico, 87501

Certified Mail - Return Receipt Requested

MAIN OFFICE OCC

FEB 3 AM 10:50

February 1, 1966

Re: NM-44 Lusk Deep Unit Area
Lea County, New Mexico

Southern New Mexico Oil Corporation
P. O. Box 1659
Midland, Texas

Attention Mr. S. H. Snoddy

Gentlemen:

We are in receipt of your letter dated January 28, 1966, on this day, February 1, 1966. We find your offer of a temporary farmout unreasonable and unacceptable.

We were advised by your telegram of January 25, and by your attorney at the New Mexico Oil Conservation Commission hearing on January 26, Case No. 3366, that you desire to "negotiate on an equitable basis for the formation of a standard proration unit." We assume "on an equitable basis" implies a mutually beneficial arrangement whereby a well may be drilled on a standard proration unit rather than on acreage wholly owned by Penroc Oil Corporation.

Penroc Oil Corporation has submitted several reasonable offers and is willing to negotiate further a mutually beneficial and satisfactory arrangement with your group. We request that Southern New Mexico Oil Corporation, as operator of the "Lusk Deep Unit" acreage involved, being the SE/4 SE/4 Section 7, T-19-S, R-32-E, Lea County, New Mexico, advise Penroc specifically what equitable terms the Lusk Deep Unit desires.

We respectfully request an early answer as time is very important to us.

Very truly yours,

PENROC OIL CORPORATION

John B. Castle

JBC:mlm

February 1, 1966

cc: Mr. Elvis A. Utz
New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Mr. Jason Kellahin
Kellahin and Fox
P. O. Box 1769
Santa Fe, New Mexico, 87501

Certified Mail - Return Receipt Requested

Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

MAIL OFFICE OCC

W. B. Hopkins
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

February 7, 1966

FEB 8 AM 10:05
P.O. Drawer 1938
Roswell, New Mexico 88201

Penroo Oil Corporation
201 Wall Building
Midland, Texas 79700

Re: Lusk Deep Unit Area, Lea County, New Mexico

Gentlemen:

Gulf Oil Corporation, as a minority working interest owner in the captioned Unit, is agreeable to the same terms as the Unit Operator, Southern New Mexico Oil Corporation, as outlined in their letter to you dated January 28, 1966 pertaining to the SE¹/₄ SE¹/₄ Section 7, Township 19 South, Range 32 East, Lea County, New Mexico.


Please advise at your convenience.

Yours very truly,



M. I. Taylor

JLH:deh

 cc: New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Southern New Mexico Oil Corporation
Post Office Box 1659
Midland, Texas 79700

Phillips Petroleum Company
Bartlesville, Oklahoma 74004

Phillips Petroleum Company
Post Office Box 791
Midland, Texas 79700

Kerr-McGee Oil Company
Kerr-McGee Building
Oklahoma City, Oklahoma 73102



JASON W. KELLAHIN
ROBERT E. FOX
FORREST S. SMITH

KELLAHIN AND FOX
ATTORNEYS AT LAW
54 1/2 EAST SAN FRANCISCO STREET
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

MAIN OFFICE OCC

TELEPHONE 982-4315
FEB 6 10:06
AREA CODE 505

February 7, 1966

Mr. A. L. Porter
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Re: New Mexico Oil Conservation
Commission Case No. 3367

Dear Mr. Porter:

I am in receipt of a copy of a letter from Southern New Mexico Oil Corporation, addressed to Penroc Oil Corporation, with copy to the Oil Conservation Commission, wherein they request an additional two weeks before an order is entered in the above case. They base their request for this extension of time on the contention they are, at Penroc's request, contacting Phillips Petroleum Company, Gulf Oil Corporation and Kerr-McGee Oil Company.

We urge that no additional time be granted.

At the time of the hearing of the above case before Mr. Elvis Utz, Commission Examiner, on January 26, it was announced no order would be entered for a period of two weeks, to give the parties, Southern New Mexico Oil Corporation and Penroc, an opportunity to negotiate the creation of a standard proration unit. This extension was based on Southern New Mexico's statement at the Oil Commission hearing that they were willing to negotiate with Penroc on an equitable basis, and will expire on February 9.

The Commission file will show that Southern New Mexico offered their acreage provided that Penroc would, within 30 days, commence the drilling of a well to the Strawn formation. If completed as a producer, Penroc would recover 100% of its costs, at which time the acreage would revert to Southern New Mexico. All drilling costs and risks would fall on Penroc. This offer Penroc, understandably, declined to accept.

Mr. A. L. Porter
Page 2
February 7, 1966

MAIN OFFICE OCC

FEB 8 AM 10:06

As testified at the hearing, Penroc had written to Southern New Mexico on December 29, asking that they either join in the drilling of the well, or give Penroc a farmout, and no answer was received to this letter prior to the time Penroc's witnesses left Midland to attend the hearing on January 26.

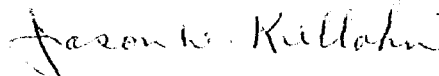
It seems to us apparent that Southern New Mexico does not wish to negotiate with Penroc, or participate in the well.

As testified at the hearing, and stated in Mr. John Castle's letter of January 29, a drilling rig is presently available to Penroc, and unless drilling operations are commenced, Penroc may be faced with additional expense in moving in another rig.

For the foregoing reasons, it is urged that no further delay in reaching a decision on the part of the Commission be granted on the terms of Southern New Mexico's request.

Very truly yours,

KELLAHIN & FOX



Jason W. Kellahin

jwk/mas

cc: Mr. John B. Castle
Penroc Oil Corporation

Mr. S. B. Christy IV
Hinkle, Bondurant & Christy

Mr. S. H. Snoddy
Southern New Mexico Oil Corporation

December 29, 1965

NMA. 1111

Re: Lusk Deep Unit
Lea County, New Mexico

Certified - Return Receipt Requested

Southern New Mexico Oil Corporation
P. O. Box 1659
Midland, Texas

Attention Mr. S. H. Snoddy, Land Manager

Gentlemen:

Penroc Oil Corporation proposes to drill a Strawn test to approximately 11,600 feet at a location in the SE/4 of Section 7, T-19-S, R-32-E, Lea County, New Mexico. As owner of the operating rights in the SE/4 SE/4 Section 7, we request that you consider joining Penroc in the drilling of the above well, or farmout a 70% net interest in the operating rights in the SE/4 SE/4 of Section 7, to a depth 100 feet below total depth drilled. Penroc proposes to drill the above test at the earliest possible date. Your early reply will be appreciated.

Very truly yours,

PENROC OIL CORPORATION

H. Brace Wiggall

HBW:mim

cc: Mr. P. B. Abbey
Pan American Petroleum Corporation
P. O. Box 268
Lubbock, Texas

BEFORE EXAMINER UTZ
C. CONSERVATION COMMISSION
EXHIBIT NO. 6
CASE NO. 3367

RECEIPT FOR CERTIFIED MAIL--20¢

SENT TO
Southern New Mexico Oil Corp.
STREET AND NO.
P. O. Box 1659
CITY AND STATE
Midland, Texas

POSTMARK
OR DATE

IF you want a return receipt, check which of the following you want to receive:
☒ Show to whom and when delivered
☐ Show to whom, when, and address when delivered
☐ Show to whom, when, and address when delivered (Additional charges required for these services)

FEES ADDITIONAL TO JOE FEE
CAUTION NOT FOR INTERNATIONAL MAIL (See other side)

DEC 30 1965

INSTRUCTIONS TO DELIVERING EMPLOYEE
☐ Show to whom and when delivered
☐ Show to whom, when, and address when delivered
☐ Deliver ONLY to addressee (Additional charges required for these services)

RECEIPT

Received the number of article described below.

REGISTERED NO. SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)

CERTIFIED NO. 626746 SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

INSURED NO. DATE DELIVERED

WHERE DELIVERED (with zip code)

DEC 30 1965

No. 626746

December 29, 1965

NM. 1112

Re: Lusk Deep Unit
Lea County, New Mexico

Certified - Return Receipt Requested

Southern New Mexico Oil Corporation
P. O. Box 1659
Midland, Texas

Attention Mr. S. H. Snoddy, Land Manager

Gentlemen:

Penroc Oil Corporation proposes to drill a Strawn test to approximately 11,600 feet at a location in the SE/4 of Section 7, T-19-S, R-32-E, Lea County, New Mexico. As owner of the operating rights in the SE/4 SE/4 Section 7, we request that you consider joining Penroc in the drilling of the above well, or farmout a 70% net interest in the operating rights in the SE/4 SE/4 of Section 7, to a depth 100 feet below total depth drilled. Penroc proposes to drill the above test at the earliest possible date. Your early reply will be appreciated.

Very truly yours,

PENROC OIL CORPORATION

H. Brace Wignell

HBW:mlm

cc: Mr. P. B. Abbey
Pan American Petroleum Corporation
P. O. Box 268
Lubbock, Texas

RECEIPT FOR CERTIFIED MAIL--204

SENT TO
Southern New Mexico Oil Corp.
STREET ADDRESS
P. O. Box 1659
CITY AND STATE
Midland, Texas

POSTMARK OR DATE
DEC 29 1965
USPO

IF YOU WANT A RETURN RECEIPT, CHECK WHICH
1. ☒ I am showing to whom and when delivered
2. ☐ I am showing to whom, when, and a business address where delivered
3. ☐ I am showing to whom, when, and a business address where delivered

FEES ADDITIONAL TO DELIVER
CAUTION NOT FOR INTERNATIONAL MAIL (See other side)

No. 626746

INSTRUCTIONS TO DELIVERING EMPLOYEE
Show to whom and when delivered ☐ Deliver ONLY to addressee
(Additional charges required for these services)

RECEIPT
Received the numbered article described below.

REGISTERED NO.
CERTIFIED NO.
INSURED NO.

SIGNATURE OF ADDRESSEE (Must always be filled in)
SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED
WHERE DELIVERED (When requested)

DEC 30 1965

State of New Mexico
Oil Conservation Commission



February 10, 1966

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,

Very truly yours,
A. L. Porter, Jr.
A. L. PORTER, Jr.
Secretary-Director

Carbon copy of order also sent to:

Hobbs OCC X
Artesia OCC
Aztec OCC

other

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. 3367
Order No. R-3042

APPLICATION OF PENROC OIL CORPORATION
FOR A NON-STANDARD OIL PRORATION UNIT,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
January 26, 1966, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this 10th day of February, 1966, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, 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
approval of a 160-acre non-standard oil proration unit comprising
the NE/4 SW/4, N/2 SE/4, and SW/4 SE/4 of Section 7, Township 19
South, Range 32 East, NMPM, in the Lusk-Strawn Pool, Lea County,
New Mexico.

(3) That the applicant proposes to dedicate the proposed
non-standard unit to a well to be drilled 660 feet from the South
line and 1650 feet from the East line of said Section 7.

(4) That approval of the proposed non-standard oil proration
unit would afford the applicant the opportunity to produce more
than its just and equitable share of the oil in the Lusk-Strawn
Pool.

-2-

CASE No. 3367

Order No. R-3042

(5) That approval of a 120-acre non-standard oil proration unit comprising the N/2 SE/4 and SW/4 SE/4 of said Section 7 will afford each operator in the Lusk-Strawn Pool the opportunity to produce his just and equitable share of the oil in the pool, and will otherwise prevent waste and protect correlative rights.

(6) That the application should be denied insofar as it requests inclusion of the NE/4 SW/4 of said Section 7 in the proposed non-standard proration unit.

IT IS THEREFORE ORDERED:

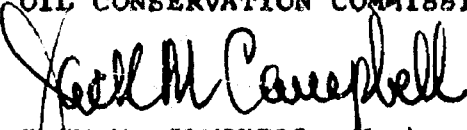
(1) That a 120-acre non-standard oil proration unit in the Lusk-Strawn Pool comprising the N/2 SE/4 and SW/4 SE/4 of Section 7, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, is hereby established and dedicated to the Penroc Oil Corporation well to be drilled 660 feet from the South line and 1550 feet from the East line of said Section 7.

(2) That the applicant's request for inclusion of the NE/4 SW/4 of said Section 7 in the proposed non-standard oil proration unit is hereby denied.

(3) 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. CAMPELL, Chairman


GUYTON B. HAYS, Member


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

GBR/