

CASE 3426: Application of PENROC  
OIL CORP. for an unorthodox gas  
well location & amend R-2581.

Case Number

3426

Application  
Transcripts.

Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
July 13, 1966

REGULAR HEARING

IN THE MATTER OF:

Application of Penroc Oil Corporation  
for an unorthodox gas well location  
and for the amendment of Order R-2581,  
Eddy County, New Mexico.

Case No. 3426

BEFORE: Honorable Jack M. Campbell  
Mr. A. L. "Pete" Porter  
Mr. Guyton B. Hays

TRANSCRIPT OF HEARING

OFFICIAL RECORD  
OIL CONSERVATION COMMISSION

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MR. PORTER: The Commission is going to take up next Case 3426, and I have a request from one interested party to make a statement after direct testimony of the applicant is presented in order that he may catch a plane in Albuquerque. Of course, if there are other people riding the same plane or need to get away for the same reason, or any other reason, we will allow them to make their statement at the close of the direct testimony by the applicant.

Mr. Kellahin, you represent the applicant in the case.

MR. KELLAHIN: Jason Kellahin, appearing for Penroc Oil Corporation. I have one witness I would like to have sworn.

MR. PORTER: I want to ask for other appearances at this time.

MR. HINKLE: Clarence Hinkle, Hinkle, Bondurant and Christy, Roswell, appearing for Redfern and the Odessa Natural Gas Company.

MR. MORRIS: Dick Morris, Seth, Montgomery, Federici and Andrews, Santa Fe, New Mexico, appearing on behalf of Marathon Oil Company. Associated with us in the case will be Mr. J. O. Terrell Couch, associated with Marathon Oil Company in Houston, Texas, who will present the case for Marathon.

MR. DURRETT: James Durrett, Rhodes, McCallister &

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Durrett in Albuquerque representing Standard Oil Company of Texas.

MR. PORTER: Mr. Hoover.

MR. HOOVER: John Hoover of Gulf. We will have a statement.

MR. PORTER: Mr. Anderson.

MR. ANDERSON: R. M. Anderson; Sinclair Oil and Gas Company will have a statement.

MR. PORTER: Anyone else desire to make an appearance in Case 3426? Mr. Couch, will you have testimony?

MR. COUCH: Yes, sir, we expect to have one witness. Mr. Kellahin said he's going to put in all the facts, so with that I think we will have one short witness.

MR. PORTER: Mr. Hinkle, will you have some testimony?

MR. HINKLE: We have two short witnesses.

MR. PORTER: Mr. Durrett.

MR. DURRETT: We have one short witness.

MR. PORTER: Mr. Kellahin, will you call your witness?

MR. KELLAHIN: I would like to call the first witness, Mr. Castle.

MR. PORTER: You have one witness?

MR. KELLAHIN: One witness.



(Witness sworn.)

(Whereupon, Penroc's Exhibits  
1 through 7 were marked  
for identification.)

JOHN CASTLE

called as 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 John Castle.

Q By whom are you employed and what position, Mr.

Castle?

A President, Penroc Oil Corporation.

Q Where are you located?

A Midland, Texas.

Q Have you ever testified before the Oil Conservation  
Commission of New Mexico?

A I have.

Q Have you made your qualifications a matter of record?

A Yes.

Q What is your profession?

A Geologist.

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

MR. PORTER: Yes, sir, they are.

Q (By Mr. Kellahin) Mr. Castle, are you familiar with the application of Penroc Oil Corporation in Case 3426?

A I am.

Q Briefly stated, what is proposed by Penroc in this case?

A Penroc requests that the Commission grant an unorthodox location for the drilling of a Cisco Canyon test to be located 660 feet from the South and East line of Section 19, 21 South, 24 East, Eddy County; and this location is to be in addition to a well drilled and completed 1980 from the north and east of the same section.

Penroc also requests that this non-standard location be granted for reasons of topography. We're unable to drill a regular field location of 1650 feet from the south and east corner of the section.

Q You say there's presently a well located on this unit, is that right?

A Yes.

Q What is the status of that well?

A That well is producing at this time, however, it is not making an allowable.

Q It is a producing well?

A It is a producing well.



MR. PORTER: Just a minute, did you say that location of the existing well is 1980 from the north and east?

A That is correct.

MR. PORTER: And the proposed location of the well is 660 from the south and east?

A Right.

MR. COUCH: Do you have an extra set of these exhibits?

MR. KELLAHIN: I sure don't.

Q (By Mr. Kellahin) Mr. Castle, did you have any difficulty in the completion of the present well?

A Yes, we did, on the completion of the second well-- on the cementing of the pipe in the first well we lost circulation of the cement in the lower part of the Cisco Canyon formation, had to perforate and squeeze the Cisco Canyon pay in the well and for that reason we didn't get a good cement job and we did have communication between the upper perforations in the Cisco Canyon formation.

Q In your opinion did that have anything to do with the productivity of the well as a producer from the Cisco Canyon?

A Yes. We don't believe we ever got our acid treatment in the permeability zones of the upper Cisco Canyon.

Q Now, referring to what has been marked as Exhibit



No. 1, Mr. Castle, would you identify that exhibit, please?

A Exhibit No. 1 is an ownership plat showing the ownership of the field area around Penroc's acreage. It also shows Penroc's proposed location and it shows in addition to that eight other non-standard locations in the field.

Q Now, what is the closest well to your proposed location?

A The closest well to the proposed location is approximately one mile.

Q And is that a standard location?

A It was drilled by Lowe at a non-standard location.

Q Actually that wasn't the discovery well though?

A No, that was not the discovery well.

Q That was approved as a non-standard location?

A Yes. They requested from us a waiver for the non-standard location which we signed and approved it.

Q Now, referring to what has been marked as Exhibit No. 2, would you identify that exhibit, please?

A Exhibit No. 2 is a contoured plat of the surface at a location of 1650 feet from the south and east, which is a regular field location. This plat was prepared by a registered New Mexico land surveyor and is signed and sealed by him and shows that a regular field location falls at a place where it would be impossible to drill.

Q Where would that location be, Mr. Castle?

A The location would be, the regular location is 1600 feet from the South and East line of Section 19, 21 South, 24 East. It falls just off of a paved road and by the plat, the plat shows the edge of the pavement. Actually there is a road cut which even comes closer to our location than this plat shows.

Q Would it be possible for you to drill at that location?

A No, it's impossible to drill at that location because of the roads.

Q What would prevent you from just moving back a bit from the road?

A As shown by this plat, there is a hill that would prevent us from moving directly back from the highway to drill a non-standard location at a, say 1600 feet or 1500 feet from the south and east, or something like that. That would put us on top of the hill.

Q You could drill elsewhere in the unit, could you not?

A We have also surveyed a 660-foot location and that is a good location.

Q Now, referring to what has been marked as Exhibit No. 3, would you identify that exhibit and discuss it?

A We requested from a dirt contractor an estimate of what it would cost to drill a location as close to a regular location as we could get by moving back from the road far enough to build a location, and that is the first page of this Exhibit 3.

Q What is the total estimate on that?

A The total estimate on that is \$13,650.00.

Q What occasioned that price?

A Well, because if we move back from the road far enough to build a location, then we're on top of the hill and it would require blasting and digging out in excess of twenty or thirty feet of solid rock.

Q Now, referring to the second page of the exhibit, do you have the estimate for the 660 location?

A Yes, the second page is an estimate of building a location for a 660-foot location, which is estimated to be \$700.00.

Q Referring to what has been marked as Exhibit No. 4, would you identify that exhibit and discuss it?

A Exhibit No. 4 is a contour map, contoured on top of the Cisco Canyon formation.

Q In connection with the exhibit, referring to the proposed location, does that indicate the structural position of the proposed location?



A The Exhibit No. 4, the contour map on top of the Cisco Canyon formation shows the Southeast Quarter of Section 19 to be the most favorable structurally.

Q The exhibit also shows your present well location, doesn't it?

A Yes.

Q And that's a productive well?

A That is right.

Q In your opinion this structure map, does it reflect that the entire unit is productive of gas from the Cisco?

A Yes. In fact, we know it is productive of gas because we do produce gas from the well already in the unit. Also, if you will notice on Exhibit 4, the well on Section 18, almost a mile north, also ran pipe and tested gas out of the Cisco Canyon formation.

Q How does the contour compare to the producing wells in the area in connection with reflecting whether this acreage is productive or not?

A There are several wells below the contour on which our well is located.

Q So, in your opinion, the entire section is productive from the Cisco, is this correct?

A Yes, that's correct.



Q Referring to what has been marked as Exhibit No. 5, will you identify that exhibit?

A Exhibit No. 5 is an isopach map made on the gross dolomite pay section.

Q Here again, what does this reflect as to the possible productivity of your proposed unit?

A This also shows that the Southeast Quarter of our section to be the most favorable and also shows the entire section to be productive.

Q Referring to what has been marked as Exhibit No. 6, will you identify that?

A Exhibit No. 6 is an estimate of the cost of drilling and completing a Cisco Canyon well.

Q On what information did you base this estimate?

A On cost of our No. 1 well, plus having talked to drilling contractors who we have contacted for drilling this No. 2 well.

Q Do you consider that to be a reasonable estimate for the cost of drilling the projected well in this unit?

A I do.

Q In connection with the cost of this well, are you asking the Commission to make any amendment to the provisions of Order R-2581?

A That's right. Penroc also requests that Order



R-2581, which forced pooled Redfern Development Corporation, Odessa Natural Gas Company, Amarillo Oil and Gas, Myrl C. Kelsh, Frank W. Pobershan, we ask that that order be amended to state that the Cisco Canyon formation is forced pooled for the entire proration unit and that the drilling of a second well to increase production is an operation expense, the same as would be working over the No. 1 well to increase production, and should be added onto the cost of the No. 1 well and recovered out of production.

Q And you are asking, then, that you be permitted to recover the cost of the No. 1 well out of the gas production from the No. 2 well in the event it's approved by this Commission?

A Yes, from the No. 1 and No. 2 well.

Q Are you basing this on the provisions of the order that forced pooled the entire Cisco formation, Order R-2581?

A Yes.

Q As I understand your testimony, you consider this as an operation expense for the full development of the unit comparable to a workover of the present well?

A That's right.

Q Have you contacted the various owners in the pool, Mr. Castle, in connection with this application?

A Yes. I've contacted not all of them, but most of



them.

Q Have you received waivers from any of the operators?

A Yes, I have received several.

Q And owners?

A Yes.

Q Is that in the form of Exhibit No. 7?

A That is correct.

Q Would you just read off the list?

A Yes. I have waivers signed by companies and people who do not object to our location by Sinclair Oil and Gas Company, T. T. Sanders, Junior, Martin Yates, III, Shell Oil Company, Monsanto Company, Robert G. Hannigan, L. C. Harris, Tom L. Ingram, Kerr-McGee Corporation, R. T. Lyons, J. Hiram Moore, Southern Petroleum Exploration, Incorporated, Harvey E. Yates, U. E. Hannigan, Nolan Brunson, Tom White, J. P. White, Phillips White, New Mexico Western Minerals, Incorporated, Triangle Cattle Company, Incorporated, S. P. Yates, Leonard Akin, Bruce Anderson, and, I believe that the Commission also has waivers and others which will be submitted at this hearing from some of these, probably, plus some others: Phillips Petroleum Company, Redfern Development Corporation, Myrl C. Kelsh, Frank W. Pobershan, Odessa Natural Gas Company, Amarillo Oil and Gas, possibly others.

Q As to the Redfern Development Company, does that



go to the entire application?

A They do not object to our location only.

Q Now, referring back to your initial well, I believe the Indian Federal No. 1, is there any possibility, Mr. Castle, of working that well over to increase its productivity?

A There is a possibility. We don't know how expensive it would be. Actually we believe it would be less expensive and less risk to drill a new well. We all, I think, are familiar with the Morrow formation. We do have this well dualled in the Morrow formation. I think most of us are familiar with putting water on the Morrow formation, which we would have to do if we reworked this well, we would have to kill the Morrow with water, and I would say most of the time when you kill the Morrow formation with water, or treat it with water, then you never get the production back again. So for that reason we don't want to rework the No. 1 well.

Q Is that a risk that you, as a prudent operator, do not choose to assume?

A That's right.

Q You think it's more economical, then, to drill a new well?

A We believe it is.

Q Would you have any partners in that well in the Morrow formation?





A In the Morrow formation, yes, we do.

Q Have you contacted them in regard to reworking your well?

A Yes. We have talked to them and they had rather that we would leave it alone, don't bother the Morrow formation. We have a good well and they want to keep it that way.

Q That formation is not subject to the forced pooling?

A No, it has nothing to do with this hearing.

Q Were Exhibits 1 through 6 prepared by you or under your supervision?

A Yes. They were prepared by me, under my supervision, and as to the surface contour plat, that was prepared at my request.

Q Now, Exhibit No. 7 consists of photo copies of waivers received by you as part of your office records, is this correct?

A Yes.

MR. KELLAHIN: At this time I would like to offer in evidence Exhibits 1 through 7.

MR. PORTER: If no objections, the exhibits will be admitted.

(Whereupon, Penroc's Exhibits 1 through 7 were offered and admitted in evidence.)

MR. COUCH: I have no objection to the exhibits



being introduced at this time and offered in evidence. I do want to have the opportunity at an appropriate time to question the witness about these exhibits and their preparation, so to this extent I would just like to hold an objection to raise perhaps later, possibly not at all. I won't object to the admission here, without an objection at this time.

MR. PORTER: That will be satisfactory, Mr. Couch.

CROSS EXAMINATION

BY MR. PORTER:

Q Mr. Castle, you mentioned a number of people that you had waivers for, a number of owners that you had waivers from, did you fail to get waivers from anyone that you asked for?

A Yes, we did. I had letters back from Lowe stating that they would not sign the waiver at this time. However, they would like the chance to reconsider at a later date. We waited until a later date and they still didn't sign. Also Marathon sent a letter back stating, I believe they addressed it to the Commission, stating that they were sure that the Commission would satisfy themselves as to whether it was necessary to move the location or not.

Q And you had no other objections?

A No other objections.

MR. PORTER: Anyone have a question of Mr. Castle?

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Just a minute, I had told Mr. Anderson that he could make a statement.

MR. ANDERSON: R. M. Anderson, Sinclair Oil and Gas Company. I have to leave the hearing and I would like to make my statement of position with regards to Sinclair Oil and Gas Company at this time, if I may.

MR. PORTER: Yes, sir, you may.

MR. ANDERSON: Sinclair Oil and Gas Company has no interest in the unit operated by Penroc. However, we do have substantial holdings in the section immediately west of the Penroc section. We have a 320-acre lease on the North Half of the section immediately west of the Penroc Unit and we have substantial interest in the South Half of that same section. Sinclair Oil and Gas Company as an offset operator to the Penroc Unit has no objection to the application made.

GOVERNOR CAMPBELL: What is your interest as related? I see Marathon owns interest to the west also. You own the entire North Half?

MR. ANDERSON: Yes, sir. We own the entire North Half of the section and we have an interest in the South Half of the South Half of the section.

GOVERNOR CAMPBELL: What is it, a third interest, or do you know?

MR. ANDERSON: I'm not sure.



MR. PORTER: There are three owners in the South Half of the South Half?

MR. ANDERSON: Yes.

GOVERNOR CAMPBELL: You don't own anything in the North Half of the South Half. It shows you on the ownership plat owning interest in the Northeast of the Southeast and the Northwest of the Southwest.

MR. ANDERSON: I am not sure --

GOVERNOR CAMPBELL: Are you going to have that, Mr. Couch?

MR. COUCH: I was just trying to look at the exhibit.

MR. CASTLE: Governor Campbell, I think that Sinclair has an interest under the entire section since it was communitized under 640 proration units.

MR. ANDERSON: For the drilling of a well.

MR. CASTLE: For the drilling of a well.

MR. ANDERSON: And that communitization has undoubtedly expired as the result of the drilling of a dry hole.

GOVERNOR CAMPBELL: All right, thank you.

MR. PORTER: Mr. Hinkle.

MR. HINKLE: I would like to ask Mr. Castle a few questions, but before doing it I would like to state the position here of the Redfern Development Corporation and



Odessa Natural Gasoline Company. These companies approve of the non-standard location. They also have notified Penroc that they're willing to participate in the cost of this well. The only thing that they're objecting to is that they do not want the cost of this well added to the cost of the first well and that they be required to pay out of production so that they can recover out of production a penalty of 40% like is provided in the original order. In other words, we do not think the order ought to be amended so that anybody who is willing to pay their proportionate part of this cost would not be penalized.

GOVERNOR CAMPBELL: You are saying that you are willing to pay your part of the cost but you don't want the penalty clause included?

MR. HINKLE: That's right. We do not want the penalty clause. I make that statement so that my cross examination will be understood.

MR. KELLAHIN: May I ask a question here to clarify this?

MR. PORTER: Yes, sir.

MR. KELLAHIN: Do I understand that you do not object to Penroc recovering the cost of the first well out of the production from both wells?

MR. HINKLE: No, out of the first well.



MR. KELLAHIN: The only thing you are objecting to is the penalty, as I understand it?

MR. HINKLE: No, this well, we are objecting to the makeup of the order in any way that would prevent this new well from standing on its own feet, so-to-speak. In other words, if we are willing to pay our cost, that's all our obligation, and if they can recover the original cost of the first well out of the production from the first well or any portion of it that they can produce of the allowable, then that's up to them. We are willing that the two wells produce in any portion that they want the order to provide the allowable for the 640.

MR. PORTER: But you want the first well to pay for itself?

MR. HINKLE: That's right, we want the first well to pay for itself and the second well to stand on its own feet. I will explain that a little bit more when we get to the argument as to the reason why. Legally we think we are entitled to that.

GOVERNOR CAMPBELL: You understand now what they want?

MR. KELLAHIN: Yes.

GOVERNOR CAMPBELL: I am not sure I do. I thought I did. Your position, were you a non-consenting owner in the



first well?

MR. HINKLE: We were.

GOVERNOR CAMPBELL: So you are subject to the penalty?

MR. HINKLE: That's right.

GOVERNOR CAMPBELL: 40%, was it?

MR. HINKLE: We are willing that the recovery --

GOVERNOR CAMPBELL: You want your cost and the 40% penalty to be recovered out of production from that well?

MR. HINKLE: That well only.

GOVERNOR CAMPBELL: And if you participate in this well you want no penalty?

MR. HINKLE: That's right.

GOVERNOR CAMPBELL: You are agreeable to them taking the full unit allowable out of either well any way they see fit?

MR. HINKLE: As far as the order is concerned, yes.

MR. KELLAHIN: If the Commission please, maybe I had better clarify our position. We are not asking for a penalty on the No. 2 well. We are asking that we be entitled to recover the cost of the No. 1 well with the 140% penalty which was granted by this Commission, plus the cost of the No. 2 well, the actual well cost out of production from both of the wells.



GOVERNOR CAMPBELL: So the only place you have a difference is that they don't want to use the No. 2 well to cover any part of the No. 1 costs, that's the difference?

MR. KELLAHIN: Yes.

MR. HINKLE: That's right.

MR. PORTER: You may proceed.

MR. CASTLE: May I say something along that line Mr. Hinkle was talking about?

MR. PORTER: Sure.

MR. CASTLE: I would like to mention that the forced pooled group had an opportunity to join in the drilling of the first well before it was drilled before the forced pooling order. They refused. For thirty days after the well was drilled and completed they also had an opportunity to get in and they refused. Now they want in. We don't think they should have the opportunity to get in and out at will.

MR. PORTER: You mean they had the option within thirty days they could pay 100% instead of 140?

MR. CASTLE: Yes.

MR. PORTER: You may proceed with your questions, Mr. Hinkle.

CROSS EXAMINATION

BY MR. HINKLE:

Q Mr. Castle, do you have before you the original





order which was Order R-2581?

A I do not.

Q That order was entered on October 25, 1963, was it not?

A That's correct.

MR. PORTER: That's 1963, October?

MR. HINKLE: Yes, October 25, 1963.

Q (By Mr. Hinkle) If you will refer to the bottom of page two in the order part, does the order provide for the drilling of more than one well?

A No, it does not.

Q Or the dedication of this acreage, the 640 acres, to anything but the well to be drilled under the order?

A I don't see it here anywhere.

Q Now, under paragraph four of the order, on page three, isn't it true that all of the owners were given an opportunity of thirty days to come in and pay their proportionate part?

A Yes, that's what I just mentioned.

Q How do you propose to amend this order, what is your proposal to the Commission in amending this order? Do you propose to give notice, thirty days' notice as provided here to all the working interest owners so that they would have an opportunity to come in and pay their proportionate part?



A No. We propose to drill a second well, add it to the cost of the first well and recover the cost out of production. We contend that they are forced pooled for the entire proration unit, and that's it. They will come in for their interest after we have recovered the cost of the first well, plus penalty on the first well, plus the cost of the second well with no penalty.

Q There will be no penalty as far as the second cost is concerned?

A Correct.

Q Now, since this order was entered, have the working interest owners entered into a communitization agreement covering this proration unit?

A I believe they have.

Q Is it true that the communitization agreement was entered into on July 1st, 1964?

A I don't have a copy before me, but I am sure that's right.

Q It's true that all of the working interest owners did enter into the communitization agreement?

A Yes.

Q It was prepared by you and circulated, or your company?

A That's correct.



Q And it has been approved by the United States Geological Survey and by the Commissioner of Public Lands?

A Yes.

Q On account of the federal and state lands involved?

A Yes.

Q Does the communitization agreement provide for the drilling of any additional wells?

A I don't believe it does. I am not familiar too much with the communitization agreement. We do have someone here who you might like to swear in as a witness later who would be more familiar with that end of it than I am.

Q But so far as you know, there's no provision made for the drilling of the additional well?

A That's right.

Q If that is the case, then all of the parties to the agreement would have to agree to the drilling of an additional well, is that not right?

A Since I'm not familiar with it, I don't know.

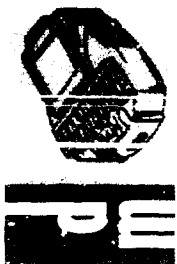
Q Have the working interest owners entered into an operating agreement in connection with the communitization agreement?

A There are no working interest owners in the Cisco Canyon formation for this well except Penroc Oil Corporation and its investors. We have no operating agreement with them.

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Q Well, have you circulated for the signatures of all of the other working interest owners, everybody that's in this unit, an operating agreement for the purpose of allocating costs in connection with the communitization agreement?

A You probably are talking about the Morrow formation, which has nothing to do with this hearing.

Q No, I am not. I am asking you if you have done that.

A I don't believe we have.

Q Did you contemplate that the working interest owners would enter into an operating agreement in connection with this communitization agreement?

A Yes. We expect to have a --

Q And that is usual and customary, is it not?

A That's right.

Q And that is for the purpose of allocating your operating costs which are incurred in operating the unit, and also if there is any further development, is it not?

A Usually, yes.

Q And isn't it usual and customary in operating agreements of this kind to put in a non-consent provision; in other words, if it is proposed to drill another well, that you give everybody an opportunity to either participate in the well or go non-consent so that the operator can recover out of production?



A That's right, but let me point out again that we're talking about the Cisco Canyon formation at this hearing and we have no partners in the Cisco Canyon formation at this time.

Q Well, you have all of the parties who have entered into the communitization agreement, do you not?

A That won't take effect until after the forced pooling order has paid out the cost plus the penalty. If you are referring to the people who you represent, they will not have an interest in this proration unit until after the cost of the well is paid out, plus penalty. So for that reason we don't need an operating agreement with them until the time they come in as an operating partner.

Q Well, you did have them sign the communitization agreement, did you not?

A I believe so.

Q Can you point out, or give me a citation to any regulation or provision in our conservation laws that would permit the forced pooling in connection with the well as to any party who is willing to pay their part?

MR. KELLAHIN: I object to the question, it calls for a legal conclusion. He didn't qualify as a lawyer. He qualified in the capacity as a geologist.

MR. HINKLE: I will withdraw it.

MR. PORTER: The question has been withdrawn.



GOVERNOR CAMPBELL: Let me get this straight, Mr. Hinkle, do I understand that after the forced pooling of the Cisco formation by an order of this Commission that the parties entered into a voluntary communitization agreement? Are you taking the position that vitiates the order of the Commission?

MR. HINKLE: Not necessarily, but I want to point out that in connection with a communitization of this kind it's usual and customary for the parties to enter into an operating agreement which governs the allocation of the costs, and in those operating agreements it's also usual and customary to insert a provision which, if they are going to drill another well, that they would be given an opportunity to participate in it. In other words, all additional wells must be with the consent of all of the parties. I think that's the case here as far as this order is concerned.

GOVERNOR CAMPBELL: May I see the communitization agreement?

MR. HINKLE: Yes.

GOVERNOR CAMPBELL: Has there been any discussion, Mr. Kellahin, you gentlemen tell me, has there been any discussion of an operating agreement other than the communitization agreement? This was entered into October 29, 1964.



MR. KELLAHIN: There has been discussion of it, but as the witness has testified, there is no need for an operating agreement at the present time because he is the operator and for all practical purposes the sole interest owner until the payout on the No. 1 well. There is no need for an operating agreement yet. I understand it has been discussed.

MR. PORTER: Mr. Hinkle, are you through with your questioning to the witness?

MR. HINKLE: Yes, I believe that's all I have.

MR. PORTER: Mr. Couch.

CROSS EXAMINATION

BY MR. COUCH:

Q Mr. Castle, you testified that in attempting to complete this well you lost circulation in the Lower Cisco, is that in the Lower Cisco or the Upper Penn, as the Commission calls it?

A I am not familiar with what the Commission calls the Upper Penn except for the Cisco Canyon formation. When we cemented our production string we lost circulation in the lower part of the Cisco Canyon formation, of which I'm reasonably sure that the Commission calls this the Upper Penn.

Q It's the pool area or interval that we are discussing in this hearing?

A Yes.



MR. PORTER: In other words, you consider it within the vertical limits of what we call the Upper Pennsylvanian?

A Yes.

Q (By Mr. Couch) Perforated and squeezed but you didn't get a good cement job. You said you had good communication between the upper perforation of the Upper Penn and the Cisco Canyon. Is this in the same pool area or are you talking about the Morrow Pool?

A I am talking about the upper perforations of the upper Cisco Canyon zone.

Q Mr. Castle, you, I believe, testified you had considered the possibility of reworking your well presently completed in the Upper Penn. Have you actually attempted to rework the well since you initially completed it?

A No, we have not.

Q If I understood you correctly, you said that most of the time when you killed the Morrow with water that you don't get it back on production. Was that your testimony?

A Yes.

Q Is there any other way you could kill the Morrow and get it back on production?

A No, I don't think so, in our particular case. It's probably what you have in mind is killing it with oil; oil is





not heavy enough to hold it. It has to, in our particular case it would have to be --

Q Excuse me, were you finished?

A I was going to say in our particular case it would have to be killed with brine water, something heavy enough to hold it.

Q In your particular case, you mean in this pool, the Upper Penn Pool?

A We are talking about the Morrow now.

Q Yes, that's right, in the Morrow, be Indian Basin-Morrow. In your particular case you are talking about throughout that pool?

A I am talking about throughout that pool and throughout that area, not only in the pool by itself but in the area around the pool, too.

Q Well, are you suggesting, then, that a dually-completed well in the Indian Basin-Upper Penn, the Indian Basin-Morrow just can't ever be reworked in the Upper Penn?

A No, that would depend on your completion program.

Q Well, I am talking about in terms of killing the Morrow and not being able to get it back on production. You think that's an unreasonable risk for anybody to run in any of these dually completed wells?

A Yes, killing the Morrow, the water is an unreasonable



risk.

Q In effect, you are saying that nobody is going to be able to rework the Upper Penn completion?

A I don't say they won't be able to, I say it's an unreasonable risk to take. I don't think many prudent operators will take that risk.

Q You think they would want to drill a new well instead of doing that?

A I believe they would if they had a good Morrow well.

Q I didn't get to see your exhibit there on the estimated cost of drilling this new well. How much was your total estimate of what it would cost?

A We estimate a completed Cisco Canyon will cost \$142,577.00.

Q Suppose you were able to successfully kill the Morrow, what would you estimate the cost of reworking this well will be?

A That's something you can never tell until after you have completed. We had some wells in which we were very successful and didn't have any problems working them. Some we have had problems where our workover expense was more than our estimated cost of drilling this well.

Q Well, you have drilled wells where your cost of drilling was more than your estimated cost, too?



A We have done that, too.

Q So you just haven't tried to rework this well at all?

A No.

Q Did I understand you to say that because of the bad cement job that you considered you did not ever get your acid treatment into the Upper Penn?

A We're not sure that we got our acid treatment into the upper perforations of the Upper Cisco Canyon formation.

Q Tell me, what are the top of the perforation and what are the bottom perforation that you have in the Upper Penn in this well?

A The top perforation is at 7,388. Our lower perforation is at 7533.

Q Do you have before you there the difference in those two figures to give us the gross perforated interval?

A No, I don't, but I can give you the perforated intervals and let you add it up.

Q I'm trying to do it right now. I calculate from what those figures you gave me, it's 145 feet of gross perforated interval, is that right?

A That's approximate, I would say.

Q Do you know how much of that is actually perforated?

A Yes, I do. I have the perforation intervals here.

Q What is the total number of feet that you have



actually perforated in the Upper Penn in that well?

A Get your pencil ready again.

Q It's ready all the time.

A 7,388 to 94.

Q You don't have the figures, we are going to have to add it again?

A No, you are going to have to add it again. 7,419 to 26.

Q Just a minute. What was the first --

A 7,388 to 94, 7,419 to 26, 7,446 to 81.

MR. PORTER: What was the first one?

A The first one?

MR. PORTER: The first figure.

A 7,446 to 81 and 7,503 to 33.

Q While we are doing mathematics on that, and I will try to come up with an answer in a minute, we will go on to another question here. All the perforated interval in that well is still open?

A That's right.

Q Have you run an absolute open flow test on the well?

A I believe that we have, but I don't have those figures with me.

Q Have you filed the results of the test with the Commission?

A Yes, I am sure we have.

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Q Do you know what they are?

A No, I don't.

Q Have you made the calculation for a four point absolute open flow test?

A Four point test has been run and I don't have that information with me either.

Q Mr. Castle, you mean actually run or calculated?

A Actually run.

Q You have actually run a four point test?

A Yes, and I can tell you who that was run by, Coleman Engineering, Hobbs, New Mexico.

Q Do you have the results of that test?

A No, I don't.

Q Would you get them and submit them to be included in the record?

A We can submit them to the Commission.

Q Do you have any idea what the open flow of the well is? If you don't have the actual test result, what's your best recollection about its absolute open flow?

A We have, I know, tested as much by drillstem test as five million cubic feet a day. Production tests we have had from two to five million cubic feet a day. At the present time we are selling gas off of the well and I believe last month we sold something less than a million cubic feet for five

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days which it was produced.

Q The well has a capability of producing more than that but you just didn't sell it?

A That was before we had a market.

Q How long have you had a market for this gas?

A Since you have completed your plant, which has been, I believe, since February of this year, or something like that.

Q I think that was about right. I thought you were talking about a few days ago and I thought you had another market that you were talking about.

A No, Southern Union doesn't take our gas.

Q Last month you said you sold how much delivered to the plant?

A Something less than a million.

Q You think the well is able to produce about two to five million a day?

A We're -- I don't know what at the present time it will make that much.

Q Well, what do you think it will make now?

A Well, the only figures I have is what was run for the month of June, which here's the exact figure; we ran 706,000 cubic feet of gas for the month of June on five days' production.

MR. UTZ: Five days?



A Five days.

Q (By Mr. Couch) We are talking about just the Upper Pennsylvanian completion now?

A That's right.

Q You don't know why it was you just produced it five days?

A Marathon operates the well as far as production, and why they don't produce more than five days I don't know, maybe you do.

Q Did you ask them to produce any more than five days?

A Of course, the allowable is assigned and we like for them to run the allowable. We don't ask them to produce one day or thirty days. They do that on their own.

Q As a matter of fact, if you look at the agreement by which that gas goes to plant, the producer indicates what he wants taken from that well and Marathon attempts to do that. I just don't want you to put it on me that we are not taking any gas.

A Let me put it this way, out of the Morrow section of this well Marathon took almost 32,000,000 cubic feet. We didn't ask them to take that either.

Q Have you ever suggested or asked them to take any volume from either side of your well?

A No, but if you think it will help, I will ask them



to take about a hundred million out of the Cisco zone next month.

Q I want to know if it will produce it or not.

A No, I don't believe it will.

Q What do you think it will produce?

A All I have is the figures that I have just given you, which I believe you have there.

Q Well, at one point you said that you thought it produced two to five million cubic feet a day.

A I didn't think it did. It did that at one time.

Q When was that?

A That was back during our completion, which is approximately three years ago.

Q Three years ago?

A Three, three and a half years ago.

Q Do you think it's capable of producing that now?

A I don't believe it is.

Q What do you think it's capable of producing now on the best information you have?

A From the information I have right now, on five days' production it produced 706,000 cubic feet.

Q Are you telling me that's what the well is capable of producing?

A I believe if it would produce more than that, I



believe Marathon would have produced more than that.

Q You think that's all it can make as of now?

A I believe it is.

Q I think they would have, too. In connection with this reworking job, Mr. Castle, you said that you talked to your partners and they said they'd rather you would leave it alone; which partners are you talking about? Who did you talk to about reworking this well in the Upper Penn? Did you talk to your partners in the Morrow zone, I guess?

A That is correct, which has nothing to do with this hearing.

Q Well, Mr. Castle, it may have something to do with it. You have told the Commission that you talked to your partners and they said they'd rather you would leave it alone. Now, that's hearsay testimony. I think that we are at least entitled to know who the partners are that you talked to that said they wanted you to leave it alone. I think it's relevant.

A I can give you that information. I can have that sent to the Commission, which I don't have it available to me now. We have several partners in all of our deals and I don't have the list of their names and addresses with me. I can name some of them for you now if you would like that.

Q Can you name the ones you talked to?



A Yes.

Q All right.

A I talked to Dr. Clarence Albaugh, Dr. E. W. Alexander, Mr. Kenneth G. Macart, Mr. Tom Codey, Mr. R. G. Kelly. I remember talking to those and probably others.

Q Are there any of your partners that you didn't talk to?

A There may have been some; when I got objections from the ones I talked to, I probably just forgot it and didn't talk to any more.

Q Mr. Castle, when you talked to them did you ask them, did you tell them that you would like to try to rework this well and ask them that way, or did you go to try to persuade them to agree not to rework the well?

A I didn't try to persuade them either way since they have interest in both the upper and lower. I told them what I thought might happen and let them make up their own mind. All of them suggested that we not work over the Cisco section.

Q All the ones that you talked to?

A Yes.

Q Do you tell me these names that you gave me are partners in the upper as well as the lower?

A That's right.



Q Their names are not of record as owners of this?

A That's right.

Q We've done the calculation here on those figures you gave us on the perforated interval, Mr. Castle, and we computed that the intervals that you gave us total 78 feet of perforations in the well within an interval, a gross interval of 145, I think. Does that sound reasonable to you?

A That sounds reasonable, yes.

Q Do you know of any other well that would have that much perforated interval in this field?

A I am not familiar with the completions of other operators.

Q With all those perforations, you don't think you ever got your acid in the Upper Penn?

A I didn't say the Upper Penn. I said the upper perforations. I'll say the upper two sets of perforations which you have there.

Q You think you got the acid in the lower set of perforations?

A We believe that we treated, say, the lower two sets of perforations. We know we had communication with the top three sets of perforations.

Q Communication behind the pipe?

A That's right.



Q Do you have a copy of your Exhibit 1 before you, Mr. Castle?

A Yes.

Q Mr. Castle, do you think that a man is entitled to drill a well at a location that's regular under the rules that are applicable when he drills it?

A What?

Q Do you think that an operator is entitled to drill a location that is a regular location under the applicable rules at the time that he drills it?

A Sure.

Q All right. Your first location over to the west, over there on your Exhibit 1 that you indicate is the infield non-standard location?

A Yes. Farthest west well on the Exhibit 1.

Q All right. You call that a non-standard location and it's true that it doesn't conform to the present pool rules. Are you aware of the fact that when that well was drilled, it was drilled at a standard location under rules then applicable to it?

A I don't have the dates at which these wells were drilled and completed, so I don't know what was, but I do know what is.

Q We're talking about whether a man had to get an

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exception or whether his well historically is recognized at a regular location under the rules.

A Not being an offset operator for that well, we would not be notified, and I am not familiar with that.

Q If the Commission records show that that well was drilled at a time when these pool rules were not applicable to it, you would recognize it was a regular location, wouldn't you?

A Yes, at that time.

Q Now, moving up to the next one that you have labeled there, it's in Section 10, I believe, of 21, 23, you label that Marathon non-standard location, are you aware that when that well was drilled it was a regular location under the applicable rules at that time?

A Again, I'm not familiar with when that well was drilled and completed.

Q If the Commission records show that it was, then you would recognize it as a regular location, wouldn't you?

A Yes, I would recognize anything that the Commission would.

Q Accept their spacing rules.

MR. PORTER: Thank you.

Q The well in 23 is the next one over there, the low non-standard location?



A Yes.

Q Somebody talked about a discovery well a while ago, actually that is the discovery well, isn't it?

A I believe it is, yes. I believe this plat shows that Morrow discovery, it says on there.

Q So we know that that well was standard when it was drilled, it was the discovery well, drilled under statewide rules?

A Right.

Q Now, let's go over to the right side of the plat in Section 21, and you have another low non-standard location. Are you aware that when that well was drilled it was a regular location under the applicable rule?

A Again, I don't have the information as to when that well was drilled and completed.

Q But, again, if the Commission records show it, you would recognize it as a regular location, wouldn't you?

A Yes, at the time it was drilled.

Q You can't undrill them, can you? Now, go to the Hannigan non-standard location, down in Section 32. Are you aware when that well was first drilled it was drilled at a regular location?

A No, I am not familiar with that one either, but it seems to me I remember something about them drilling that at a



non-standard location and requesting waivers from the offset operators.

Q I believe if you'd check your memory, Mr. Castle, well, if the Commission shows it was standard when it was drilled, and regular location, you would recognize that?

A Yes. I am almost certain it was not; in fact, that well was burning at the time we were completing our well. I know at the time that we were completing our well the Cisco section was on 640-acre spacing.

Q Well, now, it was when the Upper Penn was established when the pool rules were established, for whatever area the pool limits were applicable at that time?

A Yes.

Q But again, if the Commission records show that's a regular location, or at least not non-standard under the applicable rules, you would so recognize it?

A Yes.

Q That's one of the wells that blew out in this field?

A That's right.

Q Is there another well in the pool that blew out in the Upper Penn?

A Yes. There was more than one other. There was one other that burned.

Q Which is the other that blew out?



A Another that blew out was a Texaco well, I believe, and I'm not sure which one it was or where it's located. It's over in the west part of the field. Lowe had one to blow out which didn't catch fire, I believe, in Section 29 of 21, 24.

Q Section 29 of 21, 24. Would that be the section, then, diagonally offsetting your proposed location?

A To the southeast.

Q The southeast, immediately to the southeast. That's the No. 3 Indian Hills Unit No. 3 you are talking about?

A Yes.

Q Texaco, you are talking about in Section 32 of 21, 23, isn't it?

A I'm not sure where it was located, but it was in the west part of the field.

Q All of these blowouts occurred through lost circulation problems in the Upper Penn?

A I am not familiar with the reason in Lowe; since Lowe drilled the two wells which blew out and caught fire, they would probably have more information on that than me. I doubt if you would get it out of them though.

Q The Hannigan well was then completed in the Upper Penn after the blowout?

A Yes.

Q It is true the Commission records will show that



they got a non-standard approved on topographic wells in addition to the fact that the well had been previously drilled to the Morrow. Do you have any information on that at all?

A The well was not drilled to the Morrow.

Q They started to the Morrow initially and located for that purpose?

A I believe in the beginning they planned to drill to the Morrow.

Q Yes, until they had the blowout?

A Yes.

Q Now, the Lowe Indian Hills Unit No. 2, which would be the well, oh, approximately a mile east of your proposed location, is shown as a non-standard location. I would agree with you that that's non-standard. The Commission records reflect -- whatever they reflect would satisfy you?

A Yes.

Q If they show it was for topographic reasons, that would be acceptable to you?

A We know that they had topographical problems in the Southeast Quarter and, of course, they wanted to drill a well in the Southeast Quarter because at that time they thought that was the best place to drill it, which I still agree with that. However, Penroc believes that a regular location could have been drilled at either standard location in the West Half

of that section.

Q In the West Half?

A Even though we did sign a waiver for them to drill at a non-standard location.

Q As far as drilling the Southeast Quarter is concerned, you would recognize they had a topographic reason for moving where they moved?

A I would. I would agree.

Q Do you recall what that non-standard location is for that particular well?

A I don't know exactly what it is, but I would estimate it to be 660 feet from the South and about 1650 or 1880 from the East.

Q The record shows 1750 from the East line and 660 from the South line, that would be acceptable to you, wouldn't it?

A Yes.

Q Are you aware that the section to the south is in the same federal unit?

A Yes.

Q The Indian Hills?

A Yes.

Q And that's where it is, 660 from the East line, isn't it, Mr. Castle?

A Yes.

Q Now, I was talking about Section 20 then. Now, you show another Lowe non-standard location in Section 33?

A Yes.

Q Do you know what the distances are on that well?

A No, but again, from estimating from Exhibit 1, it looks like it might be something like a thousand feet from the South and West lines of that section.

Q Would you believe 1230 from the South line and 1740 from the West line?

A I'd believe that.

Q Are you familiar with that area of the field and would you agree that's a topographic reason for that change?

A I have never been on the surface in that part of the field; however, I will agree with our Exhibits No. 5 and No. 4 that that's the best geological location for that well regardless of what the surface looked like on the section.

Q You don't know about topographic?

A No, I do not.

Q That is pretty rough country over there along that east side, isn't it?

A I have never been --

Q You have looked at it?

A Not Section 33, I have never been.



Q Have you ever looked west out of the Basin there, east out of the Basin?

A East out of the Basin. I have not only looked east out of the Basin, I have driven over that road a hundred times.

Q Well, you rode over that road there, you know the country?

A The road is shown on Exhibit 1.

Q It goes right between two high hills and bluffs in there, doesn't it?

A Yes, it goes up the canyon there.

Q In Section 33, it's on south of the canyon?

A That's right.

Q Coming on down to what you have marked Atlantic non-standard location on Section 4, which is in a different township and range, are you familiar with the fact that when that well was drilled, that it was at a standard location under the applicable rules at that time?

A No, I am not.

Q Do you know what its location is?

A It looks like it's approximately 990 from the North and West, that section.

Q 960 from the North and 800 from the West line according to Commission records, I believe.

A I believe that.

Q Would you think that you have some topographic reason for putting that well where you did?

A I am not sure, since I have never been there, but I am also sure that is the best geological location for that well in that section.

Q Now, we have got a Trigg non-standard location in Section 8 on your map here. Do you know the distance that well is from the lease line?

A I could guess at it again.

Q Let me give you figures, see if you will accept it. 743, I believe, from the North line, 1055 from the West line.

A That looks reasonable.

Q Are you familiar enough with the topography to say whether that was justified for topographic reasons?

A No, I have never been there either, but still that's the best geological location for a well in that section.

Q Trigg non-standard location in Section 6. Are you familiar with the fact that when that well was drilled originally it was standard under the applicable rules at that time?

A I believe at the time that well was commenced that is true.

Q And what would come out of it is there is about three of these non-standard locations that were exceptions and

required Commission approval to drill.

A I'm not sure of that.

Q The record will show which ones were required to be and which ones weren't?

A I am sure it will do that.

Q Mr. Castle, do you have a copy of your exhibit, I believe No. 2, it shows your contour?

A Yes.

Q How much area do you need to have to make a location for a well in the Indian Basin Pool?

A I have that available here, if you will give me time to find it.

Q Yes.

A We need 300 feet by 260 feet for a location.

Q 300 by 260?

A Right.

Q You can't drill a well on less than that?

A Well, since I am not a drilling contractor and not an expert on the subject, these figures did come from a drilling contractor that I asked how much room he would need for a location.

Q Who was he?

A Sharp Drilling Company, Midland, Texas.

Q Did he prepare that estimate of well costs for you?



A He did not. I prepared that myself.

Q Did he talk to your man here, Mr. Berry, that was planning on trying to make these locations?

A No, I am sure he didn't.

Q How large an area did Mr. Berry take into account?

A I didn't talk to Mr. Berry. In fact, you are referring to an exhibit by Berry Construction Company and I might point out here, now, that Mr. Berry has been dead for a year or so, so it was from someone in that company who prepared this estimate.

Q You don't know, then, who prepared that estimate?

A Yes, it's signed.

Q Berry Drilling Company.

A I believe by Mr. Gray.

Q Let me borrow somebody's exhibit. W. L. Gray. Did you talk to Mr. Gray?

A I talked to someone, I guess it was Mr. Gray, I talked to him on the telephone, asked them if they would go out to those locations and give me an estimate of what it would cost to build a location at 1650 by moving it back from the road and what it would cost to build at 660 after we had staked locations.

Q You did stake both locations?

A Yes.

Q How big an area did you tell him to level?

A I didn't tell. He's in the dirt contracting business and he's built hundreds of locations, he knows what size to build.

Q Now, some of these exhibits here you said were prepared by you or under your supervision. I think that was true of most of them, if I understood your testimony?

A That's right.

Q Was this estimate of the location prepared under your supervision?

A That was prepared at my request, as I mentioned when the exhibits were submitted, that some of them were prepared by me under my supervision or at my request.

Q But you don't know who you talked to, but you phoned somebody at C. M. Berry Construction Company and got this letter back, is that right?

A That's right.

Q Do you know Mr. Gray?

A No, I don't. I have never met Mr. Gray.

Q C. M. Berry Construction Company done work for you before?

A Yes.

Q Who is in charge of the work?

A At that time, that was when Mr. Berry was alive





and he was in charge.

Q Well, it has been a couple of years since they have done work for you?

A Yes.

Q You don't consider this exhibit a firm bid, do you?

A It doesn't say it's a firm bid. It says it's an estimate.

Q That's right, it says "the following estimate for making a location."

A Right.

Q It's an estimate for making this location at 1650 from the South and East lines, isn't it?

A I believe that's what he states.

Q So this doesn't purport to say what the cost would be to fix the location adjoining the road and just south of the road and just south of the 1650, 1650 location, does it?

A Well, of course, he can't build a location at where the actual 1650 location falls. We don't have room for that, so it, I'm sure that Mr. Gray considered moving the stake back far enough to build a location.

Q He may have been looking at your Exhibit 2, or topography map that this gentleman certified for you, that shows that location back from the road, isn't that right?

A That would be impossible because he didn't have an



opportunity to see these exhibits, and most of these exhibits were prepared after he gave me the estimate.

Q I see. You didn't have this topographic map when the man made the estimate, then?

A No.

Q Did you have your stakes in place down there?

A That's right.

Q Was your stake in place as late as last Friday on the 660, 660 location?

A I can't say. I haven't been out there in a long time.

Q Did you ever get a location leveled in the Indian Basin field for \$700.00, Mr. Castle?

A Yes. Well, I'm not sure what our No. 1 location cost, but I don't think it was much more or less than \$700.00.

Q You don't remember really what it cost?

A No, I don't.

Q Well, according to the scale of this map it would appear that you have from where it shows this road back, a total, I am looking now at Exhibit 2, back now, a total of, going from the road on back right down the line, 1650 from the East line of the section going south on that line, you'd go about, according to the scale of that map, about 250, 300 feet south, don't you, before you get more than ten feet or



twelve feet of elevation?

A No.

Q Or can you read the topographic map? It gives me a little trouble, but I think I'm reading it right.

A I believe, as I testified earlier, to build a location at that immediate area within the 1650 from the South and East location, by moving it back a little we would have to cut somewhere from twenty to thirty feet off that solid rock.

Q I took that to be your estimate or opinion. I am talking about what your topographic map shows, if you go back 250 feet, 300 feet, you get about twelve feet elevation in that total distance.

A The map shows that from the location itself to the top of the hill is about twenty feet. However, you don't build the location from the stake one direction, you go both directions from that, so you would have to cut down more than that.

Q Let's go one direction at a time, though.

A All right, from the stake to the top of the hill it's probably twenty feet.

Q To the top of the hill?

A Yes.

Q But from the stake to 250 feet it's only about twelve feet, isn't it?

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A Since I don't have a scale to measure it off--

Q There's one down on the bottom of the map.

A Yes, but I can't get it up there.

Q Eyeball it.

A I will eyeball it, then, at 15 feet.

Q Moving west of that line a little bit, you have

even a flatter area according to your topographic map?

A That's right.

Q And you can move west over there according to the scale of this map about 360 or 70 feet or more before you get to that gas pipeline, can't you?

A Moving over there would also put us in the Southwest Quarter of the section, which we don't consider favorable geologically, and we contend if we have to move the location at all, which we know we have to, then it's unorthodox, so if it is unorthodox 370 feet as you suggest, it's no more unorthodox if it is 600 feet.

Q You mean that if 1650, 1650 happened to have a bump on it that you couldn't put a rig on, then you think that these rules and this Commission is supposed to let you pick out the very best spot that you think there is on the whole section and go drill a well on it, is that what you are telling me?

A That's what we would like to do.

Q I know that's what you would like to do.



GOVERNOR CAMPBELL: He is here at a hearing to try to justify this location. I heard him testify that they thought this was the best location. I don't think they made any bones about that.

MR. COUCH: That's right.

GOVERNOR CAMPBELL: He's here to ask approval of this Commission under our rules to authorize an unorthodox location. One reason is the topography and the other is the location geologically, there hasn't been any secret about that.

MR. COUCH: Governor, I didn't want any secrets about it, but apparently the interpretation was that the Commission should, or that he should seek a location without regard to trying to move it just as much as need be to resolve the topographical question, but if the very spot is not usable, then free to move wherever they choose. I just wanted an understanding --

MR. KELLAHIN: We don't submit we are free to move wherever we choose. We are here to ask the Commission to grant us an exception. Our reason is two-fold, topography and favorable location for our well, and the witness has testified to that. We don't put any interpretation on the rule such as you are trying to put in this witness's mouth.

Q (By Mr. Couch) Could you drill a well topographically a few feet, a few hundred feet or 50 or 60 feet west of



where this location is according to your topographic map?

A It would be possible to drill a well there.

Q And it would be a fairly reasonable cost of location, wouldn't it?

A I would say it would be more expensive than the location which we're asking for.

Q Would it be in a worse location than a good many other wells in the pool have been drilled on?

A Well, I'm not familiar. I know that some of the unorthodox locations have been moved to the most favorable area.

Q Coming right to this area that we're talking about, you have a paved road going very close to it in front and another road coming right down toward it?

A That's right.

Q Very accessible?

A Yes.

Q Would you have to build a road to get into the other location?

A I believe that there's a road that goes down the pipeline which is shown on the exhibit to nearby where our proposed location is, and also there's a road going into the Southern Union plant which goes very close to our proposed location.

Q Mr. Castle, in reading off the list of persons from



whom you stated you had waivers, do you have those waivers that you are going to put in the record here?

A They have already been put in the record.

Q You included in the list there, were you speaking of waivers to all three things that you are asking for, the second well on the unit, the unorthodox location and the intra-party business on the force pooling?

A Of course, each waiver will speak for itself. They clearly state what they are for. Some of them are for the unorthodox location only. Some of them state that they're in support of our hearing, which I consider to be all of our hearing. Each waiver will state itself.

Q This is what I wanted to get clear. I understood your testimony to speak as though you had waivers from these people except for Mr. Redfern of Redfern Development Corporation, that was as to the location only. His was as to the location only. I thought I got from your testimony that all these others had waived as to everything. I wanted to be clear on that.

A No, the amendment to the force pooling, of course, doesn't affect anyone but Mr. Redfern, his group.

Q I understand that. I am just trying to understand your testimony. You didn't mean to say that--all these people you listed as giving waivers didn't necessarily waive everything?

A No, I meant that each waiver speaks for itself.

Q Each waiver speaks for itself.

MR. COUCH: Thank you very much.

MR. PORTER: Anyone else have a question of Mr. Castle? Mr. Durrett.

CROSS EXAMINATION

BY MR. DURRETT:

Q Mr. Castle, referring to your Penroc Well No. 1, I believe you stated on direct examination that you lost circulation in the Cisco. What depth would that be?

A Lost circulation with our cement at approximately 7700 feet, as shown by a temperature survey run by Halliburton Company.

Q I believe you also testified on direct, and maybe cross examination, that you didn't feel the Morrow zone could be killed satisfactorily with oil. What would be your opinion concerning killing the Morrow with oil base mud?

A I believe that even oil base mud will contain some water, and we are opposed to putting any water on the Morrow formation. In fact, we are opposed to putting any fluid on the Morrow formation, including oil.

Q In drilling your Penroc No. 1, Mr. Castle, did you encounter limestone or dolomite in the Pennsylvanian?

A We encountered both limestone and dolomite.





Q Which did you encounter first?

A I don't remember, not having a sample log with me. However -- I don't know.

Q By your drilling rates when you were drilling your Penroc No. 1, did you think you had porosity, and if you did so, could you tell as to whether it was in the dolomite or the lime?

A We believe that our better porosity was in the dolomite.

Q Now, am I correct that your Penroc No. 1 has only scattered dolomite?

A I'd say it has scattered dolomite and scattered lime.

Q How much dolomite would you estimate, Mr. Castle?

A I believe that if you will refer to Exhibit No. 5--

Q Is that your contour on top of the dolomite?

A That's an isopach of the dolomite section. I believe that our well, if you notice the underlined figure under our original well, it shows 107 feet. We believe it to have 107 feet of dolomite.

Q And how did you make that determination?

A From samples and electric logs.

Q Did you examine those samples yourself?

A I examined those samples myself and also had two other competent geologists examine the samples.

Q And they agreed with you that they felt there was

107 feet of dolomite in that well?

A They agreed with me, yes, sir.

Q How much lime did they think it had?

A Well, I'll say the balance of the Cisco Canyon section would be lime and if you would like to do a little figuring, as Mr. Couch did, the top of the Cisco Canyon section is about 7388, and this log cuts off at 7750, so I would imagine that the base of the, well, just say the base of the Cisco Canyon section above the water is somewhere around, oh, that zone around 7750 or something like that.

Q So that's 600 plus feet, would that be correct, approximately so?

A That's reasonable.

Q Do I understand correctly, again, now, that you feel most of your production is coming from the dolomite section?

A Yes, we believe it is. We believe that's true for the entire field.

Q Mr. Castle, I am sure that you are familiar with gas pools in Southeast New Mexico that are spaced on 160-acre spacing?

A Yes, I know there are some.

Q Are 660 locations from the outer boundary of the unit, is that the standard well location for 160-acre spacing?



A I'm not sure of the rules on that. I am sure that the Commission has that, though.

Q I believe that, returning now again to your Penroc No. 1 and the offsetting wells, that you testified that some gas was recovered from the well directly north of your Penroc No. 1?

A Yes.

Q What volume would that be?

A I believe they recovered 200,000 cubic feet a day, or something in that order.

Q That well is plugged now, is it not?

A Yes.

Q Do you have any idea of how much gas was produced before it was plugged?

A No, I don't.

Q Do you have any idea how long it produced?

A No, that I believe was only on drillstem test and production test. They did run pipe on the well and I believe all the production was on either drillstem test or production test and then the well was plugged.

Q So there's no actual production?

A No, there's no actual production I believe, if you will refer again to our Exhibit No. 5, it will show, you will see that we show that that well has no dolomite.



Q That's your isopach, is that correct?

A Yes.

Q Referring to your isopach on the gross dolomite pay, Mr. Castle, what control do you have for your zero line, zero dolomite?

A We have non-productive wells outside that zero line.

Q Which ones did you use specifically for control to get your zero?

A I believe they're all numbered on there, if you will notice, as I mentioned before the underlined numbers, you see in Section 18 the well approximately a mile north, the one we were just talking about has zero underlined under it.

Q Right.

A Come on around to the right to the east, you see Section 27, Pan American well with a zero line under it.

Q Yes.

A Come on down below that to Section 3, W. A. Inman Walt Canyon well with a zero line under it.

Q Yes.

A Come on around, circle on around the field to Section 17, another Pan American well with a zero line under it; and so forth all the way around the field. We have excellent control.



Q You are pulling in from those zero dolomite wells now, are you not, on making your contours, pulling in to the west?

A Yes. Well, to show you the reason for that, if you notice, say, Section 28 of 21, 24, there's a well that has 80 feet of dolomite, then you move over to Section 27 about a mile away, no dolomite. We believe we have good control.

Q Is it just a coincidence that your zero dolomite line goes right through the northeast corner of Section 19?

A No, that's no more a coincidence than that we show the most of Section 21 of 21, 24 to be non-productive or approximately half of Section 28 to be non-productive, or 33 to be non-productive, or Section 4 to be non-productive. It's not a coincidence, we are using the control and information we have.

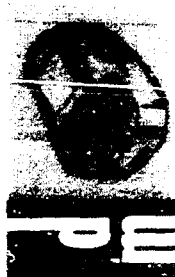
Q Speaking again about control, Mr. Castle, will you please look at the Atlantic Walt Canyon Unit No. 2 and 4 of 21, or 22, 24?

A Yes.

Q You have 174 feet estimated there, is that correct?

A That's right.

Q Your zero line, does the distance between that zero line in that well compare with your distance between your zero line on the Union State well offsetting your well to the



north, and your well?

A I believe if you will check the distance between the zero line and the 100-foot line all the way around the field you see we do have, which I mentioned before, excellent control, and that line will vary from area to area. We tried to keep it as parallel as we could where we have the control.

Q That's a matter of a geological interpretation, is that correct?

A Yes, that's right.

Q Do you have a surface contour of the 660-foot location?

A I do not.

Q Would you have any explanation for the fact that your well tested five million and is now capable of less than 150,000?

A I believe one of the reasons for that, as I mentioned earlier, the Hannigan well was burning at the time we completed our well and our production man was a little shaky and he pumped a lot of water into it. I am sure we never got all that water back. I'm sure that damaged the formation.

Q I believe you did state that you feel the entire production from the entire pool is from the dolomite?

A I think the best production from the pool is from the dolomite.

Q Referring again, now, to the surface location, Mr. Castle, I believe you testified that you would have to cut from 20 to 30 feet, is that correct?

A That's right.

Q You wouldn't have to do that if you cut and filled, would you?

A Probably not.

Q One final question, I believe you have previously answered it, there are standard locations available in Section 19 that are readily accessible?

A What did you say?

Q There are standard locations in Section 19 that are readily accessible?

A Yes, they are in the Southwest Quarter, I think, but we don't believe that to be as favorable geologically. As I stated earlier, this well will cost in excess of one hundred forty-two thousand, and Penroc is of the opinion if we are spending that kind of money we want to spend it at the place which we think is most favorable.

MR. DURRETT: That's all I have, thank you.

MR. PORTER: Does that conclude your two or three questions, Mr. Durrett? Does anyone else have a question of Mr. Castle? Mr. Nutter.



CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Castle, I don't know if I missed it or not, but did you have any discussion whatsoever as to the possibility of a well location north of the highway and west of the new road, which is just a matter of a few feet from your standard 1650, and according to your contour map of the pay would make very little difference as far as the quality of the well would be concerned?

A I don't believe that has been discussed. However, that would still put us at a non-standard location, I believe, or at a location which we consider to be not as favorable as in the Southeast Quarter.

Q Would it be a non-standard location if you moved north and west of 1650, 1650?

A Well, no, it wouldn't, but I'm not sure where 1650 would fall and from this surface map it looks like a 1650, if you just moved it directly north, that would be in the north, it could fall over near the pipeline.

Q Isn't 1650, 1650 on your engineer's map?

A Yes, on the south and east. You are talking about moving to a 1650 from the north and west?

Q No, I am talking about moving northwest from this location a few feet across the highway and into the flat





area north of the highway and west of the new road.

A To a non-standard location?

Q It wouldn't be any further non-standard as far as the location to the outer boundaries of the section are concerned, however, would it?

A No.

Q It would be maybe closer than to the 340 feet and to the quarter, quarter line on the inside of the section?

A It would be possible to drill it at a location where you are talking about that would still be non-standard and less favorable geologically.

Q By interpretation of your pay map, the one that you showed the one hundred, I would estimate from your contour map of the gross dolomite that your proposed 1650, 1650 location, you would have an estimated 150 feet of dolomite, would that be correct?

A Yes.

Q By moving 150 feet north, how much have you affected that 150 feet of dolomite?

A Probably it could be as much as 20, 25 feet.

Q It could be less than that also?

A It could be less than that.

Q Actually it's a negligible amount when you are looking at the contour map on this scale, would you agree

with that?

A No. I wouldn't agree that it would be a negligible amount even with the lost five feet of pay. We consider five feet of pay in the dolomite section in the Indian Basin to be worth a considerable amount.

Q I appreciate you want as much as possible. However, according to the engineer's contour map, the location on the north side of the highway and immediately west of the new road is, according to the contour map, very favorable for building a location, is it not?

A Yes.

MR. NUTTER: Thank you.

MR. PORTER: Does anyone else have a question?

MR. COUCH: May I ask one question?

MR. PORTER: One, yes, sir.

CROSS EXAMINATION

BY MR. COUCH:

Q Mr. Castle, I believe no one has asked in the event an exception is granted to you, and in the event you drill a well and satisfactorily complete it, what part of the allowable would you intend to produce from the No. 2 well, as we will call it?

A We intend to produce any or all of the allowable from the No. 2 well.



Q This is what your application says?

A That's what our application states.

Q You want that much freedom, but what do you intend to produce?

A Exactly that.

Q Well, any or all, which one?

A Either.

MR. COUCH: I beg your pardon. I said I was only going to ask one question. I thought I was going to get a direct answer. I quit.

A I believe our application states that clearly.

MR. COUCH: Excuse me, sir.

MR. PORTER: Does anyone else have a question?

CROSS EXAMINATION

BY GOVERNOR CAMPBELL:

Q Do you have any intentions of either abandoning the first well or producing it to the capacity that it will produce, or do you not have any intentions in this regard?

A We intend to produce the well as long as we can produce it economically. Should it get to where we can't do that, then we will either shut it in or plug it.

MR. PORTER: In other words, you would make whatever part of your allowable that that well would make from it as long as you could economically do so?



A Yes, that's right, Mr. Porter.

MR. PORTER: Does anyone else have a question?

The witness may be excused.

(Witness excused.)

(Witness sworn.)

JOHN J. REDFERN

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, please.

A John J. Redfern, Junior.

Q Where do you live?

A Midland, Texas.

Q Are you connected with the Redfern Development Corporation?

A Yes, I am the president.

Q Does the Redfern Development Corporation have an interest in this unit that's in question here?

A Yes. We own approximately seven percent of the working interest.

Q Do you have any objection to the proposed non-standard location of Penroc in this case?

A No objection.



Q State whether or not you have offered to participate in the drilling of the proposed second well.

A We have, upon receiving word from Penroc that they desire to drill a second well, we wrote them and told them that we elected to join and would pay our share of the cost.

Q Do you object to the amendment of the original order providing for the drilling of the initial test well in this case as proposed by Penroc?

A We object to an attempt to amend the original order which was entered into in 1963, basically, in the oil and gas industry, generally, non-consent is based upon a per well basis and we believe that's the appropriate way to handle this.

Q Do you have any objections to any other proposals contained in the application of Penroc as far as the allocation of production is concerned?

A No, I believe, as you in the discussion with the Commission earlier indicated, we believe that each well should stand on its own bottom and that the payout of the No. 1 well should be from No. 1 and we will have paid our share in No. 2 and we would anticipate receiving our share of the production from No. 2.

Q In other words, if you are willing to pay your proportionate part of the No. 2 well, you do not believe that any part of that production of the cost of that well should



be saddled on the initial test well?

A That is right.

MR. HINKLE: I believe that's all.

GOVERNOR CAMPBELL: Any other questions of this witness?

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Mr. Redfern, you resisted the Forced Pooling Order that was entered in Case No. 2907, didn't you?

A My recollection of that case was that the discussion, or the disagreement, let's say, before the Examiner on that day was a question of what the penalty should be. I believe the transcript will indicate that I agreed with the principle of forced pooling.

Q But you did oppose any penalty?

A No, I did not, if I recall. I offered testimony that we had been in the same position as your client four or five times in the San Juan Basin and the Commission had given us a 25% penalty, and you were asking for 50% and we were more or less suggesting the twenty-five. That's what we thought was appropriate.

Q Well, you didn't elect to participate in the cost of that well at all, did you?

A Well, really we did because we paid our share of

the cost from the Cisco to the Morrow and our share of the Morrow well.

Q You didn't pay your proportionate costs of the Cisco completion?

A That is right.

Q And you don't own any working interest as of today, or at least you are not participating in any working interest as of today?

A That's right.

Q And won't until there is a payout on that well?

A That's right.

Q And that applies to the entire Cisco formation, does it not?

A I believe that the Order, as I read it, indicates, "when the well pays out."

Q But now you are willing to participate in the cost of the No. 2 well?

A Yes.

Q And participate in the production of No . 2 well at the rate of 70% working interest?

A Yes. However, I believe that's 69.

Q If the No. 1 well never pays out, then you would just leave that to --

A Yes.



Q -- Penroc to worry about and you will take no part in it?

A That's right.

MR. KELLAHIN: Thank you.

MR. PORTER: Anyone else have a question?

Do you have further to state to the Commission?

THE WITNESS: No, I don't believe so.

GOVERNOR CAMPBELL: Call your next witness.

(Witness sworn.)

ROLAND L. HAMMOND

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, please.

A Roland L. Hammond.

Q Mr. Hammond, by whom are you employed?

A El Paso Products Company.

Q What connection is there between El Paso Products Company and Odessa Natural Gasoline Company?

A Odessa Natural Gasoline Company is a wholly owned subsidiary of El Paso Products Company.

Q Are you today speaking for the Odessa Natural





Gasoline Company?

A Yes, sir.

Q Does the Odessa Natural Gas Company own an interest in this unit in question?

A Yes, sir, we have approximately 7.67% working interest in this section.

Q Somewhat the same as the Redfern?

A Practically identical as the Redfern interest, yes, sir.

Q Do you have any objection to the proposed non-standard location of the second well?

A No, sir, we do not.

Q Has the Odessa Natural Gasoline Company offered to participate and pay their proportionate part of the proposed second well?

A We are not on record as having hereto agreed to participate. We hereby elect to participate in the drilling of the second well. We just got a decision yesterday out of our management and we have it and we do hereby elect to participate in the drilling of the second well.

Q On what basis is that proposal made to participate with reference to the proposed amendment of the original Order by Penroc?

A We feel that we really own an interest in this



original well, although they are entitled to our share of the income until they get their money back, and that we should have the right to elect to participate in any future drilling in this unit. That would be the normal situation and should be the result. If we execute an operating agreement, you would have the right to consent or non-consent to the drilling of any other well in that section. Therefore, we think we should have the right to participate in the drilling of this second well and it should stand on its own feet and not be connected with the first well.

Q Is it usual or customary to consider a second well of this kind being in the same category as a workover of an original well?

A No, sir, it is not.

Q Usually when you enter into a communitization agreement and operating agreement there is a provision for either participating or non-participating in the second well?

A Yes, sir, on the second or any other wells.

Q Is that pretty firmly established?

A Yes, sir, I believe that that is recognized in the industry as accepted practice.

Q Do you know of any exceptions to that rule?

A No, sir, I do not.

MR. HINKLE: I believe that's all.

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Does Odessa Natural Gasoline Company participate in the Morrow production?

A Yes, sir, we do.

Q You are just in the same situation exactly as Redfern?

A Exactly.

Q Except the percentage is slightly different?

A Slightly different.

Q You did not pay your proportionate share of the Cisco completion?

A No, sir, we are in the same position as Mr. Redfern.

Q And you have no intention of paying that?

A No, sir.

Q You do not feel that Mr. -- Penroc Oil Corporation is justified in seeking to recoup its losses, if any there be, on the Number 2 Well?

A No, sir, he had his chance and gambled and lost, I would think.

Q You say that in a situation such as this the second well is not considered as any further development or operating expenses as proposed by Penroc?





A Not to my knowledge. The drilling of any second well should be a different election, an entirely different election than the first well.

Q Mr. Hammond, have you ever encountered such a situation where a forced pooling order has been entered and a second well proposed?

A Not in my personal knowledge, no.

MR. KELLAHIN: Thank you, that's all I have.

MR. PORTER: Anyone else have a question of this witness:

You may be excused.

Mr. Durrett, did you indicate that you would present testimony in this case?

MR. DURRETT: We will have one witness. We will present him after Mr. Couch has presented his witnesses. We believe it will tie in better.

MR. COUCH: It's too late in the day and I'm not going to present my witness. I asked three questions instead of one and I lost my turn.

GOVERNOR CAMPBELL: We don't want to be in a position of keeping you from presenting a witness.

MR. COUCH: The facts that we have intended to prove are adequate in the record, Governor. Rather than prolonging the hearing and going back over it, I think we are all right.



MR. PORTER: All right, would you like to go ahead then, Mr. Durrett?

MR. DURRETT: If I may have a thirty-second conference, then I believe I probably would, Mr. Porter.

If the Commission please, we would like to call one witness. Standard of Texas would like to call Mr. John Busley to the stand.

MR. PORTER: Mr. Hatch, would you swear the witness?

(Witness sworn.)

JOHN BUSLEY

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

DIRECT EXAMINATION

BY MR. DURRETT:

Q Will you please state your name and position for the record?

A John Busley, Geologist, Standard of Texas.

Q Mr. Busley, have your qualifications as an expert witness been accepted by this Commission or one of its Examiners in testimony at a prior hearing?

A It has.

Q Are you familiar with Penroc's application in this case?

A I am.

Q Are you familiar in general with the Indian Basin area and the completion of a well in the Basin from a geological standpoint?

A Yes, I have.

Q Have you prepared a plat which is a isopach of the dolomite facies in this pool?

A Yes, I have one right here.

Q May we have that marked as Standard of Texas Exhibit A?

(Whereupon, Standard of Texas's Exhibit A was marked for identification.)

Q (By Mr. Durrett) Mr. Busley, I hand you what has been marked as Exhibit A and ask you to identify that.

A It is a isopach of the dolomite facies in the northeastern part of the Indian Basin field.

Q Does it show well locations?

A Well locations and values, the quantity of dolomite of each well.

Q Now I believe you were present and heard Mr. Castle testify that it was his opinion that most of the production in this pool is from the dolomite facies. Do you share that theory as a geologist?

A Yes, I do.

Q Do you feel that this is the principal producing

facies?

A That is the principal producing facies.

Q Am I correct that some of these wells in the pool produce from a limestone facies to the best of your knowledge?

A Yes, I believe there's three wells on the west side. Of course, as I have interpreted, the Penroc well is primarily from a lime facies and Lowe Estate No. 3-C in Section 25 of 21 South, 23 East, penetrated, I believe, about a 170 feet of lime. I don't know the porosities dolomite below.

Q Now, I notice some question marks on your contour here in Section 25 and over in Section 26. What do those question marks indicate?

A Since the Lowe Estate No. 3-C in Indian Basin only penetrated the upper portion of the pay interval, I really don't know what is present below.

Q Now, the wells in the immediate area surrounding Section 19 that encountered limestone, as far as you knowledge, was that limestone mixed with dolomite?

A Yes. I did not personally look at the samples. They were examined by one of our geologists and he has determined as scattered-- I believe he showed a maximum of 20% and in most cases trace.

Q What do you show as dolomite on the Penroc No. 1, approximately?

A For practical purposes on the Penroc well, we would call that close to zero, that the dolomite was disseminated throughout the section but in minor amounts.

Q Did you make a determination from a sample?

A That was from a sample log that I have here if anyone would like to look at it.

Q You have that in your possession at this time?

A Yes, sir.

Q Now as far as all the contours on this isopach Mr. Busley, you didn't examine personally all the samples?

A That's true. Within the bounds of this plat, I have not examined the samples myself on any of the wells. The values shown are from commercial sample logs or what has been reported to me by the geologist in the field.

Q And from that you made your geological interpretations?

A That is correct.

Q Referring to your isopach, in your opinion, what do the contours on this isopach establish?

A Well, the zero contour, I believe, pretty well delineates essentially the bounds of production and the more lucrative portions of the field, I think, are outlined by the thicker contours.

Q Your contours would show the northwest portion of Section 19 to have very little dolomite, is that correct?





A That's correct. Very little dolomite.

Q What control do you have to establish the contours?

A The Union No. 118 staked immediately north of the Penroc well within the pay interval and above the water we determined as having essentially zero dolomite. Of course, the Penroc well, differing from previous testimony, we say had essentially zero. Thus, we put the zero contour line fairly close to the Penroc well with it still obtaining approximately, by spacing here, maybe twenty feet of overall dolomite.

Q And you do feel that these contours are your best interpretation of the information that you had available to you.

A From the information at hand, I think they are, yes, sir.

Q In your opinion as a geologist, what is the likelihood of obtaining production in Section 19 north and west of your zero contour line?

A I would say the possibilities are relatively nil. The risk would be very high, very high.

Q And you base that on your theory that most of the production in this pool--

A Dolomite.

Q Was Exhibit 1 prepared by you or under your supervision?

A Except as stated previously, yes.

MR. DURRETT: If the Commission please, I move the introduction of Exhibit A and that will conclude my direct examination.

MR. PORTER: Without objection the exhibit will be admitted.

(Whereupon, Standard of Texas's Exhibit A was offered and admitted in evidence.))

CROSS EXAMINATION

BY MR. KELLAHIN:

Q Mr. Busley, you are not saying that the line in the Cisco Canyon is not productible, are you?

A No.

Q There is lime present?

A That's right. And, as I pointed out, there are wells producing from the lime interval.

Q What you are talking about is the quality of the well rather than whether it is or isn't productive?

A Essentially within reason, yes.

Q Now in connection with your interpretation of the sample log, how do you differentiate between lime and dolomite?

A In this case, I don't believe the geologist that was running the samples used any staining methods. I believe the method used was the usual diluted hydrochloric acid

ten percent.

Q And again examining the sample log you would encounter, would you not, perhaps what one geologist would refer to as a limey dolomite and another geologist would refer to as a dolomitic lime, thereby changing the designation from one to the other?

A That is conceivable, yes.

Q That would change your figure on whether this is zero or near zero or not, would it not?

A That is correct.

Q So as a matter of interpretation you could be off one way or the other?

A Yes, I'm afraid geology is not an exact science.

MR. PORTER: Does that conclude your questioning, Mr. Kellahin?

MR. KELLAHIN: That's all, thank you.

MR. PORTER: Does anyone else have any questions?  
The witness may be excused.

Does anyone else desire to present testimony?

GOVERNOR CAMPBELL: Mr. Durrett, could you give us the information for the Commission as to what the interests are of Standard of Texas? They don't appear on the ownership map in this area.

MR. DURRETT: I will get that information for you,





sir. Mr. Holt can answer that question for you better than I can, sir.

MR. HOLT: Our interest in this field lies south and west of this particular area the distance of, perhaps, four or five miles. We feel that anything that affects any related field affects our field.

MR. PORTER: Would anyone like to make a statement?  
Mr. Hoover?

MR. HOOVER: John Hoover, Gulf Oil. Gulf Oil Corporation is an operator in the Indian Basin under the present gas pool, and we object to Penroc's application. We do not believe that Penroc's application is in the interest of protection of correlative rights of the other operators and that it would, if granted, establish a precedent for drilling replacement wells off pattern. In other words, it would defeat a major spacing objective established through field rules and, therefore, Gulf recommends the application, as it now stands, be denied.

MR. PORTER: Where did you say your property was in reference to the location?

MR. HOOVER: We are in the southwest in 23 -- 24 I believe it is -- 22 southwest. We are not offset.

MR. PORTER: You are not offset?

MR. HOOVER: No, we are not offset, we are an operator in the pool and we feel like any withdrawal from the pool affects



everybody.

MR. PORTER: And you are objecting to the location

only?

MR. HOOVER: Yes, sir. It is a non-standard location.

GOVERNOR CAMPBELL: Even though the request is from the Union?

MR. HOOVER: Yes, sir. We would have no objection if they wanted to drill a second well and the second well was on pattern.

MR. PORTER: Under the administrative procedure, Mr. Hoover, of granting unorthodox locations, would you be notified?

MR. HOOVER: No, sir, I don't believe we would, no, sir. Only the offset operator, I believe.

GOVERNOR CAMPBELL: Mr. Couch, is the position of Marathon essentially the same as that? You are not an offset?

MR. COUCH: We are an offset.

GOVERNOR CAMPBELL: Is that the section where the dry hole is?

MR. COUCH: East.

GOVERNOR CAMPBELL: You are offset to the east, then?

MR. COUCH: Yes.

GOVERNOR CAMPBELL: And you are objecting on correlative rights basis as an offset owner?

MR. COUCH: That's one of them, yes, sir.

GOVERNOR CAMPBELL: And is the other the general objection to the unorthodox location?

MR. COUCH: Yes, this is true.

MR. PORTER: Do you recall what the distance is that determines who the operator who proposes the non-standard location will notify?

MR. COUCH: I believe he will notify all offset operators. Now, we construe that to mean all operators that offset their units so that it would be all operators within one mile of this Section 19. Apparently, there is some concern or difficulty as regards ownership, and I do have here with me what I think would be a reasonably fair ownership map that might help, and I would be glad to submit it.

MR. PORTER: Now, if you say you have an interest in these --

MR. COUCH: Well, I think this might be of some assistance to the Commission in reviewing and considering the case.

GOVERNOR CAMPBELL: Would you like to offer that as your exhibit?

MR. COUCH: I could do so.

GOVERNOR CAMPBELL: Do you have any objection, Mr. Kellahin?



MR. KELLAHIN: No.

GOVERNOR CAMPBELL: It is a more current ownership map, apparently.

MR. KELLAHIN: We will stipulate that he does have.

MR. COUCH: I didn't check it out in detail, but I submit it as our exhibit.

GOVERNOR CAMPBELL: This doesn't have your name on it anywhere except over there where you had the misfortune of drilling a dry hole. It doesn't show you owning anything to the east or to the south.

MR. COUCH: Well, I expect we better get this in the record.

MR. PORTER: Let the record show that Marathon Exhibit 1 was offered and received.

(Whereupon, Marathon's Exhibit No. 1 was offered and received in evidence.)

MR. COUCH: If you want to ask it be excluded, why ask that it be excluded. I am just offering it for the convenience of the Commission.

MR. PORTER: Do you have any objection to the exhibit, Mr. Durrett?

MR. DURRETT: No, Mr. Porter. I would like to just very briefly state Standard of Texas's position in this case at this time, although they are not a direct offset. Standard

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of Texas feels that they have a particular interest in this case and in the outcome of this case. They feel that there is nothing in this record to justify this non-standard location on the basis of topography and they do not feel that it should be granted on a structural position or to get a better position in the pool, and lacking topography, we feel that the non-standard location, if the location is approved, would impair correlative rights. It is obvious from all the exhibits that have been introduced here today as testimony that this well is going to drain offsetting acreage and is not going to drain the acreage that is dedicated to it.

Standard of Texas feels that if the non-standard location is approved, and they are not saying under no circumstances could it be approved, that it could be approved under certain circumstances, that they would suggest that if it is approved by the Commission that the second well should be restricted to produce only one-half of the production from that 640 acre unit. I am not speaking of one half of the allowable now, I am speaking of one-half of the amount of the gas produced each month from the 640 acre unit. We feel that this is as lenient as the Commission should ever go under the circumstances and even a further restriction would be more equitable. We feel that Standard's position in this case is further supported by the question of the productivity of the northwest portion of





this Section 19, as our geologist testified. If this location were in the South half of the section and there was no question of the productivity of the acreage in Section 19, Standard wouldn't necessarily have any objection to the single well, although they do believe there would be administrative problems in determining what amount of gas should be produced from each well. So we submit that the Commission should deny the non-standard location, or if they approve it, that they should limit the production of this well to one-half the unit production.

MR. HINKLE: If the Commission please, I have statements from three of the working interest owners that I would like to read into the record, or read for the Commission and file with the Commission. The first one is a telegram from Pioneer Production Corporation, addressed to John J. Redfern, Jr., here at the hotel.

"In reference to Case 2436, this company does not oppose the proposed unorthodox location for a section well in Section 19, 21, 24, Eddy County, New Mexico, and stands ready to join in paying its proportionate part of the cost of said well. It also approves production allowable for a 640 acre unit on both wells on said Section 19. The applicant does oppose any amendment to order R-2581 which would permit recovery of any of the cost of the first well drilled on Section 19 or production



from the proposed second well".

The other two statements are letters from Merle C. Kellis and Frank W. Hodges. They are identical letters and I will read one. Both of them are addressed to the Commission. "We support the applicant's request to drill a well 600 feet from the south and east line, Sections 19, 21, 24, Eddy County, New Mexico, to the upper Pennsylvania. We oppose the applicant's request to amend the forced pooling as set out in order R-2581, that permits allocation of well costs and recovery of costs from both wells. We would be willing participate in the drilling of the new well as a partner according to our interests". I say, the other letter is the same.

MR. PORTER: Does anyone else have a statement?

MR. COUCH: Mr. Porter, in behalf of Marathon Oil Company, I want to briefly mention one or two points and state our position on the hearing here. Operating field rules for this field contain this specific finding by the Commission. Temporary special rules and regulations should provide for limited well locations in order to assure the orderly development of the pool and protect correlative rights.

The precedent to be set here is that the well or the second well can be drilled in this field at this time, which Marathon considers would be an undesirable precedent. We are in the first year of production from this field and consider that, to that



extent possibly that the field rules should be followed as completely and accurately as they can be.

This brings me to the next point: That is that in regard to the situation when you have a topographical region, there is an exception to the spacing rule as shown by the record of the Commission and granting exceptions that have been granted in various pools, the operators have requested or the Commission has required, in any event, has approved the orthodox location or the unorthodox locations have been apparently as close to the standard location in the quarter section as could reasonably be accomplished.

It has not been my understanding of these rules that merely because you have a topographical difficulty at the precise point 1650, 1650 that you are then entitled to an exception and to pick whatever point that seems to you to be the most desirable spot geologically for the second well, particularly after there has been development around the area and you have the benefit of this information and can then reexercise not the opportunity to produce your fair share, but a second opportunity to produce your fair share and for this reason, we think that placement of a second well under these circumstances is an undesirable precedent.

In addition, in the event the Commission considers that the second well should be authorized with all the problems from

the standpoint of the administration, it should be done in another area of the field, in that event, then I mention for the Commission's consideration Statewide Rule 104-G, it specifically says in granting these unorthodox locations that such adjustments that are necessary to protect correlative rights will be taken into account.

I am confident the Commission will do this and I think they have been reasonable in one case and a little tough in the other, and we have lived with both of them. So if there is some sort of restriction or a modification of the amount of allowable that can be produced instead of all, or any should be imposed, if the second well is granted at all, I say in this case, and certainly if it is granted at an unorthodox location substantially close to the section line, I point out this fact, if you draw a hypothetical section including the southeast quarter section and the one east of it and the one south of that, then one west of that, if you draw a hypothetical governmental section it goes forth in continuous quarter sections, this proposed location, 660 out of the corner, southeast corner, would be, in effect, a well for which no exception would have to be obtained if that were the section that it would have to be drilled on and there is not another well that falls within that section. So I think that speaks for itself as far as correlative rights.

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In closing and considering again this question of drilling the second well, whether it should be permitted here in a field where there have been two blowouts, three according to Mr. Castle, all the circulation problems in this upper Pennsylvanian zone, the difficulties in completion and we are operating under a Statute for prescribing proration units and taking into account among other things, expressly the augmentation of risk of drilling of unnecessary wells and drilling additional wells, and I think that Statute is pointedly applicable here, where there is no effort to re-work let's just drill another well.

This sums up our position. Thank you.

MR. PORTER: Me. Kellahin, do you have a statement?

MR. KELLAHIN: I assume everybody else is through.

MR. HINKLE: If the Commission please, I believe that you understand our position here. I am not going to dwell on it. I just want to speak very briefly on the point here of whether or not this order, the original order, should be amended to the point of providing the cost of this second well should be a part of the cost of the original well. We do not think it should.

The original order in this case very clearly only provides for the drilling of a well and the dedication of this section to the well. If an amendment of this kind is permitted to the original order, it would be in effecting a new order, it wouldn't



be an amendment. It would be an unusual situation as has been pointed out by the testimony where you enter into a communitization agreement as has been the case here. It is usual and customary to enter into an operating agreement in which the parties agree that no other well will be drilled and if one is drilled, well, then, everybody is given an opportunity to either participate or go nonconsent. In each case, there was always a penalty imposed which is usually 150 to 200 to 300 per cent.

I do not think the Commission would have authority to amend the order under these circumstances at all because of the fact that it does amount to a new forced pooling order Section 65-3-14 of the New Mexico Statutes, 1953 annotated is the section that provides for forced pooling. Subsection C provides, "When two (2) or more separately owned tracts of land are embraced within a spacing or proration unit, or where there are owners of royalty the interests or undivided interests in oil and gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit".

I want to point out this is where, however, such owner or owners have not agreed to pool their interest and where one such owner or owners who have the right to drill has drilled or proposes to drill a well on said unit to the common source of



supply the Commission could avoid the drilling of unnecessary wells or to protect correlative rights or prevent waste to approve all or any part of such lands in the interest of both in the spacing or proration unit as a unit.

Now, it goes on further and says, "Such pooling order of the Commission shall make definite provision as to any owner or owners, who elects not to pay his proportionate share in advance for the pro rata reimbursement solely out of production to the parties advancing the costs of development and operation", etc.

Now, I submit to the Commission that there is no authority of the Commission where a person has agreed to pay the cost of the well to acquire in effect a new forced pooling order as in this case. We submit that we have no objection to the unorthodox location. We are willing to go along with that. We are willing to pay our portion of the cost of the drilling of this additional well. The only thing we object to is that it should not be made a part of the cost of the drilling of additional test wells as a workover well as has been admitted.

MR. COUCH: Mr. Porter, may I add one item, if I may ask your indulgence, in my hypothetical section, there would be a well way down in the southeast corner, Indian Basin No. 3. I have two telegrams here, statements from Noble Oil Corporation and Moralco which I would like to submit to be incorporated in the record with the other statements.



I would like also to request that the Commission's records which are on file in each of the cases, each well shown on Penrock's Exhibit and classified as an unorthodox location, I would like the Commission's well file pertinent to those wells be considered a part of this record along with the non-standard location files on four of them.

MR. PORTER: Well, in connection with those files, the Commission can take the administrative notice of the particular wells in question.

MR. KELLAHIN: I will try to be quite brief, but this is a difficult case. There has been something said about our offset operators. Most of those who have voiced some objection to the proposed location of Penrock's well are not offset operators. The offset operators who have objected are Odessa and Marathon, and waivers from the other offset operators, Sinclair, Kerr-McGee, Shell, Hannagan, Redfern, and Standard, so the only two offsets that are objecting are Odessa and Marathon.

Now, quite a little has been said about the topography of drilling the standard location. In the exhibit presented there is nothing presented to refute the claim that a standard location could not be drilled at that location because of the costs as shown by the well location cost estimate presented as an exhibit in this case. Certainly you can't drill the well on





the highway or immediately adjacent to it. You would have to move to a non-standard location and admittedly we are trying to find the best possible location for our well. We are attempting to use a non-standard location through force of circumstances and we want to get in a good location for the well to be drilled.

Now, it has been suggested in the event that this is approved how the allowable should be cut. There is no testimony in this record as to whether any portion of this acreage is not productive. The only testimony in the record is that the entire section is productive of gas from the Cisco and that was presented by the applicant. The testimony that was presented by Standard merely points out that there is what they call their interpretation of a zero dolomite which would be immediately north of the present well location of the Number 1 well. The witness admitted that there is lime present. He made no interpretation of this or gained no value as to whether it did or did not contain gas. He did not testify that in his opinion, this entire section was not productive. He also admitted on cross examination that geology was not an exact science. This line could be moved either way.

On that basis you can't find justification for cutting the allowable. The only other justification that could possibly be found for giving a reduced allowable in this instance would



be the non-standard location being close to the line. In that connection, there are on our Exhibit No. 1, 11 non-standard locations, some of which are closer to the section line than our proposed location, that we submit that if it is for the purpose of protecting correlative rights because of the well location that we are to get a penalty, every other well in there should likewise get a penalty regardless of the fact that they were drilled, some of them admittedly before the pool required a different location.

Of course, there are exceptions that have been granted and have been granted without any penalty. To wit, there will be no justification particularly in this case for such a penalty to be imposed for the reason that the nearest producing well, offset well, is practically a mile away. Certainly, if anybody is going to be detained, it's not going to be the offset, it's going to be Penrock unless we can get the well at a location that will give us the right to produce the gas.

Now, in connection with the amendment of order No. R-2581, this is a new proposal, admittedly. Under the provisions of the order R-2581, the first portion of this order reads that all mineral interests, whatever they may be, upper Pennsylvanian formation under Land Section 19, Township 21, South Range 24 East and in parentheses, Eddy County, New Mexico, are hereby pooled to from a 640 acre gas proration unit.



Now, this is the portion of the order that pooled all the mineral interest in Cisco for that 640 acre tract and we submit that it was pooled then and it is pooled now that the present tract is under provisions of that order and we are proposing to drill another well within the same pool unit. Now, I will add, the order goes on to say -- to save Mr. Hinkle from objecting later on -- "Hereby pooled to form a 640 acre gas proration unit to be dedicated to the well to be located 1980 from the north line, 1980 feet from the east line of Section 19."

Now, Mr. Hinkle read from the Statute language in which he finds some indication the Statute is talking about one well. In the initial instance, I would have to agree that the Legislature had in mind that if a man wanted to drill a well on a proposed proration unit as set up by this Commission and was unable to do so, he had to resort to the Commission for a forced pooling order in order to drill his well.

This was done and the parties who are here objecting to this portion of our application are not willing to pay their proportionate share of the well costs. They got a free look at the situation. They realized that there are mechanical difficulties in this well. They are now asking for a free ride on the first well by paying their share of the cost on the second well, knowing full well that the chances are that the applicant here will never recover all of his costs from the



first well. It forces the applicant into the position of having to attempt to work over the first well in order to recoup his cost. He could very well damage the Morrow formation and it would be a loss to the protestant as well as it is to Penrock.

We submit on the basis of the geological information that we are submitting that the well at the proposed location should be approved by this Commission in the entire unit for the production of gas from these wells, so that their correlative rights should not be impaired. The purpose for that is that under the provision of Order No. R-2581, the well cost should be allocated to the production from the unit regardless of where that cost comes from and the operator be permitted to recover a hundred and forty per cent of the cost of Well Number 1, and a hundred per cent of the cost of Well Number 2 out of production after which the owner would come in for their share of the production.

MR. HINKLE: May I say something?

MR. KELLAHIN: I can't stop you.

MR. HINKLE: I just want to call the Commission's attention to one thing, that the risk factor contained in the original order that forty per cent is a risk fact and that is the reason that is in there. They assume the risk when they drill a well and if they can't recover the total cost of it, why, it's just too bad.



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MR. PORTER: Anyone else have a statement that they would like to make in this case?

The Commission will take the case under advisement and take up case 3427.



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STATE OF NEW MEXICO     )  
                                  )   ss  
COUNTY OF BERNALILLO   )

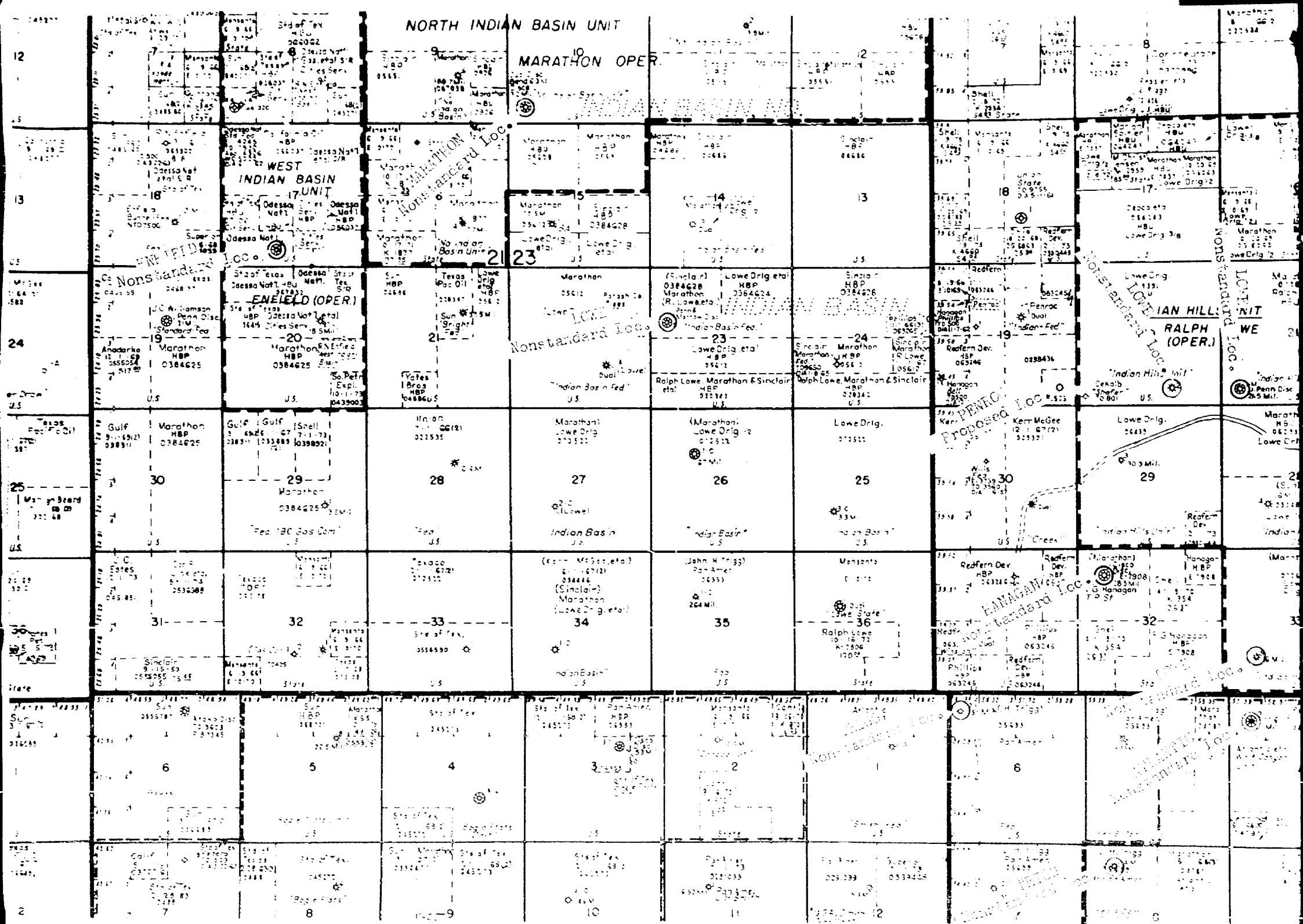
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*Ada Dearnley*

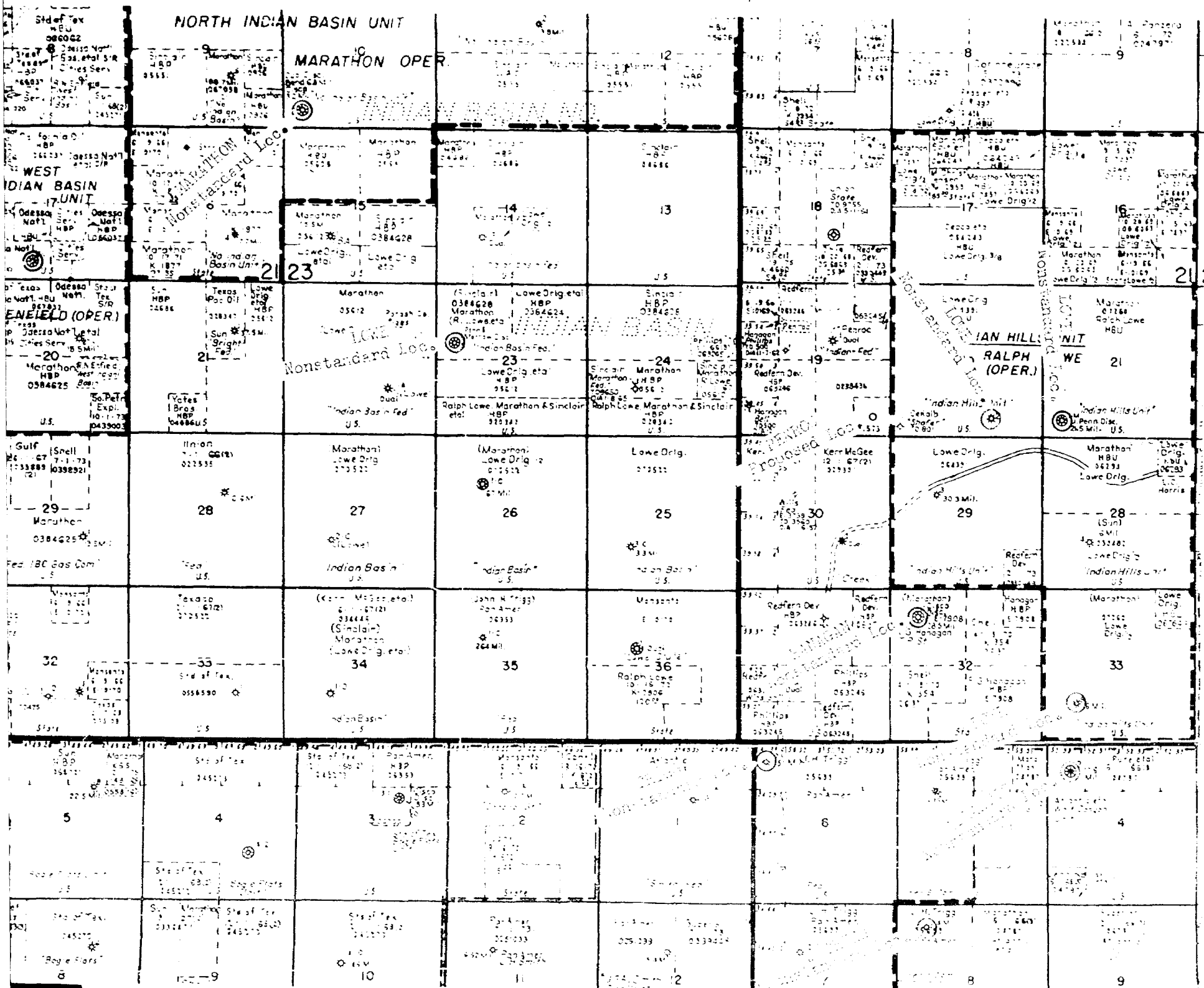
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My Commission Expires:

June 19, 1967







BEFORE THE  
OIL CONSERVATION COMMISSION

S. nta Fe, New Mexico

*Perma* Exhibit No. 1

Case No. 3426

709 CLAYTON AVE



P. O. DRAWER 258  
ARTESIA, NEW MEXICO

PHONE SA 6-3434

March 31, 1966

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

I would like to submit the following estimate for the following location:

Indian Federal #2, 1650' FSL & 1650' FEL  
Section 19-21-23, Indian Basin Field  
Eddy County, New Mexico

Bid for leveling rotary location, to blast and dig pits,  
and to build road...

Total bid for above.... \$13,650.00

Yours truly,

C. M. Berry Construction Co. Inc.

*W. L. Gray*  
W. L. Gray

WLG/vmd

BEFORE THE	
OIL CONSERVATION COMMISSION	
Santa Fe, New Mexico	
Exhibit No.	3
Case No.	3426

709 CLAYTON AVE



P. O. DRAWER 258  
ARTESIA, NEW MEXICO

PHONE 511-6144

March 31, 1966

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

I would like to submit the following estimate for the  
following location and pits:

Indian Federal #2, 660' FSL & 660' FEL  
Sec. 19-21-23, Indian Basin Field  
Eddy County, New Mexico

Bid to level Location, dig pits and build road...

Total Bid.....\$700.00

Yours truly,

C. M. Berry Construction Co.

W. L. Gray  
W. L. Gray

WLG/wid

# PENROC Oil Corporation

P. O. BOX 1004 • MIDLAND, TEXAS

Phone MU 3-1861

## WELL COST ESTIMATE

STATE New Mexico COUNTY Eddy FIELD Indian Basin (Upper Permian)  
LEASE Indian-Federal WELL NO. 2 PROPOSED DEPTH 7500' HORIZON Cisco-Canyon

### ESTIMATED LEASEHOLD COST

Lease Bonus and/or Brokerage	
Legal Fees (Title Opinion, Abstracts, Recording Fees, etc.)	\$ 250.00
Other (Travel Expense, Telephone, etc.)	200.00
TOTAL Estimated Lease Acquisition Cost	\$ 450.00

### ESTIMATED DRY HOLE COST

#### Intangible Well Costs

Surveying Location	77.00
Surface Damages	300.00
Location and Road	1,000.00
Drilling 7500 ft. at \$ 8.00 /ft.	60,000.00
Day Work 2 days at \$ 1,200.00 /day	2,400.00
Mud and Admixtures	10,000.00
Fuel, Power and Water	4,000.00
Cement and Cementing Services	5,000.00
Drill Stem Tests	
Coring and Core Analysis	
Logging	2,500.00
Trucking	500.00
Misc. Consumable Equipment (shoes, centralizers, bits, etc.)	750.00
Overhead and Supervision	750.00
Plugging	800.00

#### Well Equipment Costs

Casing:	
Surface 400' ft. of 13-3/8" at \$ 6.30 /ft.	2,520.00
Intermediate 3200' ft. of 8-5/8" at \$ 3.90 /ft.	12,480.00

TOTAL Estimated Dry Hole Costs	\$103,077.00
Less Contributions	-0-
NET Estimated Dry Hole Cost	\$103,077.00

Estimated \_\_\_\_\_ Interest of Dry Hole

### ESTIMATED COMPLETION COSTS

#### Intangible Well Costs

Unit Time 2 days at \$ 650.00 /day	1,300.00
Perforating	800.00
Treating (acidizing and fracturing, etc.)	2,500.00
Cement and Cementing Services	1,200.00
Trucking	500.00
Equipment Rental	250.00
Installation Cost of Lease Equipment	500.00
Overhead and Supervision	500.00

#### Well Equipment Costs

Casing 7500' ft. of 4-1/2" at \$ 1.50 /ft.	11,250.00
Tubing 7400' ft. of 2-3/8" at \$ .70 /ft.	5,180.00
Well Head Equipment	2,500.00
Tanks	
Separator and/or Treater	12,000.00
Metering Equipment	
Flow Lines	200.00
Pumping Unit and Engine or Motor	
Rods, Pump, Polish Rod, etc.	
Other	

TOTAL Estimated Additional Cost for Producing Well	39,500.00
TOTAL COST OF COMPLETED WELL	\$142,577.00

Estimated \_\_\_\_\_ Interest of Producing Well

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
Exhibit No. \_\_\_\_\_  
Case No. \_\_\_\_\_

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W. P. MARSHALL, PRESIDENT

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LT=International  
Letter Telegram

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(21) 05

5-5-D 1057 MD 1 1966 JUL 11 PM 12 02  
D HSGO43 DL PD=FAX HOUSTON TEX 11 1045A CST=  
PENROC OIL CORP=  
406 FIRST STATE BANK BLDG MIDLAND TEX=  
REGARDING HEARING JULY 13, 1966 BEFORE NEW MEXICO OIL  
CONSERVATION COMMISSION DOCKET NO. 17-66 CASE 3426  
MONSANTO COMPANY SUPPORTS YOUR APPLICATION FOR  
UNORTHODOX LOCATION IN SECTION 19 FOR UPPER  
PENNSYLVANIAN TEST=  
F A GOERNER MONSANTO CO HOUSTON TEX=  
13 1966 17-66 3426=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
Exhibit No. 7  
Case No. 3426

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION

TELEGRAM

(47) 000

231 (10-0)

SYMBOLS

DL= Day Letter

NL= Night Letter

UT= International Letter Telegram

W. P. MARSHALL, PRESIDENT

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LA147 SSA269

633 JUL 17 PM 4 05

L RWA070 PD=ROSWELL NMEX 11 343P MST=

JOHN B CASTLE=

CARE INN OF THE GOVERNORS SANTA FE NMEX=

PLEASE WITHDRAW LETTER OF OBJECTION TO PENROC

UNORTHODOX LOCATION NEW MEXICO OIL CONSERVATION

COMMISSION DOCKET 17-66 CASE 3426=

T T SANDERS JR TRIANGLE CATTLE CO INC AND

NEW MEXICO WESTERN MINERALS INC=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

Re: Unorthodox Location  
Pearec Oil Corporation  
Indian-Federal #2  
660' PS & SL, Sec., 19,  
T-21-S, R24E, N12W,  
Sedg County, New Mexico  
7503' Cisco-Canyon Test

Gentlemen:

Very truly yours,

S. P. White, Jr.

\_\_\_\_\_



July 8, 1956

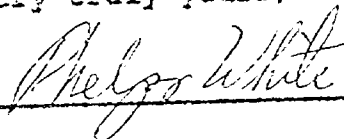
Re: Unorthodox Location  
Pearce Oil Corporation  
Indian-Federal #2  
650' FS & EL, Sec., 19,  
T-21-S, R24E, N2PM,  
Blair County, New Mexico  
7500' Cisco-Canyon Test

New Mexico Oil Conservation Commission  
P. O. Box 2039  
Santa Fe, New Mexico

Gentlemen:

As a Working Interest Owner in the Indian Basin Gas Field, I/we have no objection to the drilling of the subject well and hereby waive the right to file an objection thereof.

Very truly yours,

  
\_\_\_\_\_

By: \_\_\_\_\_

July 2, 1966

Re: Unorthodox Location  
Ponroe Oil Corporation  
Indian-Federal #2  
660' PS & BL, Sec. 19,  
T-21-S, R24E, NMPM,  
Saggy County, New Mexico  
7500' Cisco-Canyon Test

New Mexico Oil Conservation Commission  
P. O. Box 2063  
Santa Fe, New Mexico

Gentlemen:

As a Working Interest Owner in the Indian Basin Gas Field, I/we have no objection to the drilling of the subject well and hereby waive the right to file an objection thereto.

Very truly yours,

Law D. White

\_\_\_\_\_

July 3, 1966

Re: Unorthodox Location  
Penroc Oil Corporation  
Indian Federal #2  
660' FS & EL, Sec. 19,  
T-21-S, R24E, NMPM,  
Eddy County, New Mexico  
7500' Cisco-Canyon Test

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

Gentlemen:

As a working interest owner in the Indian Basin  
Gas Field, I/We have no objection to the drilling of the  
subject well and hereby waive the right to file an objection  
thereof.

Very truly yours,

*T. T. Sanders, Jr.*  
*Attorney for*

TRIANGLE CATTLE CO., INC.

NEW MEXICO WESTERN MINERALS, INC.

T. T. SANDERS, JR.

July 8, 1966


Re: Unorthodox Location  
Penroc Oil Corporation  
Indian-Federal #2  
660' FS & 2L, Sec. 19,  
T-21-S, R24E, N34W,  
Eddy County, New Mexico  
7500' Cisco-Canyon Test

New Mexico Oil Conservation Commission  
P. O. Box 2098  
Santa Fe, New Mexico

Gentlemen:

As a Working Interest Owner in the Indian Basin Gas Field, I/We have no objection to the drilling of the subject well and hereby waive the right to file an objection thereto.

Very truly yours,

H.C. Harris  
  
BY: \_\_\_\_\_

July 8, 1966

Re: Unorthodox Location  
Peacocks Oil Corporation  
Indian-Federal #2  
650' T3 & EL, Sec. 19,  
T-21-S, R24E, N4PM,  
Bddy County, New Mexico  
7500' Cisco-Canyon Test

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

Gentlemen:

As a Working Interest Owner in the Indian Basin Gas Field, I/we have no objection to the drilling of the subject well and hereby waive the right to file an objection thereof.

Very truly yours,

Southern Petroleum Exptl, Inc.

By: John H. Smith

July 3, 1966

Re: Unorthodox Location  
Penroc Oil Corporation  
Indian-Federal #2  
660' FS & SL, Sec. 19,  
T-21-S, R24E, N28W,  
Saggy County, New Mexico  
7300' Cisco-Canyon Test

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

Gentlemen:

As a Working Interest Owner in the Indian Basin Gas Field, I/We have no objection to the drilling of the subject well and hereby waive the right to file an objection thereto.

Very truly yours,

Tom L. Ingram

Tom L. Ingram

By: \_\_\_\_\_

51  
July 8, 1966

Re: Unorthodox Location  
Penroc Oil Corporation  
Indian-Federal #2  
660' FS & EL, Sec. 19,  
T-21-S, R24E, NMPM,  
Eddy County, New Mexico  
7500' Cisco-Canyon Test

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

Gentlemen:

As a Working Interest Owner in the Indian Basin Gas Field, I/We have no objection to the drilling of the subject well and hereby waive the right to file an objection thereto.

Very truly yours,

S. P. YATES HARVEY YATES

BY: Martin Yates III

By: Hugh W. Parry  
Hugh W. Parry  
Joint Attorneys-in-Fact

Harvey E. Yates  
HARVEY E. YATES

July 8, 1966

Re: Unorthodox Location  
Penroc Oil Corporation  
Indian-Federal #2  
660' FS & EL, Sec. 19,  
T-21-S, R24E, NMPM,  
Eddy County, New Mexico  
7500' Cisco-Canyon Test

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

Gentlemen:

As a Working Interest Owner in the Indian Basin Gas  
Field, I/we have no objection to the drilling of the subject  
well and hereby waive the right to file an objection thereof.

Very truly yours,

REDFERN DEVELOPMENT CORP.

BY: John J. Redfern  
John J. Redfern, President



July 8, 1966

Re: Unorthodox Location  
Penroc Oil Corporation  
Indian-Federal #2  
660' FS & EL, Sec. 19,  
T-21-S, R24E, NMPM,  
Eddy County, New Mexico  
7500' Cisco-Canyon Test

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

Gentlemen:

As a Working Interest Owner in the Indian Basin Gas Field, I/We have no objection to the drilling of the subject well and hereby waive the right to file an objection thereto.

Very truly yours,

J. HIRAM MOORE

BY: J. Hiram Moore

July 9, 1968

Re: Unorthodox Location  
Penrod Oil Corporation  
Indian-Federal #2  
660' SS & SL, Sec. 19,  
T-21-S, R-24-E, N-22-W,  
Eddy County, New Mexi  
7500' Cisco-Canyon 198

New Mexico Oil Conservation Commission  
P. O. Box 2098  
Santa Fe, New Mexico

Gentlemen:

As a Working Interest Owner in the Indian Gas field, I/we have no objection to the drilling of the subject well and hereby waive the right to file an objection thereof.

Very truly yours,

MARTIN YATES III

By: 

**CLASS OF SERVICE**  
This is a fast message  
unless its deferred char-  
acter is indicated by the  
proper symbol.

# WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (1-60)

DT - Day Letter  
NL - Night Letter  
IT - International  
Time Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination.

DA109 KC217

(43)•••

K DVB468 PD=CN DENVER COLO 8 205P MDT=

BRACE WIZZELL, PENROC OIL CORP=

1966 JUL 8 PM 4 03

406 FIRST STATE BANK BLDG MIDLAND TEX=

THIS TELEGRAM IS TO SIGNIFY OUR SUPPORT OF YOUR  
APPLICATION IN CASE NO 3426 INDIAN BASIN AREA=

BRUCE ANDERSON LEONARD L AITKEN JR=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

July 8, 1966

Re: Unorthodox Location  
Penroc Oil Corporation  
Indian-Federal #2  
660' FS & EL, Sec. 19,  
T-21-S, R24E, NMPN,  
Eddy County, New Mexico  
7500' Cisco Canyon Test

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

Gentlemen:

As a Working Interest Owner in the Indian Basin Gas Field, I/we have no objection to the drilling of the subject well and hereby waive the right to file an objection thereto.

Very truly yours,

RICHARD T. LYONS

BY: J. H. Moore

Agent

Kerr-McGee Building  
Oklahoma 2, Oklahoma  
May 24, 1965

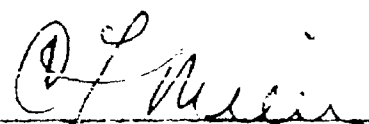
Re: Unorthodox Location  
Pease Oil Corporation  
Indian Federal #2  
550' FEL and 560' FSL  
Section 19-215-245, NMPH  
Saggy County, New Mexico  
7500' Cisco-Canyon Test

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

Gentlemen:

We have no objections to the drilling of the subject  
test well to the Cisco Canyon formation at the subject location,  
and we hereby waive our right to file an objection thereto.

Very truly yours,  
KERR-McGEE CORPORATION, formerly  
KERR-McGEE OIL INDUSTRIES, INC

By   
C. F. Miller, General Manager  
Production Department

March 24, 1966

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

Re: Unorthodox Location  
Penroc Oil Corporation's  
Indian Federal #2  
660' FEL and 660' FSL  
Sec. 19, Twp. 21S, Rge. 24E  
NMPM, Eddy Co., New Mexico  
7500' Cisco-Canyon Test

Gentlemen:

We have been advised by Penroc Oil Corporation of their plans to drill the above well at the designated location subject to your approval of the location.

This is to advise you that Monsanto Company as an offset working interest owner in section 20, township 21 South, Range 24 East, has no objection to the proposed location for Penroc Oil Corporation's Federal No. 2 Well.

Yours very truly,

MONSANTO COMPANY

Typed and Signed By  
F. A. Goerner

F. A. Goerner  
Director of Production

FAG/JRE/pd

cc: Penroc Oil Corporation

Sinclair Oil & Gas Company  
P. O. Box 1470  
Midland, Texas  
March 15, 1966

Re: Unorthodox Location  
Penroc Oil Corporation's  
Indian Federal #2  
660' FEL and 660' FSL  
Section 19-21S-24E, NMMPM  
Eddy County, New Mexico  
7500' Cisco-Canyon Test

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

gentlemen:

We have no objections to the drilling of the subject test well to the Cisco Canyon formation at the subject location, and we hereby waive our right to file an objection thereto.

Very truly yours,

SINCLAIR OIL & GAS COMPANY

By \_\_\_\_\_

P. O. Box 1509  
Midland, Texas  
March 15, 1966

Re: Unorthodox Location  
Penroc Oil Corporation's  
Indian Federal #2  
660' FEL and 660' FSL  
Section 19-21S-24E, HMPM  
Eddy County, New Mexico  
7500' Cisco-Canyon Test

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

Gentlemen:

We have no objections to the drilling of the subject  
test well to the Cisco Canyon formation at the subject location,  
and we hereby waive our right to file an objection thereto.

Very truly yours,

SHELL OIL COMPANY

By *E. J. Smith*



J. P. White Building  
Roswell, New Mexico  
March 15, 1966

Re: Unorthodox Location  
Penroc Oil Corporation's  
Indian Federal #2  
660' FEL and 660' FSL  
Section 19-21S-24E, NMPH  
Eddy County, New Mexico  
7500' Cisco-Canyon Test

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

Gentlemen:

We have no objections to the drilling of the subject  
test well to the Cisco Canyon formation at the subject location,  
and we hereby waive our right to file an objection thereto.

Very truly yours,

HANAGAN and HANAGAN

BY W. L. Hanagan  
W. L. Hanagan  
Hugh L. Hanagan

well plugging? trying that he is no longer an  
 Can plug on a bond? trying against plugging? when  
 Can plug on a bond? trying against plugging? when  
 Can plug on a bond? trying against plugging? when  
 Can plug on a bond? trying against plugging? when

ask Oliver  
 when there is a forced pooling order

1. Can order provide for more than one well on the production unit?
2. Can the operator of a unit (forced) drill other wells at standard locations?
3. Can the commission grant permission to drill a second well w/o a new forced pooling hearing?
4. Could a forced pooling order be amended to allow additional wells?

Even if ordinarily the  
Commission could grant  
permission to drill a second  
well at a standard location  
can it, in this case, where  
the application was only  
for a non-standard location

If an order were written  
that "merely denied the non-standard  
location", could that be  
construed to OK a standard  
location?

ask Ollie about the  
De novo administrative  
(reopened), (July 1904)

GOVERNOR  
JACK M. CAMPBELL  
CHAIRMAN

State of New Mexico  
**Oil Conservation Commission**



LAND COMMISSIONER  
GUYTON B. HAYS  
MEMBER

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

P. O. BOX 2028  
SANTA FE

August 2, 1966

Mr. Jason Kellahin  
Kellahin & Fox  
Attorneys at Law  
Post Office Box 1769  
Santa Fe, New Mexico

Re: Case No. 3426  
Order No. R-3098  
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

ir/

Carbon copy of order also sent to:

Hobbs OCC y

Artesia OCC x

Aztec OCC       

OTHER Mr. Clarence Hinkle and Mr. Terrell Couch

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. 3426  
Order No. R-3098

APPLICATION OF PENROC OIL CORPORATION  
FOR AN UNORTHODOX GAS WELL LOCATION AND  
FOR THE AMENDMENT OF ORDER NO. R-2581,  
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 13, 1966, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 2nd day of August, 1966, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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, is the operator of the Indian Federal Well No. 1, located 1980 feet from the North line and 1980 feet from the East line of Section 19, Township 21 South, Range 24 East, T11S, R24E, Eddy County, New Mexico.

(3) That by Order No. R-2581, dated October 23, 1963, all mineral interests in the Upper Pennsylvanian formation underlying said section were pooled to form a 640-acre gas production unit dedicated to said well; that the applicant, Penroc Oil Corporation, was named the operator of said well and unit.

(4) That the applicant seeks an exception to the Special Rules and Regulations governing the Indian Basin Upper Pennsylvanian Gas Pool to drill its Indian Federal Well No. 2 at an

-2-

CASE No. 3426

Order No. R-3098

unorthodox location 660 feet from the South line and 660 feet from the East line of Section 19, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico; to simultaneously dedicate said Section 19 to the above-mentioned two wells, Indian Federal Well No. 1 and Indian Federal Well No. 2, with assignment of a single 640-acre Indian Basin-Upper Pennsylvanian Gas Pool allowable to the unit and authority to produce any or all of the allowable from either well or both of said wells.

(5) That the applicant further requests an amendment to said Order No. R-2581 to permit the allocation of well costs to both wells among the interest owners of said unit and the recovery thereof out of production from either or both of said wells, together with costs of operations thereof.

(6) That the drilling of a well at the proposed location may result in said well recovering a disproportionate share of the reserves in the Indian Basin-Upper Pennsylvanian Gas Pool, thereby impairing correlative rights.

(7) That the application to drill a well at an unorthodox location 660 feet from the South line and 660 feet from the East line of said Section 19 should be denied.

(8) That inasmuch as the Commission finds that the application for an unorthodox gas well location 660 feet from the South line and 660 feet from the East line should be denied, it becomes unnecessary at this time for the Commission to rule upon the applicant's request to produce the unit allowable from either or both of said wells or upon applicant's request to amend said Order No. R-2581.

IT IS THEREFORE ORDERED:

(1) That the application of Leonard Hill Corporation for an unorthodox gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool for the Indian Federal Well No. 2 660 feet from the South line and 660 feet from the East line of Section 19, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, is hereby denied.

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

-3-

CASE No. 3426

Order No. R-3098

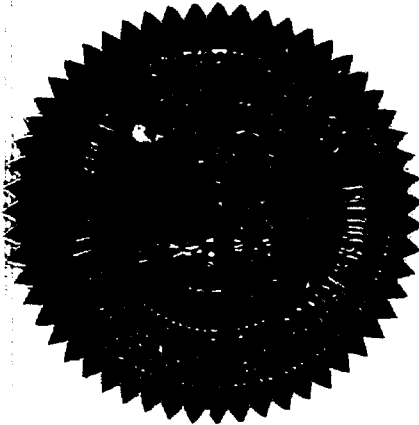
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Jack M. Campbell*  
JACK M. CAMPBELL, Chairman

*Guyton B. Hays*  
GUYTON B. HAYS, Member

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



OK/

*Handwritten:* ~~Process as an object~~  
*Signature:* Ralph Lowe

Phone MU 4-7441

Box 832 Midland, Texas 79701  
March 14, 1966

*Handwritten:* Fel's Cove  
3426

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

Attention: Mr. John B. Castle

Re: Unorthodox Location  
Penroc Oil Corporation's  
Indian Federal #2,  
660' FEL and 660' FSL  
Section 19-21S-24E, NMPM,  
Eddy County, New Mexico  
7500' Cisco-Canyon Test

Gentlemen:

We are in receipt of your request for unorthodox location as  
above described. We do not intend to sign your waiver letter.

Yours very truly,

RALPH LOWE ESTATE

By: *Handwritten Signature: Fred G. Goodman*  
Fred G. Goodman

EGG:jl

✓cc: Oil Conservation Commission  
P. O. Box 2600  
Santa Fe, New Mexico 87501



NSL  
file  
*[Signature]*

# Monsanto

COMPANY

1300 Main Street  
Houston, Texas 77002  
(713) Capitol 3-4011

MAR 25 AM 7 52

March 24, 1966

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

Re: Unorthodox Location  
Penroc Oil Corporation's  
Indian Federal #2  
660' FEL and 660' FSL  
Sec. 19, Twp. 21S, Rge. 24E  
NMPM, Eddy Co., New Mexico  
7500' Cisco-Canyon Test

Gentlemen:

We have been advised by Penroc Oil Corporation of their plans to drill the above well at the designated location subject to your approval of the location.

This is to advise you that Monsanto Company as an offset working interest owner in Section 20, Township 21 South, Range 24 East, has no objection to the proposed location for Penroc Oil Corporation's Federal No. 2 Well.

Yours very truly,

MONSANTO COMPANY

*[Signature]*  
F. A. Goerner  
Director of Production

FAG/JRF/pd

cc: Penroc Oil Corporation

*NSH*  
*file*  
  
MARATHON OIL COMPANY

MAR 20 PM 12 57

PRODUCTION - UNITED STATES AND CANADA

P.O. BOX 3128  
HOUSTON, TEXAS 77001

*Process as  
an objection*

March 28, 1966

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

Attention: Mr. A. L. Porter, Jr.

Re: Application of Penroc Oil Corp.  
Indian Federal No. 2 Well  
660' FEL and 660' FSL  
Sec. 19-21S-24-E, NMPM  
Eddy County, New Mexico

Gentlemen:

Marathon Oil Company assumes that the Commission will satisfy itself on the question of whether the unorthodox location, as requested by Penroc, is necessary because of topographical conditions.

In the event the Commission grants the application and if the proposed well is completed as a producer, Marathon anticipates that an adjustment in allowable will be made if necessary for the protection of correlative rights, taking into account the status of the proposed well and the well previously completed in this pool on this proration unit.

Very truly yours,

MARATHON OIL COMPANY

*John R. Murray*  
John R. Murray  
Division Petroleum Engineer

JRM:fh

cc: Mr. John B. Castle  
Penroc Oil Corporation  
P. O. Box 1004  
Midland, Texas

1966 MAY 31 AM 8 15

Kerr-McGee Building  
Oklahoma 2, Oklahoma  
May 24, 1966


Re: Unorthodox Location  
Penroc Oil Corporation's  
Indian Federal #2  
660' FEL and 660' FSL  
Section 19-21S-24E, NMPM  
Eddy County, New Mexico  
7500' Cisco-Canyon Test

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

Gentlemen:

We have no objections to the drilling of the subject  
test well to the Cisco Canyon formation at the subject location,  
and we hereby waive our right to file an objection thereto.

Very truly yours,  
KERR-McGEE CORPORATION, formerly  
KERR-McGEE OIL INDUSTRIES, INC.

BY   
C. F. Miller, General Manager  
Production Department

Docket No. 17-66

DOCKET: REGULAR HEARING - WEDNESDAY - JULY 13, 1966

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL, STATE LAND OFFICE  
BUILDING, SANTA FE, NEW MEXICO

- ALLOWABLE: (1) Consideration of the oil allowable for August, 1966.
- (2) Consideration of the allowable production of gas for August, 1966, from thirteen prorated pools in Lea, Eddy, and Roosevelt Counties, New Mexico. Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for August, 1966.

CASE 3424: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the amendment of Rule 701 E 4 of the Commission Rules and Regulations to permit the assignment of allowables to waterfloods in Southeast New Mexico equal to the normal unit allowable times the appropriate proportional depth factor when the normal unit allowable exceeds the Southeast New Mexico Area Allowable Factor of 42. The area allowable factor would remain as the governing allowable factor when the normal unit allowable is less than 42 barrels per day. A similar revision with respect to the Northwest Area Allowable Factor of 70 will also be considered.

CASE 3425: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider all aspects of the possible adoption of a bonus discovery allowable for the state of New Mexico. Although testimony both pro and con the discovery allowable will be presented by the Commission staff, the Commission invites and will entertain full discussion and testimony from the industry as to the advantages and disadvantages of a discovery allowable and the advisability of the adoption thereof, as well as suggested rules relating to the administration of a bonus discovery allowable, the amount of the allowable, the length of time and the number of wells to which it should apply, and any other pertinent facts relating thereto.

CASE 3426: Application of Penroc Oil Corporation for an unorthodox gas well location and for the amendment of Order R-2581, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a second well in Section 19, Township 21 South, Range 24 East, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, said well to be located at an unorthodox location for said pool 660 feet from the South and East lines of Section 19. Applicant further proposes that the allowable for the 640-acre unit comprising all of said Section 19 could be produced from either or both of the wells on the unit in any proportion. Applicant further requests an amendment to Order No. R-2581, which force-pooled all mineral interests in the Upper Pennsylvanian formation underlying said Section 19, to permit the allocation of well costs among the interest owners in said unit and the recovery thereof out of production from both wells, together with cost of operation thereof.

JULY 13, 1966, REGULAR HEARING

CASE 3427: Southeastern New Mexico nomenclature case calling for an order for the extension of certain pools in Lea and Roosevelt Counties, New Mexico:

a) EXTEND the North Bagley-Middle Pennsylvanian Pool to include therein:

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM  
SECTION 15: SW/4

b) EXTEND the Flying "M"-San Andres Pool to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM  
SECTION 28: NE/4

c) EXTEND the Justis-Blinebry Pool to include therein:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM  
SECTION 34: E/2 NE/4

d) EXTEND the Morton-Lower Wolfcamp Pool to include therein:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM  
SECTION 6: SW/4

e) EXTEND the Todd-San Andres Pool to include therein:

TOWNSHIP 7 SOUTH, RANGE 36 EAST, NMPM  
SECTION 30: W/2

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

KELLAHIN AND FOX  
ATTORNEYS AT LAW  
54½ EAST SAN FRANCISCO STREET  
POST OFFICE BOX 1769  
SANTA FE, NEW MEXICO 87501  
June 14, 1966

TELEPHONE 982-4315  
AREA CODE 505

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

Gentlemen:

Enclosed, in triplicate, is the application of Penroc Oil Corporation for approval of a non-standard well location, and amendment to the provisions of Order No. R-2581, together with request for permission to produce the proration unit allowable from either of two wells, in the Indian Hills-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.

It is requested that this application be set for hearing as soon as possible, preferably at a hearing in July.

Yours very truly,

*Jason W. Kellahin*  
Jason W. Kellahin

JWK:ss  
cc: Mr. John Castle

DOCKET MAILED

Date 6/30/66

BEFORE THE OIL CONSERVATION COMMISSION OF NEW MEXICO

APPLICATION OF PENROC OIL CORPORATION  
FOR A NON-STANDARD WELL LOCATION AND FOR  
AMENDMENT OF ORDER NO. R-2581 FORCE POOL-  
ING ACREAGE IN THE INDIAN HILLS-UPPER  
PENNSYLVANIAN GAS POOL, EDDY COUNTY,  
NEW MEXICO.

2-3426

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 an unorthodox well location in the Indian Hills-Pennsylvanian Gas Pool, Eddy County, New Mexico, for permission to produce the unit allowable from either or both of two wells, and for amendment to Order No. R-2581 to provide for the allocation of well costs and the recovery thereof by operator, and in support thereof would show the Commission:

1. Applicant proposes to drill a well to be located 660 feet from the South and 660 feet from the East line of Section 19, Township 21 South, Range 24 East, N.M.P.M., in the Indian Hills-Upper Pennsylvanian Gas Pool, which well will be in addition to applicant's well, located 1980 feet from the North line and 1980 feet from the East line of said Section 19. The proposed location is necessitated by topography in the area of the well location.

2. Applicant proposes to produce the allowable from the 640-acre proration unit dedicated to the two wells, from either or both of said wells, in any proportion.

3. Applicant further seeks amendment to the provisions of Order No. R-2581 to permit for the allocation of well costs among the interest owners in said unit and the recovery thereof out of production from the unit wells, together with costs

of operation, and such other provisions as to the Commission may appear just and equitable.

WHEREFORE, applicant prays that this matter be set for hearing before the Commission or its duly appointed examiner, and that after notice and hearing as required by law, the Commission enter its order approving this application and granting the relief as applied for.

Respectfully submitted,

PENROC OIL CORPORATION

By

Harold W. Kellahin  
Kellahin & Fox  
P. O. Box 1769  
Santa Fe, New Mexico

ATTORNEYS FOR APPLICANT





## MARATHON OIL COMPANY

PRODUCTION - UNITED STATES AND CANADA

HOUSTON DIVISION

J. O. TERRELL COUCH  
DIVISION ATTORNEY

JOHN H. BEVAN, JR.  
WARREN B. LEACH, JR.  
ALLEN McMURREY  
ATTORNEYS

July 27, 1966

SOUTHERN NATIONAL BANK BUILDING  
P. O. BOX 3128  
HOUSTON, TEXAS 77001

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


Dear Pete:

Re: Case 3426, NMOCC, Penroc Oil Corp.  
Hearing July 13, 1966

At your convenience, I would appreciate it very much if you would have someone in your office send me a copy of Penroc's Exhibit 5 which, I believe, was the contour map showing their interpretation of gross dolomite, and a copy of Penroc's Exhibit 6, being their estimate of the cost of drilling a second well to the Upper Penn. I would also like to have a copy of each of the telegrams or letters which Mr. Castle referred to as waivers.

Of course, I will be glad to pay for the reproduction of all the requested documents. There is no immediate rush.

Sincerely

  
J. O. TERRELL COUCH

JOTC/1

*64-5-647*  
*Letter on July 13*  
*will be submitted*

NEW MEXICO  
OIL CONSERVATION COMMISSION

FIELD TRIP REPORT

Date 6/15/66

Name of Employee R. L. Stamets

Time of Departure \_\_\_\_\_ Time of Return \_\_\_\_\_

Miles Travelled \_\_\_\_\_

In the space below please indicate purpose of trip and duties performed, listing wells or leases visited.

Went with Monroe Roberts and John Castle to inspect proposed non-standard location for Penroc Oil Corporation in SE/4 of Section 19-21-24, Indian Basin Upper-Penn. Gas Pool. At location 1650/S & E, a paved road lies about 30 feet north. A rocky hill rises to the South for about 75 feet. There are gas pipelines, West, Northeast and South. This location would be good in the mountains, but is not desirable here in the flat. It would definitely be more expensive to build a location at this point. Relatively level locations may be found approximately at, and Southeast of, 1500/S, 1750/E. Another location might be made 2310/S & E, however, this would be crowding their "poor" well.

\_\_\_\_\_  
Employee's Signature  
District # 2

*Extra copy for Case File  
if you desire. Case 3426*



## MARATHON OIL COMPANY

PRODUCTION - UNITED STATES AND CANADA

HOUSTON DIVISION

J. O. TERRELL COUCH  
DIVISION ATTORNEY

JOHN H. BEVAN, JR.  
WARREN B. LEACH, JR.  
ALLEN McMURREY  
ATTORNEYS

July 14, 1966

SOUTHERN NATIONAL BANK BUILDING  
P. O. BOX 3128  
HOUSTON, TEXAS 77001

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

Dear Pete:

During my closing statement yesterday in the Penroc hearing, I mentioned that on two occasions production restrictions had been placed on Marathon Oil Company in connection with gas proration units. With the thought that the staff may desire to refer to the Commission records in those cases, I list below the case numbers and order numbers:

Case No. 1206 - Order No. R-956 Jalmat Gas Pool, Marathon's  
State McDonald A/c #1 Well #25  
and Well #6

Case No. 2628 - Order R-2399 Atoka-Penn Gas Pool, Marathon Oil  
Company's G. W. Nickson well

As the records in those files will show, the two McDonald wells were drilled when 160-acre proration units were applicable in the pool and were standard locations. The larger unit was formed after the Commission prescribed 640-acre proration units for the Jalmat Pool and the restriction in production as shown by Finding 8, & Par. 3, of the Order was applied for the protection of correlative rights of the offset operators because of the fact that two wells existed on the larger unit, even though neither of the wells had been drilled as an exception to the spacing requirements in effect when the wells were drilled.

The Commission file in the Atoka-Penn hearing, noted above, will verify that the well was to be the only well on the 320-acre proration unit; that the

1966 JUL 15 AM 8


#2

unorthodox location was sought to obtain a more realistic opportunity to make an effective completion; that the Commission denied the unorthodox location desired by Marathon and provided two alternate locations - one with a reduced allowable, and the other considerably farther from the acreage of the complaining parties, but without allowable reduction.

I am sure you will understand that this letter is not intended as an effort to amplify my closing statement, but merely to be of assistance to you and the staff in identifying the cases to which I referred should you desire to refer to them.

It was a pleasure to be in Santa Fe again, even though the visit was necessarily short. I hope that on my next trip there will be more time available for visiting.

Sincerely,

A handwritten signature in cursive script, appearing to read "Terrell Couch", written in dark ink.

J. O. TERRELL COUCH

JOTC/1

ATWOOD & MALONE  
LAWYERS

P. O. DRAWER 700  
TELEPHONE 505 622-6221  
SECURITY NATIONAL BANK BUILDING  
ROSWELL, NEW MEXICO  
88201

JEFF D. ATWOOD (683-1960)  
ROSS L. MALONE  
CHARLES F. MALONE  
RUSSELL D. MANN  
PAUL A. COOTER  
BOB F. TURNER  
ROBERT A. JOHNSON  
JOHN W. BASSETT, JR.

66 JUL 12 AM 9 53

JULY  
11th  
1966

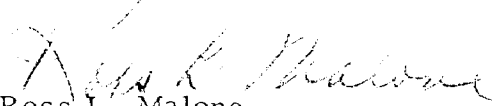
Oil Conservation Commission  
Post Office Box 2088  
Santa Fe, New Mexico

Re: Case No. 3426  
Docket of July 13, 1966  
Penroc Oil Corporation Application

Gentlemen:

On behalf of June D. Speight, for whom I am agent, and individually, I am enclosing herewith assent to drilling of the proposed well of Penroc Oil Corporation, application for which will be heard in the above case.

Very truly yours,

  
Ross L. Malone

R  
L  
M

\*

v  
Encls.

Cc: Lovington office  
J. Hiram Moore

July 8, 1966

'66 JUL 12 AM 9 55

Re: Unorthodox Location  
Penroc Oil Corporation  
Indian-Federal #2  
660' PS & EL, Sec. 19,  
T-21-S, R24E, NMPM,  
Eddy County, New Mexico  
7500' Cisco-Canyon Test

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

Gentleman:

As a Working Interest Owner in the Indian Basin Gas Field, I/we have no objection to the drilling of the subject well and hereby waive the right to file an objection thereto.

Very truly yours,

James D. Sprinkle

By: James D. Sprinkle, Agent

July 8, 1966

JUL 12 AM 9 57

Re: Unorthodox Location  
Penroc Oil Corporation  
Indian-Federal #2  
660' PS & EL, Sec. 19,  
T-21-S, R24E, NMPM,  
Eddy County, New Mexico  
7500' Cisco-Canyon Test

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

Gentlemen:

As a Working Interest Owner in the Indian Basin Gas Field, I/we have no objection to the drilling of the subject well and hereby waive the right to file an objection thereto.

Very truly yours,

X. Lee L. ...

By: \_\_\_\_\_

CLASS OF SERVICE  
This is a fast message  
unless its deferred char-  
acter is indicated by the  
proper symbol.

# WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (1-00)

SYMBOLS  
DL = Day Letter  
NL = Night Letter  
LT = International  
Letter Telegram  
L = (19) 00

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination.

1966 JUL 12 PM 4 37

LA152 DA529

D MDA130 PD 3 EXTRA=MIDLAND TEX 12 510P CST=  
DAN NUTTER, NEW MEXICO OIL CONSERVATION COMMISSION=  
MORGAN HALL STATE LAND OFFICE BLDG SANTA FE NMEX=

CASE NO. 3426=

MOBIL OIL CORPORATION, AS AN OPERATOR IN THE  
INDIAN BASIN-UPPER PENNSYLVANIAN GAS POOL, EDDY  
COUNTY, NEW MEXICO, OBJECTS TO THE APPLICATION OF  
PENROCK OIL CORPORATION FOR AN UNORTHODOX GAS WELL  
LOCATION UNDER DOCKET NO. 3426=

IRA B. STITT, JR. DIVISION OPERATIONS ENGINEER  
JULY 12, 1966==

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE  
This is a fast message  
unless its deferred char-  
acter is indicated by the  
proper symbol.

# WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (1-00)

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21) 00

LA169 DC060

1966 JUL 12 PM 6 11

D MDA131 PD 3 EXTRA=MIDLAND TEX 12 510P CST=  
TERRELL COUCH, PERSONAL DELIVERY ONLY=

CARE LA FONDA HOTEL SANTA FE NMEX=

CASE NO. 3426=

MOBIL OIL CORPORATION, AS AN OPERATOR IN THE  
INDIAN BASIN-UPPER PENNSYLVANIAN GAS POOL, EDDY COUNTY,  
NEW MEXICO, OBJECTS TO THE APPLICATION OF PENROCK OIL  
CORPORATION FOR AN UNORTHODOX GAS WELL LOCATION UNDER  
DOCKET NO. 3426=

IRA B. STITT, JR. DIVISION OPERATIONS ENGINEER  
JULY 12 1966=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE



ON  
WESTERN UNION  
TELEGRAM  
WESTERN UNION  
TELEGRAM  
WES

TNSA020 WA CST JUL 8 66 DG068 D  
MDA039 PD 6 EXTRA MIDLAND TEX 8 929A CST  
JOHN H. DEYAN JR

MARATHON OIL CO. SOUTHERN NATIONAL BANK BLDG HOU  
THE RALPH ONE ESTATE OPPOSES PEN ROC OIL CORP. UNORTHODOX GAS  
WELL LOCATION EDDY COUNTY NEW MEXICO CASE #3426  
RALPH LOWE E TATE BY HARVIN L. LANDUA CO-EXECUTOR

#3426  
(45).

RECEIVED  
JUL 8 1966  
LEGAL DEPT.

CODE OF SERVICE  
This is a fast message  
unless its deferred char-  
acter is indicated by the  
proper symbol.

# WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

SYMBOLS  
DL = Day Letter  
NL = Night Letter  
LT = International  
Letter Telegram

1201 (4-60)

The time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination.

LA108 DB269

D MDA106 PD=MIDLAND TEX 11 127P CT=

NEW MEXICO OIL CONSERVATION COMM=

SANTA FE NMEX=

ATTENTION MR A L POTTER JR

IN RE CASE NO 3426 OF JULY 13 1966 SHELL OIL  
COMPANY OPPOSES THE APPLICATION OF PENROC OIL  
CORPORATION FOR AN UNORTHODOX GAS WELL LOCATION IN  
19-21-24 EDDY COUNTY NEW MEXICO. WE DO NOT BELIEVE THAT  
PENROC IS ENTITLED TO A FULL PRORATION UNIT ALLOWABLE  
FOR SECTION 19 BECAUSE OF THE POOR PERFORMANCE OF TH

CLASS OF SERVICE  
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# WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

SYMBOLS  
DL = Day Letter  
NL = Night Letter  
LT = International Letter Telegram

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EXISTING WELL IN THAT SECTION=

J E R SHEELER DIV PROD MGR SHELL OIL CO P O BOX  
1509 MIDLAND TEX==

3426 13 1966 19-21-24 19 1509

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE  
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# WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

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LA057 DB107

1966 JUL 11 AM 11 17

D MDA072 DPD 3 EXTRA=MIDLAND TEX 11 1120A CT=

NEW MEXICO OIL CONSERVATION COMM=

SANTA FE NMEX=

RE CASE 3426, IT IS UNION'S OPINION THAT THE UNORTHODOX  
LOCATION REQUESTED WOULD VIOLATE CORRELATIVE RIGHTS AND  
CREATE ECONOMIC WASTE BY CAUSING UNNECESSARY WELLS TO  
BE DRILLED TO PREVENT DRAINAGE. UNION URGES THE NEW  
MEXICO OIL CONSERVATION COMMISSION TO REJECT THE  
APPLICATION FILED IN CASE 3426=

H E KEEGAN MANAGER CENTRAL DIVISION UNION OIL CO  
OF CALIF=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

## CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

# WESTERN UNION

## TELEGRAM (43).

W. P. MARSHALL, PRESIDENT

1201 (1-60)

## SYMBOLS

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NL = Night Letter  
LT = International Letter Telegram

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LA051 DA133

D MDA038 PD=MIDLAND TEX 8 929A CST=

1966 JUL 8 AM 10 03

AGM L. PORTER=

NEW MEXICO OIL CONSERVATION COMMISSION

SANTA FE NMEX=

THE RALPH LOWE ESTATE OPPOSES PEN ROC OIL CORP.

UNORTHODOX GAS WELL LOCATION EDDY COUNTY NEW MEXICO

CASE #3426=

RALPH LOWE ESTATE BY HARVIN L. LANDUA CO-EXECUTOR=

MAIN OFFICE

:=#3426=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

1966 JUL 8 AM 10 53

## CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

# WESTERN UNION

## TELEGRAM

W. P. MARSHALL, PRESIDENT

## SYMBOLS

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LA137 KB300 SSB170

(00).

K BRA141 PD=WUX BARTLESVILLE OKLA 11 246P ST=

NEW MEXICO OIL CONSERVATION COMMISSION, ATTN A L

PORTER JR=

STATE LAND OFFICE BLDG COLLEGE AVENUE

SANTA FE NMEX=

MAIN OFFICE

1966 JUL 12 12 11 PM

RE: CASE NUMBER 3426 APPLICATION OF PENROC OIL CORPORATION, INDIAN BASIN UPPER PENN GAS POOL HEARING JULY 13, 1966. PHILLIPS PETROLEUM COMPANY NOT IN FAVOR OF THAT PORTION OF APPLICATION WHICH WOULD PERMIT THAT THE ALLOWABLE FOR THE 640-ACRE UNIT COULD BE PRODUCED

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

## CLASS OF SERVICE

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# WESTERN UNION

## TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-00)

## SYMBOLS

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FROM EITHER OR BOTH WELLS IN ANY PROPORTION. CONSIDERING PRESENT NUMBER OF WELLS ALREADY DRILLED AT UNORTHODOX LOCATIONS, PHILLIPS HAS NO OBJECTION TO LOCATION OF WELL AS PROPOSED BY APPLICANT PROVIDED UPPER PENN ZONE IS SHUT IN. IN PRESENT WELL. CC: JOHN H. BEVAN, JR., MARATHON OIL CORPORATION, LA FONDA HOTEL, SANTA FE, NEW MEXICO AND JOHN B CASTLE, PENROC OIL CORPORATION, 406 FIRST STATE BANK BUILDING, MIDLAND, TEXAS 79701. BCC: FF. F. LOVERING, ODESSA OFFICE AND FRED FORWARD, MIDLAND EXPLORATION OFFICE, PERMIAN BUILDING, MIDLAND, TEXAS=

PHILLIPS PETROLEUM CO SHOFNER SMITH=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

## CLASS OF SERVICE

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# WESTERN UNION

## TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-00)

## SYMBOLS

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LA126 SSH318

L RWA039 PD=ROSWELL NMEX 13 237P MST=

OIL CONSERVATION COMMISSION=

ATTN A L PORTER JR FONE 827-2434 SANTA FE NMEX

=CONCERNING CASE NUMBER 3426 PENROC OIL CORP APPLICATION INDIAN BASIN GAS FIELD I AM AGREEABLE TO AN UNORTHODOX GAS WELL LOCATION FOR REASONABLE TOPOGRAPHIC CONDITIONS. HOWEVER I AM OPPOSED TO THE GRANTING OF THE 640 ACRE ALLOWABLE FOR EITHER OR BOTH OF THE WELLS ON THE UNIT=

ROBERT N ENFIELD=

3426 640=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE  
This is a fast message unless its deferred character is indicated by the proper symbol.

# WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

SYMBOLS  
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LT=International Letter Telegram

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LA060 DA285

(17)

=L D AMB095 PD 2 EXTRA=AMARILLO TEX 12 1042A CST=  
JOHN J REDFERN JR=  
CARE LA FONDA HOTEL SANTA FE NMEX=

REFERENCE CASE 3426. THIS COMPANY DOES NOT OPPOSE  
PENROC APPLICATION FOR UNORTHODOX LOCATION FOR SECOND  
WELL IN SECTION 19, T21S, R24E, EDDY COUNTY, NEW MEXICO  
AND STANDS READY TO JOIN IN PAYING ITS PROPORTIONATE  
PART OF THE COST OF SAID WELL. IT ALSO APPROVED  
PRODUCTION OF ALLOWABLE FOR 640 ACRE UNIT FROM EITHER  
OR BOTH WELLS ON SAID SECTION 19. APPLICANT DOES OPPOSE

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE  
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# WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

SYMBOLS  
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ANY AMENDMENT TO ORDER R-2581 WHICH WOULD PERMIT  
RECOVERY OF ANY OF THE COST OF THE FIRST WELL DRILLED  
ON SECTION 19 OUT OR PRODUCTION FROM THE PROPOSED  
SECOND WELL=

PIONEER PRODUCTION CORPORATION BY A F COX PRESIDENT

=3426 19 T21S R24E 640 19 R-2581 19=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

FRANK W. PODPECHAN

PETROLEUM GEOLOGIST

1200 WILCO BUILDING  
MIDLAND, TEXAS

POST OFFICE BOX 23  
TELEPHONE A. C. 915 MU 2-9612

July 8, 1966

IN REPLY REFER TO  
FILE:

Re: Case #3426

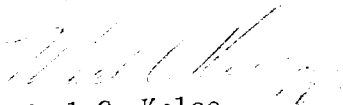
New Mexico Oil Conservation Commission  
Post Office Box 2088  
Santa Fe, New Mexico

Gentlemen:

We support the applicants request to drill a well 660 feet from the south and east lines of Section 19, Township 21 South, Range 24 East, Eddy County, New Mexico, to the Upper Pennsylvanian.

We oppose the applicants request to amend the force pooling, as set out in Order #R-2581, that permits allocation of well costs and recovery of costs from both wells. We would be willing to participate in the drilling of the new well as a partner, according to our interest owned.

Very truly yours,

  
Merl C. Kelce

MCK:lk

FRANK W. PODPECHAN

PETROLEUM GEOLOGIST

1200 WILCO BUILDING  
MIDLAND, TEXAS

POST OFFICE BOX 23  
TELEPHONE A. C. 915 MU 2-9612

July 8, 1966

IN REPLY REFER TO  
FILE:

Re: Case #3426


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

Gentlemen:

We support the applicants request to drill a well 660 feet from the south and east lines of Section 19, Township 21 South, Range 24 East, Eddy County, New Mexico to the Upper Pennsylvanian.

We oppose the applicants request to amend the force pooling, as set out in Order #R-2581, that permits allocation of well costs and recovery of costs from both wells. We would be willing to participate in the drilling of the new well as a partner, according to our interest owned.

Very truly yours,

  
Frank W. Podpechan

FWP:lk



## MARATHON OIL COMPANY

PRODUCTION - UNITED STATES AND CANADA

HOUSTON DIVISON

J. O. TERRELL COUCH  
DIVISION ATTORNEY

JOHN H. BEVAN, JR.  
WARREN B. LEACH, JR.  
ALLEN McMURREY  
ATTORNEYS

August 1, 1966

SOUTHERN NATIONAL BANK BUILDING  
P. O. BOX 3128  
HOUSTON, TEXAS 77001

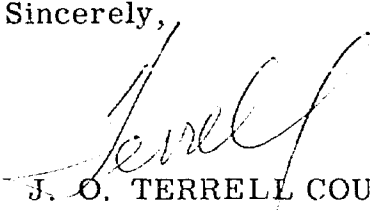
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attention: Mrs. Ida Rodriguez,  
Secretary to Director

Dear Ida:

Thank you very much for sending me copies of Exhibits 5, 6, and 7 in Case No. 3426, hearing held July 13, 1966. As you instructed in your memo, I have had them reproduced here and am returning your copies to your attention.

Sincerely,

  
J. O. TERRELL COUCH

JOTC/i  
encls