

CASE 3299: Application of SINCLAIR  
for a waterflood expansion, Eddy  
County, New Mexico.

CASE NO.

3299

Application,  
TRANSCRIPTS,  
SMALL Exhibits  
ETC.

**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. 3299  
Order No. R-2268-B

**APPLICATION OF SINCLAIR OIL & GAS  
COMPANY FOR A WATERFLOOD EXPANSION,  
EDDY COUNTY, NEW MEXICO.**

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:**

This cause came on for hearing at 9 o'clock a.m. on August 25, 1965, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 13th day of September, 1965, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

**FINDS:**

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That by Order No. R-2268-A, the Commission authorized the applicant, Sinclair Oil & Gas Company, to expand its Keel-West Waterflood Project in the Grayburg-Jackson Pool in Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico, in four stages, specifying a period of time to commence each stage of the project.

(3) That Order No. R-2268-A provided that Stage IV of the project was to be commenced subsequent to completion of Stage III but not prior to January 1, 1965.

(4) That the applicant seeks amendment of Order No. R-2268-A to authorize the commencement of Stage IV of the project prior to the completion of Stage III.

(5) That approval of the subject application should result in a more efficient waterflood project, thereby preventing waste.

-2-

CASE No. 3299

Order No. R-2268-A

IT IS THEREFORE ORDERED:

(1) That Order No. R-2268-A is hereby amended to authorize the applicant, Sinclair Oil & Gas Company, to commence Stage IV of its Keel-West Waterflood Project in the Grayburg-Jackson Pool in Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico, prior to the completion of Stage III of the project.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
*Jack M. Campbell*  
JACK M. CAMPBELL, Chairman

*Guyton B. Hays*  
GUYTON B. HAYS, Member

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

esx/

GOVERNOR  
JACK M. CAMPBELL  
CHAIRMAN

State of New Mexico  
**Oil Conservation Commission**



LAND COMMISSIONER  
GUYTON B. HAYS  
MEMBER

P. O. BOX 2088  
SANTA FE

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

September 13, 1965

Mr. Charles White  
White, Gilbert, Koch & Kelly  
Attorneys at Law  
Post Office Box 787  
Santa Fe, New Mexico

Re: Case No. 3299  
Order No. R-2268-B  
Applicant:

Sinclair Oil & Gas Company

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   X  

Artesia OCC   X  

Aztec OCC           

OTHER Mr. Frank Irby

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

Date 9-1-65

CASE NO. 3299

HEARING DATE 9am 8-25-65

DSN @ SF

My recommendations for an order in the above numbered case(s) are as follows:

Enter Order No R-2268-B  
Amending Order No R-2268-A  
deleting the words ~~"P"~~ "..... TO  
COMPLETION OF STAGE III BUT NOT  
PRIOR..." from the heading  
of ~~the~~ STAGE IV of the  
development program of Sinclair  
Keel-West Waterflood Project  
in the Grayburg-Jackson Pool  
Eddy County New Mexico.  
The heading would then read  
in its entirety as follows:  
"STAGE IV - TO BE COMMENCED SUBSEQUENT  
TO JANUARY 1, 1965."

  
Staff Member

AUGUST 25, 1965 EXAMINER HEARING

CASE 3299: Application of Sinclair Oil & Gas Company for a waterflood expansion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Order No. R-2268-A which authorized the expansion of applicant's Keel-West Waterflood Project, Township 17 South, Range 31 East, Grayburg Jackson Pool, Eddy County, New Mexico, in four stages; applicant seeks said amendment to permit the commencement of Stage IV prior to the completion of Stage III.

CASE 3269 (Continued from the June 30th Examiner Hearing):

Application of Shell Oil Company for an amendment to Order R-2182, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to the special pool rules for the Henshaw-Wolfcamp Pool, Eddy County, New Mexico, as promulgated by Order R-2182 and Order R-2182-B, to include a provision for a gas-oil ratio limitation of 6,000 to 1.

CASE 3271 (Continued from the June 30th Examiner Hearing):

Application of Shar-Alan Oil Company for the creation of a new pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a Gallup-Mesaverde Gas Pool for its Rosa Unit Well No. 49 located in Unit M of Section 27, Township 31 North, Range 4 West, Rio Arriba County, New Mexico, which well is perforated in the Gallup formation from 6895 feet to 7025 feet, and the Mesaverde formation from 6115 feet to 6275 feet.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 25, 1965

9 A. M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or  
Elvis A. Utz, Alternate Examiner:

- CASE 3294: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Harold J. Sechler, dba S. & S. Oil Producers, and all other interested parties to show cause why the Bond Well No. 1 located in the SW/4 NE/4 of Section 17, Township 9 North, Range 14 West, Valencia County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 3295: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit W. C. Powers and J. E. Marshall, dba Powers Marshall Company, and all other interested parties to show cause why the W. Perry Smith Well No. 1 located in the NW/4 SE/4 of Section 34, Township 21 South, Range 30 East, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 3296: Application of Pan American Petroleum Corporation for salt water disposal, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in its Horton Well No. 31 located in Unit M of Section 29, Township 8 South, Range 35 East, Milnesand-San Andres Pool, Roosevelt County, New Mexico.
- CASE 3297: Application of Southland Royalty Company for a dual completion and salt water disposal authority, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion of its J. D. Guye Well No. 5 located in Unit N of Section 12, Township 11 South, Range 33 East, Lea County, New Mexico, to produce oil from the Inbe-Pennsylvanian Pool through 2 7/8 inch tubing set in 5 1/2 inch casing and to dispose of produced salt water into the San Andres formation through the intermediate casing annulus.
- CASE 3298: Application of Sunray DX Oil Company for the creation of an oil and gas pool and for special pool rules, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Todd-San Andres Oil and Gas Pool in Sections 22 through 28 and Sections 34 through 36, Township 7 South, Range 35 East, and Sections 30 and 31, Township 7 South, Range 36 East, Roosevelt County, New Mexico. Applicant further seeks the promulgation of temporary special pool rules, including a provision for 80-acre oil proration units and 320-acre gas proration units; applicant also requests a provision for limiting withdrawals from gas cap wells to the volumetric equivalent of wells in the oil portion of the reservoir. Applicant further requests an administrative procedure to permit the transfer of allowables among wells on the same lease while conducting pressure interference tests.



BEFORE THE OIL CONSERVATION COMMISSION OF THE  
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF SINCLAIR OIL & GAS COMPANY FOR  
VARIANCE OF AN APPROVED WATERFLOOD  
EXPANSION PROJECT

CASE NO. 3299  
ORDER NO. \_\_\_\_\_

A P P L I C A T I O N

SINCLAIR OIL & GAS COMPANY, a Maine corporation with an operating office in Midland, Texas, hereby makes application for a variance in the schedule of an approved waterflood expansion project in the Grayburg-Jackson Pool, Eddy County, New Mexico, and for such application represents:

1.

That Sinclair Oil & Gas Company is the owner and operator of the following described leases located in the Grayburg-Jackson Pool, Eddy County, New Mexico:

H. E. West "A" Lease	N/2 of Section 3 and E/2 of Section 4, Township 17-South, Range 31-East, N.M.P.M.
H. E. West "B" Lease	S/2 of Section 3; W/2 of Section 4; all of Sections 9 and 10, Township 17-South, Range 31-East, N.M.P.M.
Keel "A" Lease	All of Section 7, Township 17-South, Range 31-East, N.M.P.M.
Keel "B" Lease	All of Sections 5, 6 and 8, Township 17-South, Range 31-East, N.M.P.M.

Applicant has instituted a waterflood project pursuant to Commission Order No. R-2268, dated June 21, 1962, and pursuant to Commission Order No. R-2268-A, dated October 17, 1963, Applicant has completed Stages I and II and Commenced Stage III of the expansion of said waterflood project as authorized by said Order No. R-2268-A.

2.

Attached to the original application in Case No. 2909 which resulted in Order No. R-2268-A, was a copy of all available logs from the proposed injection wells and a diagramatic sketch of the

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Date 8-12-65  
R

proposed injection wells showing all casing strings including diameters, setting depths, quantities used and tops of cement, perforated or open hole intervals, tubing strings including diameters and setting depths and the type and location of packers, if any.

3.

Applicant now seeks approval of the Commission to commence Stage IV of the expanded waterflood project prior to the completion of Stage III of said expanded project as authorized by Commission Order No. R-2268-A, without any other change.

4.

A copy of this application has been sent to the State Engineer Office, Box 1079, Santa Fe, New Mexico.

6.

Applicant further alleges that the granting of this application will prevent waste and will not impair correlative rights.

WHEREFORE, Applicant prays that the Commission set this application for public hearing before an Examiner in Santa Fe, New Mexico, that notice be issued according to law and that upon hearing, said waterflood expansion project be authorized by the Commission.

HORACE N. BURTON  
P. O. Box 1470  
Midland, Texas

GILBERT, WHITE AND GILBERT

By *Lincoln Bishop*

*Lincoln* Bishop Building  
Santa Fe, New Mexico

ATTORNEYS FOR APPLICANT

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
August 25, 1965

EXAMINER      HEARING

IN THE MATTER OF:

Application of Sinclair Oil & Gas  
Company for a waterflood expansion,  
Eddy County, New Mexico.

Case No. 3299

BEFORE:      Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

DARRINGTON, N. M.  
PHONE 325-1182

SANTA FE, N. M.  
PHONE 983-3871

ALBUQUERQUE, N. M.  
PHONE 243-6691



MR. NUTTER: We will call next Case 3299, which is the application of Sinclair Oil and Gas Company for a waterflood expansion, Eddy County, New Mexico.

MR. KELLY: Booker Kelly of Gilbert, White, Koch and Kelly on behalf of the applicant. I wonder if we could have a minute with Mr. Irby, it might save a little time before we start.

(Whereupon, a recess was taken.)

MR. KELLY: I have one witness and ask that he be sworn.

(Witness sworn.)

(Whereupon, Applicant's Exhibits 1 through 3 were marked for identification.)

DOUGLAS CUNNINGHAM

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

DIRECT EXAMINATION

BY MR. KELLY:

Q State your name, position and employer, please.

A My name is Douglas Cunningham. I work for Sinclair Oil and Gas in their West Texas region in Midland, Texas.

Q You are the witness that testified at the two previous hearings in this case that resulted in Order R-2268 and 2268-A?

A Yes, I am.

MR. KELLY: Are the witness's qualifications a matter of record?

MR. NUTTER: They are.

Q Would you briefly state what Sinclair seeks by this application?

A Sinclair is asking an exception to Order No. R-2268-A to permit us to go ahead with the injection into wells in Stage IV before we have completed Stage III.

Q Now, referring to what we have marked Exhibit No. 1, would you give the Examiner a brief history of this waterflood project?

A Yes. Exhibit 1 is the same picture that we presented in the case which resulted in Order R-2268-A wherein we requested authority to be allowed to expand this flood in four stages. This picture is presented just for our convenience to keep from having to dig back through the records and find the other picture.

We showed that our first expansion would be the wells designated with a red symbol in the legend shown to have occurred in the second half of 1963. Then the green was to occur in the first half of '64 and would have been the second stage of expansion. The gold was to occur in the second half of 1964 and be the third expansion, and the blue would have been

the last expansion and was to have occurred in 1965.

Q This Exhibit 1 is the identical exhibit that was introduced in the case that resulted in Order R-2268-A, is that correct?

A That's right.

Q And at that time was Sinclair expecting to be restricted to completion of one phase before it started another?

A Well, no, sir, we didn't actually anticipate that. What we thought would probably happen was that we would be allowed to, say, go to Stage I during 1963 and then possibly if we were ready to go to Stage II in 1964, but still had not finished Stage III, we thought we might be allowed to go ahead with certain wells on Stage IV before completing Stage III.

However, the order that was written was restrictive in that we had to have completed one stage before we could go to another stage, and that stage had to be not before a certain date.

Q Now, referring to Exhibit No. 2, would you show the Commission what the stage development is now?

A Yes. Exhibit 2 is essentially the same map but it shows the development to the present time. You see the wells with the black circles and the black lines designating the patterns there indicate the present development to August of 1965. This is the stage of development that we're at right

now in our flood and then the gold are the remaining Stage III wells that we have not completed yet, and the blue are the same wells that are shown in blue on Exhibit 1. They are the wells that are in Stage IV.

Q So under the order as it now stands you would have to complete the wells marked gold before you could begin the blue?

A That is correct.

Q What is it that Sinclair specifically seeks to do if this application is granted?

A Well, I might say that the royalty out here is essentially owned by the federal government and we had to have the United States Geological Survey's approval to flood this thing. They told us in a letter that they would approve our flood provided we proceeded under the New Mexico Commission's orders, but they further said that before we converted any lease line wells to injection we must have cooperative injection agreements with offsetting operators and compensating injection wells from these offsetting operators, so that no correlative rights would be impaired.

We have been in touch with the offset operators there to the south of Section 7 and Section 8, these being the Franklin, Aston and Fair, Sunray DX Oil Company, and then to the west there, Nash, Windfor and Brown. Now we have had replies

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from Sunray and Franklin, Aston and Fair indicating that they were ready to cooperate with Sinclair if Sinclair would furnish them pressured water.

Now, we have laid a water supply line from up on the caprock approximately fifteen miles away to provide water for our Keel-West Flood here and we have an adequate water supply to furnish these people water, but it's our understanding that we have to go back to the State Engineer's office and get permission from them to use our water on somebody else's property other than what we have already got approval for, see. So we are now wishing to expand our flood to at least Wells No. 21 and 22 on the Keel OB which are in Sections 5 and 6 there which are interior wells and are not wells that are on the lease line here.

The way the order is written right now we would not proceed with the injection into 21 and 22 until we have finished the wells shown in gold here, which is Stage III, and we can't do that right now because we have some administrative procedures we must go through before we are allowed to do that.

We don't anticipate any difficulties in getting the administrative procedures finished, but it will be a time delay, but if we could convert 21 and 22 now, we believe that we would have a much more efficient sweep from these two wells and would possibly help prevent waste.



Q You say you have had response from Sunray and Franklin, Aston and Fair and there hasn't been any indication that you are going to have any problem working out an agreement?

A No, sir. We haven't had an answer from Nash, Windfor and Brown, and, of course, we'll have to have some reply from them before we can convert Well 7 and Well 14 in Section 7 of the Keel.

MR. NUTTER: Would those be the leases identified as Nash, et al.?

A Yes, sir. It's my understanding that the reason these people haven't moved is that one of the partnership is now deceased and the estate is in the process of being settled, so they can't move at this time.

Q (By Mr. Kelly) So the basic reason for this application is to allow you to continue your flood project with the wells that are in the interior of the lease?

A Yes, sir, and we can conceive that possibly we may work out the negotiated compensating injection wells with the owners to the east here of our Keel-West project area before possibly we get like agreements with the people on the south, so we thought, well, maybe we could just go and ask the Commission if we could now at this time combine, say, Stage III and Stage IV and proceed with converting any wells, if, as and when we straighten out our administrative problems here.

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Q In your opinion would it promote the more efficient reservoir sweep if you were able to go ahead with 21 and 22 in Sections 6 and 5 at this time rather than having to hold up?

A Yes, in my opinion it would.

Q Therefore, the granting of this application, in your opinion, would not affect correlative rights and would prevent waste?

A That is true.

Q Do you have an exhibit prepared showing the cumulative production of this field since you started your injection?

A Mr. Kelly, this is the performance curve. It doesn't have cumulative oil on it, but it has three curves, the water injection rate in thousands of barrels per month. This is the curve shown at the top of Exhibit 3. It has the water and oil production. These are the lower two curves, and these are in barrels, thousands of barrels per month.

Now, I have several scale changes on here and I would just like to kind of go through the way this curve should be read. Starting with the water injection curve at the top of the page, you can see that injection began in September of 1962. In general we had an increase in injection volumes. Then in November of 1964 you can see that the curve starts to be colored green and then the curve terminates in November.

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Then you have to go to the next scale to the left on the water injection and then start back down in December of 1964 and read approximately 300,000 barrels of injection. This is the green curve, and then the green curve is carried throughout until June, 1965, and that green curve is a change in scale on the water injection graph.

Then we have kind of a similar situation in the water production. The water production curve, of course, starts at the left index of the graph and in about January or February of 1963 we see a sudden increase in water and then the water has kept increasing, and then we see in January of 1965 the water production curve has a change in scale, and this is the blue curve then.

Then to read the February through June, 1965 water production you have to drop over to the second scale on the oil and water production, and in February read approximately 21,000 barrels, and then in June approximately 36,000 barrels.

Likewise on the oil curve, the oil curve starts at the left index of the graph and then in about March or April we see a sudden increase in oil production going up to about 12,000 plus barrels at about the first of 1964. Then we have a decrease in oil production, and in July or August of 1964 the curve starts becoming colored red, and then we carry the red curve for oil production. That curve stays on the same

scale as it originally started, so when we see the June, 1965 oil production we read that it's in excess of 15,000 barrels for that month.

Q In the eight sections that are involved in this flood, what was the average well production when you started?

A Approximately four to four and a half barrels per day.

Q Including your injection wells, what would be your average now?

A Slightly over nine barrels a day.

Q Actually how many wells are you producing out of at this time?

A At this time the actual number of the producing wells included in the project area is thirty-five.

Q Would you say that this project has generally reached the expectations that you would hope for when you started?

A More or less. We definitely have had a response to water injection. We predicted originally that there would be somewhere in the neighborhood of 70,000 barrels per five spot. Actually our production performance has shown that some of the five spots have produced in excess of 70,000 barrels and some have not produced quite 70,000 barrels, so over-all I would say that we are having a fair response.

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Q Were Exhibits 1 through 3 prepared by you or under your supervision?

A Yes.

MR. KELLY: I move the introduction of Exhibits 1 through 3.

MR. NUTTER: Sinclair's Exhibits 1 through 3 will be admitted in evidence.

(Whereupon, Applicant's Exhibits 1 through 3 were offered and admitted in evidence.)

MR. KELLY: We have no further testimony at this time.

MR. NUTTER: Are there any questions of Mr. Cunningham?

MR. IRBY: Yes.

MR. NUTTER: Mr. Irby.

MR. IRBY: Frank Irby, State Engineer's office. Part of Mr. Cunningham's testimony has brought out a point that I didn't realize from the application and the advertisement would be a part of this hearing and that's my reason for going into questioning.

I would like to state to start with that my off-record comments prior to the opening of the record have no meaning whatever with regard to the application of Sinclair for the use of water they have appropriated outside of the area

designated in the original application to the State Engineer. This application will be acted on by the State Engineer in routine order and I would like to ask a question or two of the witness, if I may, concerning the use of water on the Franklin, Aston and Fair lease, and any other lease that might become involved in the use of this water supply.

MR. KELLY: We have no objection. However, as far as this hearing is concerned, it's strictly in the eight sections that were already approved. It's just a change of sequence. As our witness brought out, it really has nothing to do with these extra outside areas and that will certainly be handled by your office. We don't expect that it would be treated in any manner except in the usual manner, but we have no objection to any questions. It might be outside the scope of this application.

MR. IRBY: I feel that it definitely is outside the scope of this hearing and I would be glad to discuss it with Mr. Cunningham after the hearing is over if you would prefer this, Mr. Kelly.

MR. KELLY: If it's okay with you, we would prefer it that way.

MR. IRBY: Thank you. I have nothing further.

CROSS EXAMINATION

BY MR. NUTTER:

Q - As I see it, Order 2268-A authorized expansion of this project in four stages and then it put a requirement on that one stage must be completed before the subsequent stage is commenced?

A Yes, sir.

Q There's nothing wrong with the way the order is written except for the clause that requires that one stage be completed before the next is commenced?

A That's the way we feel about it. I wouldn't say anything is wrong about it.

Q I say as far as your operation right now is concerned, delete that requirement?

A If that requirement is struck we could have proceeded.

Q As far as the time table is concerned, all four stages are eligible, because we are in the year 1965 now?

A Yes.

Q So simple deletion of that part of the order will take care of Sinclair's request at this time?

A Yes.

Q And the wells would continue to be converted and constructed and utilized as injection wells in accordance with the original diagrammatic sketches presented at the first hearing?

A That's right.

MR. NUTTER: Any further questions of Mr. Cunningham? He may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Kelly?

MR. KELLY: No.

MR. NUTTER: Does anyone have anything they wish to offer in Case 3299? We will take the case under advisement and call a fifteen-minute recess.

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STATE OF NEW MEXICO )  
 ) SS  
COUNTY OF BERNALILLO )

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

Witness my Hand and Seal this 4th day of September, 1965.

*Ada Dearnley*  
NOTARY PUBLIC

My Commission Expires:

June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3299 heard by me on 8/26, 1965.  
*[Signature]*, Examiner  
New Mexico Oil Conservation Commission