

Case No.

1004

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Application, Transcript,  
Small Exhibits, Etc.

CASE 1004: Humble Oil & Refg. Co.  
Application for 160 non-standard gas unit,  
Eumont Gas Pool, Fed. Popeano Well No. 1

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF THE STATE OF NEW  
MEXICO FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 1004  
Order No. R-772

THE APPLICATION OF HUMBLE OIL  
AND REFINING COMPANY FOR AN  
ORDER GRANTING APPROVAL OF AN  
EXCEPTION PURSUANT TO RULE 5 (a)  
OF THE SPECIAL RULES AND REGULATIONS  
FOR THE KUMONT GAS POOL OF ORDER  
NO. R-520 IN ESTABLISHMENT OF A NON-  
STANDARD GAS PRORATION UNIT OF 160  
CONTIGUOUS ACRES CONSISTING OF S/2  
SW/4 OF SECTION 25, S/2 SE/4 OF  
SECTION 26, TOWNSHIP 20 SOUTH,  
RANGE 36 EAST, NMPM, LEA COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10 o'clock a.m., on  
February 8, 1956, at Hobbs, New Mexico, before Warren W. Mankin,  
Examiner duly appointed by the Oil Conservation Commission of New  
Mexico in accordance with Rule 1214 as set forth in Order R-681.

NOW, on this 29<sup>th</sup> day of March 1956, the Commission,  
a quorum being present, having considered the evidence adduced  
and the recommendations made by Warren W. Mankin, Examiner, and  
being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing  
and the purpose thereof having been given as required by law, the  
Commission has jurisdiction of this case and the subject matter  
thereof.

(2) That pursuant to the provisions of Rule 5 (a) of  
the Special Rules and Regulations of the Kumont Gas Pool as set  
forth in Order R-520, the Commission has power and authority to  
permit the formation of a gas proration unit consisting of other  
than a legal section after notice and hearing by the Commission.

(3) That applicant, Humble Oil and Refining Company  
is the owner of certain federal oil and gas leases in Lea County,  
New Mexico, a portion of which is described as follows, to-wit:

TOWNSHIP 20 SOUTH, RANGE 36 EAST, NMPM  
S/2 SW/4 Section 25  
S/2 SE/4 Section 26

containing 160 acres, more or less.

Order No. R-779

(4) That applicant is in the process of securing a communitization agreement for the S/2 SE/4 of Section 26 and S/2 SW/4 of Section 25, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico.

(5) That applicant, Humble Oil and Refining Company has a producing well on the aforesaid lease known as the Federal Popeano, Well No. 1 located 860 feet from the South line and 1980 feet from the West line of Section 25, Township 20 South, Range 36 East, NMPM.

(6) That the aforesaid well was completed and in production prior to the effective date of Order No. R-520, and is located within the horizontal limits of the pool heretofore delineated and designated as the Eumont Gas Pool.

(7) That unless a proration unit consisting of applicant's aforesaid acreage is permitted, applicant will be deprived of the opportunity to recover its just and equitable share of the natural gas in the Eumont Gas Pool.

(8) That Stanolind Oil and Gas Company is the owner of the working interest under the N/2 SW/4 Section 25, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico and as owner of said interest Stanolind Oil and Gas Company by its attorney, appeared and entered an objection to the granting of the application.

(9) That it would be practical for Stanolind Oil and Gas Company, after proper administrative procedure, to join aforesaid acreage with Humble's subject unit to form a 240 acre unit.

(10) That creation of a proration unit consisting of the aforesaid acreage will not cause but will prevent waste and will protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the application of Humble Oil and Refining Company for approval of a non-standard gas proration unit in the Eumont Gas Pool, consisting of the following described acreage:

TOWNSHIP 20 SOUTH, RANGE 36 EAST, NMPM  
S/2 SW/4 Section 25  
S/2 SE/4 Section 26

be and the same is hereby approved and a proration unit consisting of the aforesaid acreage is hereby created.

-3-

Order No. R-779

(2) That applicant's well, Federal Popoano Well No. 1, located 660 feet from the South and 1980 feet from the West line of Section 25, Township 20 South, Range 36 East, NMPN, Lea County, New Mexico, shall be granted an allowable in the proportion that the above-described 160 acre unit bears to the standard unit for said pool, all until further order of the Commission.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*John F. Sims*  
JOHN F. SIMS, Chairman

*E. E. Walker*  
E. E. WALKER, Member

*W. B. Macey*  
W. B. MACEY, Member and Secretary



ix/

Memo

3/8/06

From  
WWN

Re: Case # 1004

To

JNG

OK to go ahead  
and write approval  
of 160 & NSP

Showing no objection of <sup>USA</sup> ~~ECOS~~  
but show objection of Standard

COMMUNITIZATION AGREEMENT  
LEASES LC 048741(a)  
and LC 048741(b)  
EUMONT GAS POOL,  
LEA COUNTY, NEW MEXICO

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
EXHIBIT No. 3  
CASE 1004

Contract No. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 16th day of June,  
1956, by and between the parties subscribing, ratifying or consenting  
hereto, such parties being hereinafter referred to as "parties hereto",

WITNESSETH:

WHEREAS, The Act of February 25, 1920, 41 Stat. 437, as amended by  
the Act of August 8, 1946, 60 Stat. 950, 30 U.S.C. Secs. 181 et seq.,  
authorizes communitization or drilling agreements communitizing or  
pooling a federal oil and gas lease, or any portion thereof, with other  
lands, whether or not owned by the United States, when separate tracts  
under such federal lease cannot be independently developed and operated  
in conformity with an established well-spacing program for the field  
or area and such communitization or pooling is determined to be in  
the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold  
interests, or operating rights under the oil and gas leases and lands  
subject to this agreement which cannot be independently developed and  
operated in conformity with the well-spacing program established for  
the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their  
respective mineral interests in lands subject to this agreement for  
the purpose of developing and producing dry gas and associated liquid  
hydrocarbons in accordance with the terms and conditions of this  
agreement;

NOW, THEREFORE, in consideration of the premises and the mutual  
advantages to the parties hereto, it is mutually covenanted and agreed  
by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as  
"communitized area") are described as follows:

S $\frac{1}{2}$ SW $\frac{1}{4}$  Sec. 25; S $\frac{1}{2}$ SE $\frac{1}{4}$  Sec. 26, T. 20 S., R. 36 E., N.M.P.M.,  
containing 160 acres, more or less,

and this agreement shall extend to and include the vertical limits of the Humont Gas Pool as defined by the New Mexico Oil Conservation Commission extending from the top of the Yates formation to the base of the Queen formation, and the dry gas and associated liquid hydrocarbons (hereinafter referred to as "communitized substances") producible from the vertical limits of said pool.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit A designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the Operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Oil and Gas Supervisor.

4. Operator shall furnish the Secretary of the Interior, or his authorized representatives, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas operating regulations.

In connection with the performance of work under this agreement, the operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of

the nondiscrimination clause.

The operator agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

5. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payment of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued.

7. There shall be no obligation on the lessees to offset any dry gas well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and



comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement, if such compliance is prevented by, or if such failure results from, compliance with with any such laws, orders, rules or regulations.

10. This agreement shall be effective as of the date hereof upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior, or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced from the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representatives, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto.

11. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas regulations of the Department of the Interior.

12. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of any such land or interest

subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

ATTEST:

Margaret M. Hatch  
Assistant Secretary

HUMBLE OIL & REFINING COMPANY

By) C. E. Reistle Jr.  
President

TRADE O.K.  
W. A. MALEY

By) W. A. Mailey

Date 1-17-56

FORM APPROVED  
Hervey, Dow & Hinkle

BY CEN  
FORM APPROVED

STATE OF TEXAS

COUNTY OF HARRIS

ss

The foregoing instrument was acknowledged before me this 17th day of January, 1956, by C. E. REISTLE JR., President of Humble Oil & Refining Company, a Texas corporation, on behalf of said corporation.

J. Beerbower (J. Beerbower)  
Notary Public  
NOTARY PUBLIC IN AND FOR  
HARRIS COUNTY, TEXAS

My Commission Expires:

My Commission Expires June 1, 1957

Exhibit A to Communitization Agreement  
dated January 16, 1937,  
embracing S $\frac{1}{2}$ SW $\frac{1}{4}$  Section 25; S $\frac{1}{2}$ SE $\frac{1}{4}$  Section  
26, T. 20 S., R. 36 E., N.M.P.M., Humont  
Gas Pool, Lea County, New Mexico.

Operator of Communitized Area: Humble Oil & Refining Company

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lessor: United States, acting by and through Secretary of Interior.

Lessee of Record: Humble Oil & Refining Company

Serial No. of Lease: LC 048741(a)

Date of Lease: July 1, 1937

Description of Lands Committed: S $\frac{1}{2}$ SW $\frac{1}{4}$  Sec. 25; S $\frac{1}{2}$ SE $\frac{1}{4}$  Sec. 26,  
T. 20 S., R. 36 E., N.M.P.M.

Number of Acres: 120

Working Interest and Percentage: Humble Oil & Refining Company - All

O.R.R.I. and Percentage: None.

Tract No. 2

Lessor: United States, acting by and through Secretary of Interior.

Lessee of Record: Humble Oil & Refining Company

Serial No. of Lease: LC 048741(b)

Date of Lease: July 1, 1937

Description of Lands Committed: SW $\frac{1}{4}$ SE $\frac{1}{4}$  Sec. 26, T. 20 S., R. 36 E.,  
N.M.P.M.

Number of Acres: 40

Working Interest and Percentage: Humble Oil & Refining Company - All

O.R.R.I. and Percentage: None.

RECAPITULATION

<u>Tract No.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	120	All
2	40	All

APPROVAL - CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior under the Act approved February 25, 1920, 41 Stat. 437, 30 U.S.C. secs. 181 et seq., as amended by the Act of August 8, 1946, 60 Stat. 950, and delegated to the Director of the Geological Survey, pursuant to Departmental Order No. 2365 of October 8, 1947, 43 CFR sec. 4.618, 12 FR 6784, I do hereby:

- A. Approve the attached communitization agreement covering the  $S\frac{1}{2}SW\frac{1}{4}$  Section 25 and the  $S\frac{1}{2}SE\frac{1}{4}$  Section 26, T. 20 S., R. 36 E., N.M.P.M., Lea County, New Mexico, down but not below the base of the Queen formation, as to dry gas and associated liquid hydrocarbons producible from such depths and formations.
- B. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of the agreement.

Dated \_\_\_\_\_

Contract No. \_\_\_\_\_

\_\_\_\_\_  
Director  
United States Geological Survey

J. M. HERVEY 1874-1953

HIRAM M. DOW  
CLARENCE E. HINKLE  
W. E. BONOURANT, JR.  
GEORGE H. HUNKER, JR.  
HOWARD C. BRATTON  
S. B. CHRISTY IV

J. PENROD TOLES  
LEWIS C. COX, JR.

LAW OFFICES  
HERVEY, DOW & HINKLE  
FIRST NATIONAL BANK BUILDING  
ROSWELL, NEW MEXICO

February 10, 1956

TELEPHONE MAIN 2-6510

Mr. Warren W. Mankin, Examiner  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Re: Case No. 1004  
Application Humble Oil & Refining Company  
for Approval of Non-Standard Gas Proration  
Unit, Eumont Gas Pool, Lea County, N.M.

Dear Warren:

You will recall that during the hearing of the above case at Hobbs on February 8th, you inquired as to whether or not the approval of the non-standard gas unit applied for would meet with the approval of the U.S.G.S. and you suggested that I request a letter from Mr. John Anderson of the U.S.G.S. concerning their attitude.

I have talked to Mr. Anderson concerning this matter and he states that he expects to be in Santa Fe next week and will talk to you concerning this matter.

Yours sincerely,

HERVEY, DOW & HINKLE

By Clarence E. Hinkle  
my

CEH:mp

cc - Mr. John Anderson  
cc - Mr. R. S. Dewey  
Humble Oil & Refining Company  
Midland, Texas

# Memo

1/23/52

From  
WWM

To  
Bobbe

Please place case #1004  
on Index for 2/8/52 as  
a Continued Case.

Done 1-23-56  
BP

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

DL=Day Letter  
NL=Night Letter  
LT=International Letter Telegram

Filing time shown in the date line on domestic telegrams is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

LA045 DB090

D MDA099 PD=MIDLAND TEX 20 1041AMC=

1956 JAN 20 AM 10 04

W B MACEY=

NEW MEXICO OIL CONSERVATION COMMISSION SANTA FE NMEX=

REQUEST THAT CASE 1004 SET FOR HEARING AT SANTA FE JANUARY  
24, 1956 BE CONTINUED AND RESET FOR EXAMINER HEARING AT  
HOBBS ON FEBRUARY 8 1956=

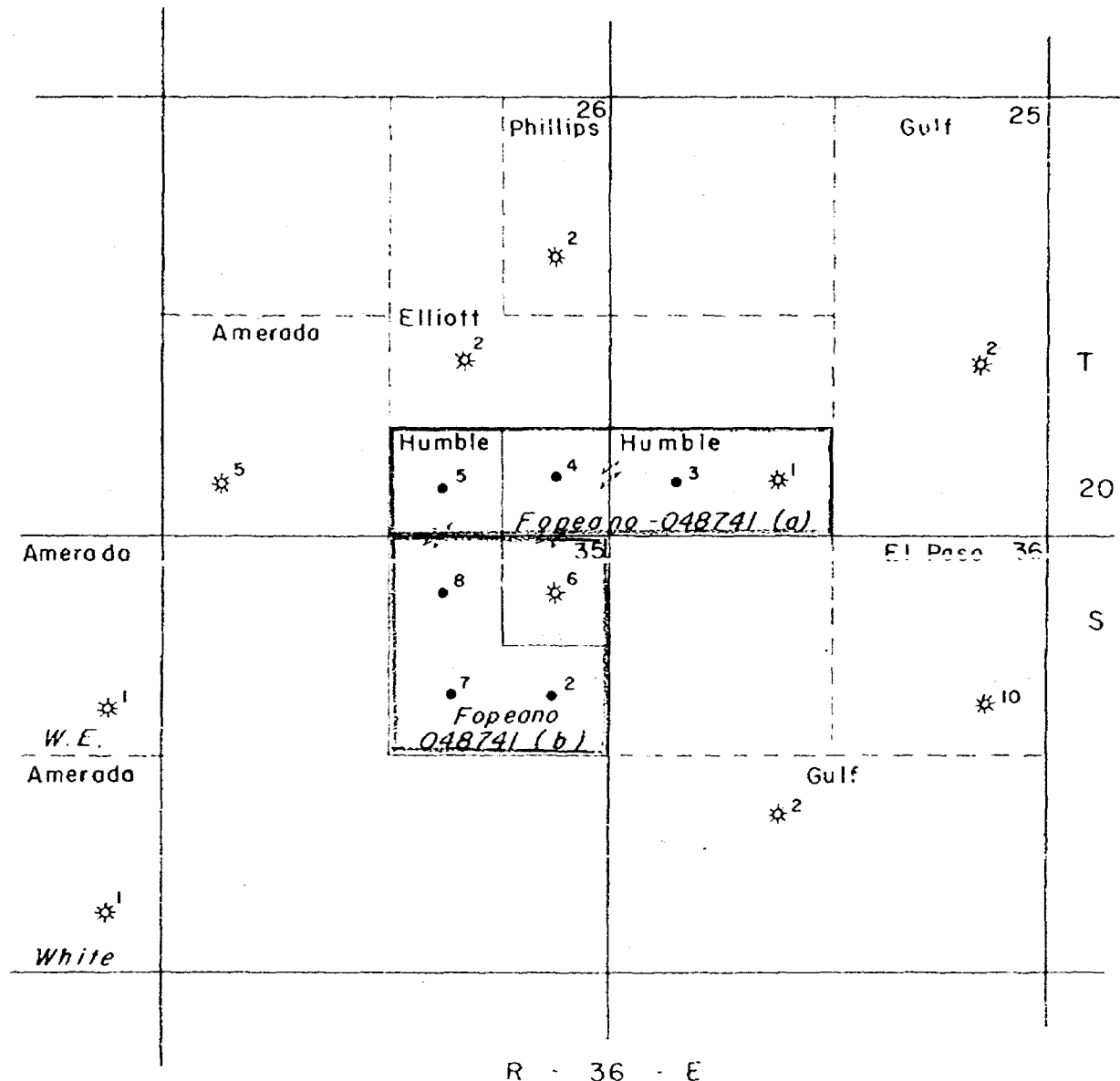
HUMBLE OIL AND REFINING CO BY H L HENSLEY=

*W. P. Marshall*

1004 24 1956 8 1956=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

EXHIBIT A  
HUMBLE OIL & REFINING CO.  
OIL AND GAS LEASE 048741 (a)  
OIL AND GAS LEASE 048741 (b)  
EUMONT GAS POOL  
LEA COUNTY, NEW MEXICO



— LEGEND —

\* GAS WELL

OUTLINED IN RED

COMMUNITIZATION AGREEMENT COVERING THE  
S  $\frac{1}{2}$  SW  $\frac{1}{4}$  SEC. 25 & S  $\frac{1}{2}$  SE  $\frac{1}{4}$  SEC. 26, T-20-S, R-36-E

OUTLINED IN GREEN

COMMUNITIZATION AGREEMENT COVERING THE  
NE  $\frac{1}{4}$  SEC. 35, T-20-S, R-36-E

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
*Humble*  
CASE 1004



MEMORANDUM FOR THE OIL & REVENUE COMMISSION

DATE: December 15, 1955

December 15, 1955

TO: HOUSE

Re: Eumont Gas Pool  
Lea County, New Mexico

Oil Conservation Commission  
State of New Mexico  
Box 871  
Santa Fe, New Mexico

Gentlemen:

It is respectfully requested that the Conservation Commission schedule a hearing to consider our application for approval of a 160 acre non-standard gas proration unit embracing the S/2 of the SW/4 of Section 25, and the S/2 of the SE/4 of Section 26, T-20-S, R-36-E, Lea County, New Mexico, and to be assigned to Federal Popeano Well No. 1 located 660 feet from the South line and 1980 feet from the West line of Section 25, T-20-S, R-36-E. In support of this request we submit the following information:

1. Federal Popeano Well No. 1 now produces as a gas well from the Eumont Pool with an assigned 90 acre unit described as the S/2 of the SW/4 of Section 25, T-20-S, R-36-E, Lea County.
2. The proposed non-standard gas proration unit consists of contiguous quarter/quarter sections but located within two governmental sections.
3. The entire proposed proration unit may reasonably be presumed to be productive of gas.
4. Communitization agreement covering the S/2 SW/4 of Section 26 and the S/2 SW/4 of Section 25 is now being executed.
5. The 160 acre unit to become effective as of the date the communitization agreement becomes effective.
6. A plat is attached showing proposed 160 acre non-standard proration unit.
7. All offset operators owning interests in Section 25, 26, 35 and 36, T-20-S, R-36-E, have been furnished copies of this application by registered mail.

Yours very truly,

HUMBLE OIL & REVENUE COMPANY

J. W. ROUSE, Division Superintendent

*J. W. Rouse*  
Asst. Div. Superintendent

AGT/sc  
Attach.

COPY

## HUMBLE OIL &amp; REFINING COMPANY

December 16, 1935

Stanolind Oil and Gas Company  
Box 899  
Roswell, New Mexico

Gulf Oil Corporation  
Box 2167  
Hobbs, New Mexico

Shell Oil Company  
Box 1987  
Hobbs, New Mexico

Sinclair Oil & Gas Company  
Box 1470  
Hobbs, New Mexico

Amerada Petroleum Corporation  
Box 2040  
Attn. Mr. R. S. Christie  
El Paso, California

Bay Petroleum  
Box 218  
Seminole, Texas

L. E. Elliott  
Box 703  
Roswell, New Mexico

Phillips Petroleum Company  
Box 2105  
Hobbs, New Mexico

Shelly Oil Company  
Box 38  
Hobbs, New Mexico

The Atlantic Refining Company  
Box 871  
Midland, Texas

Gentlemen:

Please find attached a copy of our request to the Oil Conservation Commission of New Mexico that they schedule a hearing to consider Humble's request for approval of a 180 acre non-standard gas proration unit to be assigned to our Federal Popeano No. 1 which now produces as a gas well from the Ement Pool with an assigned 80 acre unit.

We have attached a plat showing the proposed gas proration unit.

Yours very truly,

HUMBLE OIL & REFINING COMPANY

J. W. HOUSE,  
Division Superintendent

By: *[Signature]*

Asst. Div. Superintendent

AJT/sc  
Attach.

NEW MEXICO  
OIL CONSERVATION COMMISSION

Gas Well Plat

Date 12-7-55

HUMBLE OIL & REFINING CO.  
Operator

FEDERAL-FOPEANO  
Lease

1  
Well No.

Name of Producing Formation QUEEN Pool EUMONT

No. Acres Dedicated to the Well 160

SECTION 25 & 26 TOWNSHIP 20-S RANGE 36-E

SEC. 26		SEC. 25	
5	4	3	1

I hereby certify that the information given above is true and complete to the best of my knowledge.

1. Is this gas well a dual completion? Yes No
2. Are there any other dually completed wells within the dedicated acreage? Yes No

Name H. L. Hendley  
Position ASSISTANT DIVISION SUPT.  
Representing Humble Oil & Refining Co  
Address Box 1000, Midland, Texas

WT-A 1995



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY

P. O. Box 6721  
Roswell, New Mexico

IN REPLY REFER TO:

February 27, 1956

New Mexico Oil Conservation Commission  
Santa Fe,  
New Mexico


Attention: Mr. Warren W. Mankin

Gentlemen:

Mr. Clarence Hinkle of Roswell has requested that I advise you of the position taken by the Geological Survey in regard to the non-standard proration unit consisting of the  $S\frac{1}{2}SW\frac{1}{4}$  sec. 25 and the  $S\frac{1}{2}SE\frac{1}{4}$  sec. 26, T. 20 S., R. 36 E., Lea County, New Mexico, in Case No. 1004 heard before you in Hobbs on February 8.

The proposed non-standard gas proration unit consists of land included in two federal leases. This office offers no objection to the issuance of the requested order and will recommend approval of a communitization agreement covering the proposed unit.

Very truly yours,

  
JOHN A. ANDERSON  
Regional Oil & Gas Supervisor

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

April 11, 1956

C  
O  
P  
Y

Mr. Clarence Hinkle  
Harvey, Dow & Hinkle  
P.O. Box 547  
Roswell, New Mexico

Dear Sir:

In behalf of your client, Humble Oil & Refining Company,  
we enclose two copies of each of the following orders:

Order R-772, Case 993  
Order R-774, Case 1013  
Order R-779, Case 1004  
Order R-783, Case 1046

All of these orders are dated March 29, 1956.

Very truly yours,

A. L. Porter, Jr.  
Acting Secretary - Director

ALP:brp  
Encls.

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
January 24, 1956

IN THE MATTER OF:

CASE NO. 1004

TRANSCRIPT OF PROCEEDINGS

IN THE MATTER OF:

Case No. 1004

Warren W. Mankin, Examiner

HEARING EXAMINER MANKIN: Next case is Case 1004, which is the application of Humble Oil and Refining Company for an order requesting a non-standard proration unit in the Eumont Gas Pool of 160 acres as it is across section lines and an exception to Order R-520. We have received a telegram from Humble Oil and Refining Company addressed to W. B. Macey, New Mexico Oil Conservation Commission, Santa Fe, dated January 20th, 1956. Telegram states "Request 1004 set for hearing at Santa Fe January 24, 1956, be continued and reset for Examiner hearing at Hobbs on February 8, 1956. Signed Humble Oil and Refining Company by H. L. Hensley." Is there objection to setting this case for another

Examiner hearing at Hobbs on February 8th, 1956. If not, we will so set that case as a continued case for the February Examiner hearing in Hobbs.



STATE OF NEW MEXICO     )  
                              :   ss  
COUNTY OF SANTA FE     )

I, Bobby Postlewaite, do hereby certify that the foregoing  
and attached transcript of proceedings before the New Mexico Oil  
Commission Examiner at Santa Fe, New Mexico, is a true and correct  
record, to the best of my knowledge, skill and ability.

Dated at Santa Fe, New Mexico this 1st day of February, 1956.

Bobby Postlewaite

BEFORE THE  
OIL CONSERVATION COMMISSION  
Hobbs, New Mexico  
February 8, 1956

IN THE MATTER OF:

CASE 1004

TRANSCRIPT OF PROCEEDINGS

BEFORE THE  
OIL CONSERVATION COMMISSION  
Hobbs, New Mexico  
February 8, 1956

.....  
IN THE MATTER OF:

The application of Humble Oil and Refining Company  
for an order approving a non-standard gas proration  
unit in exception to Rule 5 (a) of the Special Rules  
and Regulations for the Eumont Gas Pool, Lea County,  
New Mexico, as set forth in Order R-520. Applicant,  
in the above-styled cause, seeks an order establish-  
ing a 160 acre non-standard gas proration unit con-  
sisting of S/2 SW/4 Section 25, S/2 SE/4 Section 26,  
Township 20 South, Range 36 East, Lea County, New  
Mexico; said acreage to be dedicated to the applicant's  
Federal Fopeano Well No. 1, located in the S/2 SW/4 of  
Section 25, Township 20 South, Range 36 East.  
.....

CASE NO. 1004

BEFORE:

Warren W. Nankin, Examiner

TRANSCRIPT OF HEARING

EXAMINER MANKIN: We will now proceed with continued Case 1004, which  
is the application of Humble Oil and Refining Company for a non-standard pro-  
ration unit in the Eumont Gas Pool.

MR. HINKLE: Clarence Hinkle, Roswell, appearing on behalf of the Humble  
Oil and Refining Company. This is an application on behalf of the Humble -----

MR. CURLEY: Mr. Hinkle, I believe we should swear Mr. Dewey in on this  
case.

MR. HINKLE: Yes, we will do that.

Mr. Malone: If it please the Examiner, I would like to enter an appear-  
ance, Ross Malone of Roswell on behalf of Stanolind Oil and Gas Company, in  
opposition to the application.

MR. HINKLE: Now this is the application of Humble Oil and Refining  
Company for approval of a communitization agreement to form a non-standard gas  
proration unit consisting of the S/2 of the SW/4 of Section 25, and the S/2

of the SE/4 of Section 26, Township 20 South, Range 36 East.

MR. GURLEY: Do you have any witnesses for your opposition, Mr. Malone?

MR. MALONE: I won't know until I have heard the testimony of the applicant.

R. S. DEWEY

having first been duly sworn, testified as follows:

By Mr. Hinkle:

Q. State your name please.

A. R. S. Dewey

Q. By whom are you employed, Mr. Dewey?

A. Humble Oil and Refining Company.

Q. Where do you live?

A. Midland, Texas

Q. Have you previously testified before the Commission?

A. I have.

Q. In what capacity?

A. District Petroleum Engineer.

MR. MANKIN: His qualifications are acceptable.

Q. Mr. Dewey, I hand you Humble's Exhibit No. 1 and ask you to state what that shows.

A. Humble's Exhibit No. 1 is a plat of four sections containing Humble's Popeano lease together with the surrounding offset properties of other operators. The plat also shows the location of various gas wells which are producing from the Eumont Gas Pool, together with their ownership. The Humble Popeano lease consists of the S/2 of the SW/4 of Section 25 and the S/2 of the SE/4 of Section 26 and the NE/4 of Section 35, all in Township 20 South, Range 36 East.

Q. Is there a gas well at the present time located upon part of the acreage which is proposed to be communitized?

A. There is.

Q. Where is that well located?

A. That well is located in the approximate center of the SE/4 SW/4 of Section 25, known as the Humble Popeano No. 1.

Q. Does the Humble have any other gas wells in the area adjoining this lease?

A. There is a gas well in the approximate center of the NE/4 NE/4 of Section 35 and is known as Humble's Popeano No. 6.

Q. Are these two wells producing from the same gas pool or reservoir?

A. They are both producing from the Queen formation in the Eumont Gas Pool.

Q. Are the other wells that are indicated on the plat producing from the same reservoir or formation?

A. To the best of our knowledge and information they are producing from the Queen formation of the Eumont Gas Pool.

Q. Mr. Dewey, why did you urge the Humble to seek in this case to combine these two eighties to form a non-standard gas unit?

A. In order to protect our correlative rights we feel that it is necessary to expand the 80 acres now designated in Section 25 -- or to expand it to include the 80 acres which has not been assigned a gas allowable to date.

Q. Is there any other acreage which could be assigned to it at the present time?

A. It possibly could be assigned to Humble's No. 6 gas well in Section 35. That would make it a 240-acre unit, whereas if we assign it as proposed in this hearing both units will then be of 160 acres each.

Q. Is the Well No. 1 capable of producing the allowable for the 160 proposed?

A. It is. It is capable of approximately 4 million cubic feet of gas production per day.

Q. The Humble has a standard unit which consists of the NE/4 of Section 35, does it not?

A. That is correct.

Q. And that acreage has been assigned to Well No. 6?

A. It has.

Q. Was Exhibit No. 1 prepared by you or under your direction?

A. It was prepared under my direction.

Q. I would like to offer Exhibit No. 1 as evidence.

MR. MANKIN: Is there objection to the entering as evidence Exhibit No. 1 in this case? If not, it will be so entered.

Q. Mr. Dewey, refer to Humble's Exhibit No. 2 which is on the wall and state to the Commission what that shows.

A. Exhibit No. 2 is a cross-section east and west to the wells which is proposed to include the expansion of this unit. There is the Amerada Federal "D" No. 5 on the west and Humble's Federal Fopeano No. 1 on the East. It has been prepared to show our conception of the relation between the various producing formations in the area and to indicate that the Queen formation is continuous across the lease, east and west and that it is reasonable to believe that the Fopeano No. 1 will drain the -- will have communication to drain the area proposed to include within this unit.

Q. Does it show in effect that all the lands proposed to be included in the unit are reasonably productive of gas?

A. It does.

Q. And that the Repeano No. 1 would effectively and efficiently drain the entire proposed communitized area?

A. Considering counter drainage in the area, I think it does.

Q. Now was this exhibit prepared by you or under your direction?

A. It was prepared by geological department.

Q. We would like to enter this exhibit as evidence.

MR. MANKIN: Is there objection to the entering of Exhibit No. 2 in evidence in this Case? If not, it will be so entered.

Q. Mr. Dewey, do you know whether or not a communitization agreement has been executed covering these two 80-acre tracts and presented to the United States Geological Survey for approval?

A. It has.

Q. Now I hand you Humble's Exhibit No. 3 and ask you to state what it is.

A. That is a communitization agreement entered between the Humble Oil and Refining Company and submitted to the U. S. G. S.

Q. Is that the signed copy?

A. Executed by the Humble Oil and Refining Company.

Q. Is that a duplicate of the copy which has been -- the original which has been filed with the United States Geological Survey?

A. Yes Sir.

Q. Do you know whether or not the U.S.G.S. has yet approved it?

A. They are withholding approval, as I understand it, until an application was presented to the Conservation Commission to see if the unit may be increased from 80 acres to 160 acres.

Q. As far as you know, the United States Geological Survey has no objection to the formation of this unit?

A. No, none whatsoever.

Q. I would like to offer in evidence, Humble's Exhibit No. 3.

MR. MANKIN: Is there objection to the entering of this exhibit in evidence, exhibit No. 3? If not, it will be so entered.

Q. Is the royalty ownership the same over the 160 acres constituted in this application?

A. The U.S.G.S. owns ---

Q. You mean the United States.

A. The United States owns the entire royalty under that tract in question.

Q. Is there anything else you would like to state to the Commission in regard to the formation of this unit?

A. I would like to restate Humble's position relative to the proration in the Eumont Gas Pool. Humble has gone on record a number of times relative to two allowables on the same designated acreage and our position has not changed relative to our former statements at all. In the Case No. 881 dated June 20, 1955, the statement was made that Humble would like to concur in a proposal made by Amerada in the May hearing as to suggested rules recommending that a gas-oil ratio of 6,000-1 be placed on oil wells and the production of casinghead gas be deducted in computing the allowable in any unit having both oil and gas wells. The 6000-1 gas-oil ratio is in keeping with the limiting gas-oil ratio established in the Eunice Field, a reduction of 10,000 to 6,000 in an attempt to control waste. Until such time as the Commission revise the field rules for the Eumont Pool, the Humble requests that they be treated the same as every other operator in the area and be permitted to protect their correlative rights. I



might state also that this No. 1 Well -- Fopeano No. 1 was granted a privilege of being made a dual completion prior to the time that the Eumont Gas Pool was created and that it is producing gas from the Queen and oil from the Grayburg in the Eunice Pool. I believe that is all.

MR. GURLEY: Have you had any indication from the U.S.G.S., Mr. Dewey, that they would approve this?

A. My understanding is that pending the approval of the Commission, the U.S.G.S. will send this communitization to Washington for the final approval.

MR. GURLEY: Have you had any correspondence to that effect or is that a verbal commitment?

A. As far as I know that is a verbal commitment.

MR. HINKLE: With permission, I would like to state that I talked to Mr. John Anderson also Mr. Canfield of the U.S.G.S. and they were ready to recommend the approval of this and send it into Washington when I told them about this hearing and they said that they would like then to withhold the sending of it in to Washington for approval with their recommendation until the Conservation Commission acted upon the application. He indicated to me that they would approve it if the Conservation Commission approved it.

MR. GURLEY: Is it not customary, Mr. Hinkle, in these cases where they have rather a form letter that they usually send out that show --- assuming that nothing develops that they in all probability will approve ---

MR. HINKLE: No, As far as I know they don't.

MR. GURLEY: That came up at a hearing before I think, and if I remember, Mr. Anderson stated that they sometimes sent out such a statement, that they would ----

MR. HINKLE: They didn't in this particular case, but at the same time we submitted for their approval the communitization agreement which also ---

which involves the NE/4 of Section 35 and they didn't send us a letter on that, as indicated, they gave us verbal permission.

MR. CURLY: They indicated they would.

MR. MANKIN: Mr. Hinkle, we have recently received a similar situation where it was all federal acreage and where they were in agreement providing of course that we were acceptable. Would it be possible that you could have Mr. Anderson submit a letter to us and make a matter of record in this file, that they would be agreeable, providing of course that the Commission saw fit to approve it. We just received just a few days ago such a similar letter in another case.

MR. HINKLE: I would like to have permission to file that letter for the record in this particular case.

MR. MANKIN: Mr. Dewey, ----- that permission will be granted for filing this particular letter from the U.S.G.S., indicating their permission proviso upon the Commission's action. Now, Mr. Dewey, I believe you indicated this well was completed and in production in the Eumont Gas Pool or what is now known as the Eumont Gas Pool prior to the issuance of Order R-520, that is of August, 1954. Is that correct?

A. That is right.

MR. MANKIN: And further in this case, I believe, your exhibit No. 2 reflects that this well in question in this case, Well No. 1, is higher structurally than the other three oil wells producing from the same Queen zone on the same 160 acre lease. Is that correct?

A. That's correct.

MR. MANKIN: And there are a considerable number of wells surrounding your lease that are producing Queen oil, possibly lower down structurally.

A. Yes, that's right.

MR. MANKIN: Does this particular Well, Well No. 1, producing from the Eumont Gas Pool, does it produce any liquids?

A. No, Sir. Not any recoverable liquids -- it is -- I don't think it produces anything -- we don't recover anything from it, I know that.

MR. MANKIN: Is there any further question of the witness? Mr. Montgomery.

MR. MONTGOMERY: Mr. Dewey, you testified to the fact that -- or answered the question that you assumed all the gas acreage was productive of gas.

A. Well it's productive of gas in the Eumont Pool. The Amerada has a well to the west of us, the Elliotts have a well to the north of us and there are productive wells south, southwest, to the south, southeast, east, they are surrounded by us. Eumont Gas Wells.

MR. MONTGOMERY: Well, if I restrict you to the interval of the zones you have opened your wells -- this No. 1 Well. Would you say that all of the acreage is productive of dry gas on the full 160 acres.

A. Oh, I think it is. It may not all be coming out of the Queen. Wait just a minute here, maybe I didn't understand your question here, would you mind repeating it.

MR. MONTGOMERY: Would you testify to the fact that the full 160 acres that you are asking for as a unit is productive of dry gas from the same zone that you have perforated in your No. 1 Well?

A. No, I don't think that is so because as the cross-section will show there the No. 1 Well is up dip and higher on structure than the other three wells on the lease and their -- those wells are completed as oil wells, but the --- those wells are overlain by gas that is in the Eumont Gas Pool.

MR. MONTGOMERY: Would you say that the gas overlying the Queen Gas Zone in this area is probably commercial on that 160 acres.

A. I would think it would be due to the fact that the Amerada No. 5 Well on the extreme west end of the cross-section produces gas and supports a 160 acre unit.

MR. MANKIN: It is producing gas from the Seven Rivers or the Queen, Mr. Dewey ----

A. I imagine the Seven Rivers but I don't know, it's immaterial whether it is Seven Rivers or Queen, it is all within the confines of the Eumont Gas Pool.

MR. MONTGOMERY: I would like to ask one other question. Do you approve of the policy of dedicating acreage to a gas well that is not productive of gas?

A. We -- our policy has been that you should have just one allowable from the same dedicated acreage until that policy is verified by or accepted by the Conservation Commission and the only recourse we have is to protect our correlative rights.

MR. MONTGOMERY: Would your correlative rights be protected assuming that from your exhibit the cross-section illustrates that a large portion of the acreage is not productive of dry gas from the zone that you have perforated in your well therefore, would the correlative rights of the offset operators be protected if you assign acreage over and above what your productive ground is.

A. The wells that are offsets there are producing from the Eumont Gas Pool and they may be taking gas out of the Seven Rivers and where we take gas out of the Queen but as long as its the same designated gas pool I don't see that the distinction between that or whether they are all Queen wells or all Seven Rivers Wells.

MR. MANKIN: Do you have anything, Mr. Rieder?

Mr. Rieder: Just a moment.

MR. DEWEY: We have a test on the Popeano L where we could make that a gas well producing from the Queen if we care to do so why it has produced gas on tests from the Queen formation.

MR. RIEDER: Mr. Dewey, I am correct that it is the same interval open in your gas well is the same interval --- essentially the same interval that is open in your three oil wells?

A. That's right, essentially so, yes.

MR. RIEDER: Don't you feel, or do you, that the increased withdrawal of gas from your No. 1 well might not have an effect on the oil to the extent that it might pull some of that oil upstructure and thereby cause waste?

A. That is perfectly true, but that is current on all of the offset properties too. That apparently is the scheme of things in the Eumont Gas Pool today.

MR. RIEDER: But you do feel that it is a good indication that increased withdrawal from the gas pool most certainly might contribute to waste by pulling the oil upstructure -- in the general area of the No. 1 Well?

A. Oh, I think that is true, that is very true.

MR. MANKIN: Anything further. Any other questions of the witness?

MR. MALONE: Ross Malone for Stanolind. Mr. Dewey, you testified, I believe, that the Popeano No. 3, No. 4 and No. 5 are oil wells in the Eumont Pool.

A. Yes, Sir.

MR. MALONE: And that the No. 1, of course, is a gas well producing from the Eumont Gas Pool?

A. That's right.

MR. MALONE: So that there would be a dual assignment of acreage for allowable purposes if your application was granted, would there not?

A. That is true. That is the same situation that is prevalent throughout the Eumont Pool.

Q. MR. WILSON: Until the policy of the Commission, with reference to the Sunset Pool is fixed, in this regard, it is true that we would be making a prior commitment that might or might not be consistent with the policy of the Commission when it issues an order in Case 123.

A. When and if the Commission issues such an order, we will certainly obey whatever new order is specified.

Q. MR. WILSON: And if that order should come out prohibiting the dual assignment of acreage to both an oil and gas allowable, then it would be necessary for the Commission to unmake the unit which it would be making if it granted your application.

A. That is true. Of course, if they feel that they should unmake several other similar situations at the same time.

Q. MR. WILSON: You -- I correctly understood you to testify that you did not think that there was necessarily communication of gas between the gas in the Seven Rivers formation and the gas in the Green that you are producing in your Popeano No. 1.

A. Well not immediately, -- In the immediate locality I am not sufficiently versed in the geology of the area, but I am authorized to say that they are connected somewhere through a common water table at edge acreage or some other place.

Q. MR. WILSON: Yes, you couldn't testify that in your opinion the Popeano No. 1, as it is presently completed, would drain gas from the Seven Rivers formation in the other 42 acre tracts which compose the unit.

A. As I visualize the situation, the Sunset Gas Pool consists of three formations, the Lingo, Seven Rivers and Green, all of which are productive of gas in various places and they are -- they are also productive of oil at other localities so in essence we have here a large gas pool --

with a down blow production of oil due to the drilling in the area the gas wells are pretty well tied together through well bores and they might not have existed and to start with - - - in communication - - - but due to the completions that have taken place on this large area, I am sure that there are instances where wells are completed partially in the Seven Rivers and partially in the Queen so that in essence there are one huge gas cap with oil wells down the flank and that any withdrawals from one formation such as the Queen would have in effect eventually on the withdrawals from other formations, Seven Rivers or the Yates.

MR. WILSON: On that basis is it your testimony that in your opinion this well through its present perforations would produce gas from the adjoining 40 acres in the Seven Rivers formation.

A Not adjacent to it. It may be acquired by a devious route. It would take considerable time to have any effect on this area. I think that all the wells in there have accumulated effect in there in drawing down the pressure in the gas cap and that is transmitted by well bores back to all the oil zones down strike from the gas wells.

MR. WILSON: Yes, sir. It is your position that inasmuch as that all of these formations are in the Burnet Gas Pool, it doesn't make any difference whether there is immediate communication throughout the unit for which you have applied.

A I think that is right, yes, sir.

MR. WILSON: With reference to the adjacent acreage that is shown on Exhibit 1, are you familiar with the location of the standard Oil Company's lease?

A I think you have reference to the 10 acres being the 1/2 of the 20 1/2 acre tract.

MR. WILSON: Now, sir, do you know whether or not there are oil or gas wells on that 80 acres immediately north of the east 80 acres of your proposed unit?

A To the best of my knowledge, Stenolind has two wells on that 80 acres. One of them is completed in the Eunice Pool and the other is completed in the Durant Pool. They are both oil wells.

MR. WILSON: For the purposes of the record, would you agree that Stenolind's Gillyully No. 6-4 is in the NE/4 of the SW/4 of Section 25 and is a Eunice Monument oil well and that Stenolind's Gillyully 1-5 is in the NE/4 of the SW/4 and is a Durant oil well.

A I will accept that.

MR. WILSON: If the Commission should conclude that dual assignment of acreage would not be permitted for allowable purposes, it would be possible to form an 80 acre unit consisting of the SE/4 of the SW/4 of Section 25 and the NE/4 of the SW/4 of Section 25 to form an 80 acre unit for gas purposes from the Durant Gas Pool, would it not?

A I think that is right.

MR. WILSON: Are you advised of the fact that Stenolind has offered to form such a unit with Humble?

A I know that negotiations are going on between Stenolind and Humble. They have been very recent. I think they were started since this application was published by the Commission and I haven't had any personal contact with Stenolind on the matter.

MR. WILSON: There has been contact between your land department and Stenolind's land department on the subject matter.

A I understand there has, yes, sir.



MR. WALONE: And if the Commission should conclude that dual assignment of acreage would be permitted in the Summit Pool, it would be possible to form a unit which would consist of a standard 160 acre subdivision and be composed of the SW/4 of Section 25, would it not?

A You might repeat that for me.

MR. WALONE: Well, if the Commission concluded that dual assignment of acreage would be permitted, then we could have a unit made up of the SW/4, Stanolind's E/2 of the SW/4 and Humble's S/2 of the SW/4?

A Yes, I think that is so. The status quo would continue as it is currently. It would be possible for Stanolind and Humble to join together under some sort of a mutual agreement and include Stanolind's acreage in the unit there.

MR. WALONE: And you have at least heard that negotiations to that end have been discussed in the event that policy should be promulgated by the Commission.

A Yes, sir.

MR. WALONE: Does Humble have any particular objection to forming a unit with Stanolind in the SW/4 of 25?

A In the event our application is approved as presently proposed to the Commission and in the event that mutual agreements can be worked out which are agreeable to both Stanolind and Humble, we have no objection to the further enlargement of this to actually include Stanolind. I think that the Popeano No. 1 Well has sufficient capacity to support a 240 acre unit.

MR. WALONE: If this application should be denied, it would also be possible to form a 160 acre with that same unit well, would it not?

A It would be. Of course that would be in violation of our correlative -- wouldn't give us an opportunity to protect our correlative rights in the area.

MR. WALONE: Do you feel that the correlative rights of other operators will be protected by the approval of this application to protect yourself?

A I think so due to the fact that Stanolind, I think, is similarly situated in their 80 acre tract so that if they so desire, it would be very possible to make an application to the Commission to dually complete the oil well that is now completed in the Eunice Pool by perforating and completing higher as a dual completion. It would protect their 80 acres.

MR. MALONE: They would be required to dually complete a well which would not otherwise be necessary if a standard unit were formed here, wouldn't it?

A No, it would be an additional expense to Stanolind. On the other hand they might prefer to have their own operation rather than entering into some sort of a joint operating agreement with a farmout contract.

MR. MALONE: At the present time, the unit which is assigned to this well consists of the S/2 of the SW/4 of Section 25, does it not?

A It is an 80 acres unit. It is confined to that 80 in Section 25.

MR. MALONE: That is all.

MR. HINKIE: Any further questions of the witness? Mr. Hinkle.

MR. HINKIE: Mr. Dewey, under the present rules of the Eunont Gas Pool, assuming that the Humble owned all of the SW/4 of Section 25, would that not be designated as a standard unit and approved administratively without hearing?

A That is right, yes, sir.

MR. HINKIE: Is that any different situation from that which you contemplate here as far as the assignment of dual allowables?

A No, sir. Exactly the same.

MR. HINKIE: Now, in reply to Mr. Malone's questioning, he stated that it might be possible to communitize with the Stanolind as far as the SW/4 of Section 25 is concerned. Would that not leave the Humble with an 80 which is unprotected, the same as the Stanolind 80.

A You would force Humble to recomplate the No. 4 Well as a dual provided

that the Commission would grant us such approval. That would place us in the same position regarding that 80 acres that Stanolind is now.

MR. HINKLE: Well then one of the other of you would have to make a dual completion in order to protect your correlative rights.

A That is correct. I think that if Stanolind cares to do it we can arrive at a mutual set of agreements with Stanolind. This unit can be further enlarged to take in Stanolind's.

MR. HINKLE: As far as the assignment of acreage is concerned for the allowable, then dual allowable, is that not true, in regard to any standard proration unit which has both oil wells and gas wells on the acreage.

A As I understand it.

MR. HINKLE: This situation, of course, would be no different than you have today and you have provisions available under the existing rules for the protection of Stanolind.

A That is right.

MR. MANKIN: Any further questions of the witness?

MR. MALONE: I have one further question. You referred to the possible expansion of this unit to form a unit in the area, Mr. Dewey. It would be possible to expand the unit assigned to your Popeano No. 6 Well to a 240 acre, would it not?

A It would be. It wouldn't be as desirable to do that because the No. 6 Well is not - - - hasn't the same capacity as a gas well as our No. 1.

MR. MALONE: Could the No. 6 Well produce the allowable for a 240 acre unit?

A I think it could. It would crowd it but I think it could.

MR. MANKIN: Any further questions of the witness?

DON WALKER: Mr. Mankin, I don't have a question but I have a statement.

MR. MANKIN: Mr. DuPont.

MR. DU PONT: At the time that Elliott applied for a - -

MR. MANKIN: Just a moment. Mr. DuPont with the U.S.G.S.

MR. DU PONT: At the time Mr. Elliott applied for a 160 acre unit did Humble enter any objection to that unit that they applied for, being the W/2 of the NE/4 and the N/2 of the SE/4 of Section 26.

A No. He raised no objection to that at all. He didn't enter any objection to Elliott's application at all.

MR. MANKIN: Anything further, Mr. DuPont? Mr. Hinkle.

MR. HINKLE: One more question of Mr. Dewey. At the time you filed this application did you send out registered notices to all of the offset owners?

A He did. He sent notices to Stanolind Oil and Gas, Gulf Oil Corporation, Shell Oil Company, Sinclair Oil & Gas, Amerada Petroleum Corporation, Bay Petroleum, L. E. Elliott, Phillips Petroleum, Skelly Oil Company and Atlantic Refining Company.

MR. HINKLE: Did you have any replies or protests to the formation of this?

A Not that I know of. I have the return receipts here, do you want them?

MR. MANKIN: It won't be necessary. Any further questions of the witness? If there is no further questions, the witness may be excused. Any statements to be made in this case?

DON WALKER: With Gulf.

MR. MANKIN: Is there any other statements besides the one which Mr. Walker is preparing to make? Go ahead Mr. Walker.

DON WALKER: With Gulf Oil. I think our policy concerning the dual assignment of acreage is a matter of record before this Commission, but I would just like to have ten days to see if my company would like to restate this for this case if that is permissible with the Examiner. Otherwise, I'll write it anyway.

MR. MANKIN: Could you make it five days, Mr. Walker?

MR. WALKER: Yes, sir.

MR. MANKIN: I think we have had sufficient time otherwise for advertisement of this case, but I think five days would certainly be sufficient, if that is agreeable with you.

MR. WALKER: It takes a study sometimes of these applications to bring out all of the facts. It is a little clearer to me here as presented.

MR. MANKIN: Mr. Hinkle, would Humble be agreeable for five days for Gulf to prepare a statement which they would like to present to the Commission in regard to this?

MR. HINKLE: No objection.

MR. MANKIN: Would Gulf likewise furnish Humole a copy of this?

MR. WALKER: Yes, sir.

MR. MANKIN: Who would you desire this to go to? To you Mr. Hinkle or to you Mr. Dewey?

MR. HINKLE: Either one would be alright.

MR. GURLEY: For the sake of the record here, Mr. Examiner, I think it should be understood that it is legal counsel's opinion that it is most irregular that another party be allowed additional time to come back with argument after the time of the hearing. This case has been advertised. All the argument should be presented at the time of the hearing in my opinion. It prejudices the person -- the party putting on the testimony at the hearing itself and in the future I would certainly recommend that any statements be prepared and presented at the time of the hearing in all fairness to the parties involved.

MR. MANKIN: I agree with that but in this particular case Humble is in agreement to it.

MR. HINKLE: I think the Gulf's position is the same as Stanolind and the Humble. They are all the same. The trouble is the existing rules of the Commission. It would be unfair at this point not to grant this in our opinion unless they change all of these.

MR. GURLEY: By granting this, what do you mean, Mr. Hinkle?

MR. HINKLE: This application.

MR. MANKIN: Mr. Malone did you wish to put on a witness?

MR. MALONE: No. I would like to make a statement for Stanolind. We will not offer any testimony. At the time of the hearing in Case 881 Stanolind stated its position that in its opinion the dual assignment of acreage for allowable purposes was inadvisable and was a dangerous precedent and recommended to the Commission that in the order which might be written in that case that there be no dual assignment of acreage authorized. Stanolind's position in this regard has not changed and for that reason it is forced to oppose the granting of the application of Humble in the case now being heard. We feel that to grant this application merely adds to an existing evil and perpetuates that evil which is the dual assignment of acreage and insofar as this particular unit is concerned, Stanolind is willing and has offered and now renews its offer to negotiate with Humble and enter into a mutual agreeable arrangement for a unit that would be composed of the E/2 of the S/4 of Section 25, neither of which 40 acres has an oil allowable assigned to it. If when the order in Case 881 is written, the Commission, contrary to the recommendations of Stanolind, should authorize the dual assignment of acreage, Stanolind would then be very much interested and has indicated to Humble its willingness to enter into a standard 160 acre unit which would be composed of the S/4 of Section 25, which would avoid the crossing of

section lines in the proposed unit of Humble and would prevent the repercussion that always come from an irregularly shaped unit such as the one here proposed. Under those circumstances Stanolind reluctantly recommends to the Commission that the application of Humble be not approved and that until an order is issued in Case 881 any change such as that which is contemplated by this unit will merely further complicate the ultimate disposition and assignment of acreage in this 160 acres which is involved and that if ultimately the dual assignment of acreage is authorized, the logical unit to be attributed to the Popeano No.1 Well would be the SE/4 of Section 25 and Stanolind as the owner of the N/2 of the SE/4 would be willing to enter into negotiations and I am sure we could reach an agreement on the unit operating agreement. For these reasons we recommend that the application be not approved at this time.

MR. MANKIN: For the record, Mr. Malone, you mentioned that this would be a standard unit, the SE/4 of Section 25, I think, but that you meant it would be contained within the section. A Standard unit would be 640 acres.

MR. MALONE: That is correct. Within a standard governmental subdivision I meant to say.

MR. MANKIN: Is there further statements to be made in this Case? Mr. Rieder.

MR. RIEDER: If it please the Examiner, I believe that considerable reference has been made to the potential order that might or might not be written in Case 881. I do not feel that it is pertinent to the issues nor do I feel that the reference made to other proration units which are not under consideration by the Commission at this time has been made. I feel the pertinent fact here is the granting - - or the application for a unit which would be the evidence submitted clearly contribute to waste of oil in the Queen zone in this particular area. I wish to point this out as what I feel. The pertinent issues at hand in the formation such as the Queen,

it would be definitely conducive to waste and in addition I would like to point out that it has been shown in Humble's exhibit that only 80 acres of the proposed unit and only 80 acres of the proposed allowable could be considered productive of gas in the Queen zone and that primarily the granting of the increased allowable would certainly aggravate the situation.

MR. MANKIN: Is there further statements to be made in this case? Did you have anything further Mr. Hinkle?

MR. HINKLE: No.

MR. MANKIN: If there is nothing further we will take the case under advisement.



STATE OF NEW MEXICO     )  
                              :  
COUNTY OF SANTA FE     )     ss

I, Bobby Postlewaite, do hereby certify that the foregoing  
and attached transcript of proceedings before the New Mexico Oil  
Commission Examiner at Hobbs, New Mexico, is a true and correct  
record, to the best of my knowledge, skill and ability.

Dated at Santa Fe, New Mexico this 7th day of March, 1956.

Bobby Postlewaite