BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico
April 25, 1956

IN THE MATTER OF:

CASE NO. 1063

TRANSCRIPT OF PROCEEDINGS

BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico

April 25, 1956

* *

Application of the Humble Oil & Refining Company for an order approving a dual completion to produce gas from the upper Queen formation of the Eumont Gas Pool and to produce oil from the lower Queen formation of the Eumont Gas Pool in compliance with Rule 112 (a) of the New Mexico Oil Conservation Commission Statewide Rules and Regulations, and further applicant requests an order granting an exception to Rule 5 (a) of the Special Rules and Regulations for the Eumont Gas Pool as set forth in Order R-520 in the establishment of a 240 acre non-standard gas proration unit in Section 32, Township 18 South, Range 37 East, Lea County, New Mexico.

CASE NO. 1063

Applicant, in the above-styled cause, seeks an order granting them permission to dually complete their New Mexico State "AK" Well No. 1 as a gas well in the upper Queen formation of the Eumont Gas Pool and as an oil well in the lower Queen formation of the Eumont Gas Pool; said well being located 1880 feet from the South line and 1980 feet from the West line of Section 32, Township 18 South, Range 37 East, Lea County, New Mexico, and for the establishment of a 240 acre non-standard gas proration unit in the Eumont Gas Pool comprising the SW/4 and SW/4 NW/4 and SW/4 SE/4 Section 32, Township 18 South, Range 37 East, Lea County, New Mexico.

* *

BEFORE:

WARREN W. MANKIN, Examiner

TRANSCRIPT OF HEARING

EXAMINER MANKIN: Next case on the docket is Case 1063 which is the application of Humble Oil and Refining Company for an order approving a dual completion to produce gas from the upper Queen formation, Eumont Gas Pool, and to produce oil from the lower Queen formation, Eumont Gas Pool, and for establishment of a 240 acre non-standard gas proration unit.

MR. HINKLE: Mr. Examiner, Clarence Hinkle, Roswell, appearing on behalf of the Humble Oil and Refining Company in Case No. 1063. We have one witness, Mr. Bob Dewey, would like to have sworn.

ROBERT S. DEWEY

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

DIRECT EXAMINATION

By Mr. Hinkle:

Q. Would you state your name, please.

A. Robert S. Dewey.

Q. Where do you live Mr. Dewey?

A. Midland, Texas.

Q. By whom are you employed?

A. Humble Oil and Refining Company.

Q. In what capacity?

A. Division Petroleum Engineer.

Q. Have you previously testified before the Oil Conservation Commission?

A. I have.

Q. As an expert witness?

A. Yes, sir.

Q. Are his qualifications acceptable?

MR. MANKIN: Yes, they are.

Q. Are you familiar with the application of the Humble Oil and Refining Company in Case No. 1063?

A. Yes, sir.

Q. Refer to Humble's Exhibit No. 1, and state to the Commission what that shows. Does it show the location of the well referred to in the application?

A. Yes, sir.

Q. What is the number of that well?

A. That well is the Humble State "AK" No. 1.

Q. Where is it located?

A. It is located 1880' from the South and 1980' from the west lines of Section 32, Township 18 South, Range 37 East, Lea County, New Mexico.

Q. Why was it located at that location?

A. It was drilled at this location to meet the offset requirements created by the completion of the Schermerhorn well in the NW/4 of the SE/4 of the same section. The reported completion date of the Schermerhorn well is June 25th, 1955. Drilling was completed on the Humble well in September 30th, 1955.

Q. At what depth was it completed?

A. Humble's State "AK" No. 1 was completed with $5\frac{1}{2}$" casing set at 3947'. Casing was perforated with four jet shots per foot from 3890 to 3910. It was then acidized with 500 gallons of 15% acid and was sand-oil fractured using 10,000 gallons of oil and 10,000 lbs. of sand. On initial completion the well flowed 121.75 barrels, 36.5 gravity oil with no water through 3/8" choke and with a gas-oil ratio of 4,550.

Q. What is the present potential of the well?

A. Currently the well is producing approximately 13 barrels of oil with a gas-oil ratio of 27,000 to 1.

Q. Now referring again to Humble's Exhibit No. 1, state to the Commission what that shows.

A. Humble's Exhibit No. 1 is a brief produced portion of a commercial map showing the surrounding lease ownership and the location of the oil and gas wells adjacent to Humble New Mexico State "AK" lease. This lease is colored yellow on the Exhibit. Offsetting the Humble State "AK" 1 Well to the east Schermerhorn has a gas well in the Eumont Gas Pool. In Case 1042, Schermerhorn applied for an order granting a non-standard gas proration unit covering 400 acres in Section 32, Township 18 South, Range 37 East. This 400 acres is a direct offset to the North and East of the 240 acres in the Humble "AK" lease and covers all the uncolored portion of Section 32.

Q. Has that proration unit actually been granted?

A. Not to my knowledge, no, sir. I think it is pending.

Q. What else does the plat show?

A. To the southeast in Section 4, Township 19 South, Range 37 East, Schermerhorn has a gas proration unit of 165 acres attributable to their Lannin well. To the south and a direct offset to the Humble State "AK" lease, Tide Water has a gas proration unit of 166 acres attributed to their State "AC" Well No. 1 in the NW/4 Section 5, Township 19 South, 37 East. As a diagonal offset to the Southwest of the Humble State AK Lease, the Texas Company has a gas proration unit of 325 acres attributed to their State C NCT-6 Well in Section 6, Township 19 South, Range 37 East. Further to the southwest, Continental has a gas proration unit of 160 acres in the same section. Directly to the west and offsetting Humble's State "AK" lease, Schermerhorn has an 80 acre gas proration unit attributed to their Gulf State Well No. 1 in Section 31, Township 18 South, Range 37 East. From the described gas well and gas proration units in the Eumont Gas Pool, it is apparent that the Humble "AK" lease is surrounded by gas producing properties and it is reasonable to assume that all the Humble "AK" lease is productive of gas from the Eumont Gas Pool.

Q. Now, Mr. Dewey, refer to Humble's Exhibit 2, and state to the Commission what that is and what it shows.

A. Humble's Exhibit No. 2 is a west and east cross section from Antweil's State No. 1 Well in Section 31, Township 18 South, Range 37 East, through Schermerhorn's Gulf State No. 1 Gas well in the same section, through Humble's State "AK" 1 well in Section 32, Township 18 South, Range 37 East, to Schermerhorn's Lannin A-1 gas well in the same section. Indicated on the cross section is Humble's interpretation of an electric log of the top of the Queen formation, of the top of the Penrose sand member of the Queen formation. Attention is called to the lower sub-sea depth in which the Antweil well is producing oil as compared with the structurally higher depth at which Humole "AK" 1 is produced from. It may be noted that the top of the Penrose sand of the Humble "AK" is a little lower than the Schermerhorn's Gulf State 1 and relatively the same sub-sea elevation as Schermerhorn's Lannin No. 1 Well. The Humble State "AK" No. 1 is completed with perforations from 3890 to 3910, whereas the Schermerhorn's Gulf State was completed through an open hole from 3740 to 3900', and Schermerhorn's Lannin Well from 3610 to 3630. It is my opinion that the 20' interval open in the lower Queen in the Humble State "AK" No. 1 Well has resulted as being classified as an oil well with a high gas-oil ratio. It is my opinion that an additional perforation higher in the Queen formation that a gas well can be obtained. Colored in red on the cross section are two perforated intervals which are proposed to be used in making the upper part of Humble State "AK" 1 into a gas well. Mainly noted these intervals are approximately 150' above the interval now producing oil.

Q. Mr. Dewey, refer to Humble's Exhibit No. 3.

A. Humble's Exhibit No. 3 is north-south cross section from Antweil's McMillan No. 1 in Section 29, Township 18 South, Range 37 East, to Humble's State "AK" 1 Well in Section 32, Township 18 South, Range 37 East, to the Tide Water State "AC" 1 in Section 5, Township 19 South, Range 37 East. The Antweil McMillan No. 1

being structurally lower than the Tidewater State "AC" 1 is an oil well rather than a gas well. From the structural relationship depicted on these two cross sections, it is my opinion that the entire Humble State "AK" lease is gas bearing in the Queen formation. In support of a non-standard gas proration unit consisting of 240 acres described as the SW/4 and the SW/4 of the NW/4 and the SW/4 of the SE/4 of Section 32, Township 18 South, Range 37 East; said proration unit lies wholly within a single governmental section and consists of contiguous quarter-quarter sections. The entire proposed unit may be reasonably presumed to be productive of gas from the Eumont Gas Pool. The length and width and subject unit does not exceed 5,280'. Copies of this application for this unit have been furnished to all offset operators by certified mail. This application for a Commission order granting a non-standard gas proration unit covering the above-described 240 acres is made to protect correlative rights.

Q. Now, Mr. Dewey, refer to Humble's Exhibit No. 4 and state to the Commission what that is and what it shows.

A. Humble's Exhibit No. 4 is an incomplete list of the Commission's dual completion orders granting approval to dually complete wells in the Eumont Gas Pool so that the upper part of the well will produce gas and the lower part of the well will produce oil. From the number and distribution of dually completed wells in the Eumont Gas Pool, the request for permission to dually complete Humble's State "AK" 1 is consistent with the orders granted other operators.

Q. In other words, this is not an unusual application?

A. No, sir.

Q. And similar applications, as shown by Exhibit 4, have been heretofore approved by the Commission?

A. Yes, sir. Other applications have been approved and are still being heard.

Q. Now, Mr. Dewey, refer to Humble's Exhibit No. 5 and state to the Commission what that is and what it shows.

A. Humble's Exhibit No. 5 is a diagramatic plat showing the conventional method to be used in making the dual completion. The Humble Oil and Refining Company will abide by current and future rules and regulations of the Commission relative to maintenance and production from dually completed oil and gas wells.

Q. Let me interrupt you there, Mr. Dewey--referring again to Exhibit No. 5 which shows the conventional method to be used in the dual completion, is there anything unusual in regard to this well, or is it standard practice?

A. It's conventional and standard practice in the State of New Mexico to dually complete wells in this manner. There is a long interval between the upper perforations and the lower perforations in this well which we believe will give adequate protection to the dual completion.

Q. State whether or not in your opinion if this well is completed in the manner indicated, it will prevent effective communication between the gas and oil zones of the formation.

A. We anticipate that it will do so.

Q. Now, what is the Humble's position, in the event that this application is granted with respect to the allowables?

A. In the event the Commission acts favorably on this request for dual completion, the Humble requests continuance of the 40 acre oil allowable and the granting of a 240 gas allowable for the State "AK" 1 Well. The above requested proration allowables are consistent with the proration allowables now in effect and granted to other operators under similar circumstances. In my opinion the granting of the requested proration allowable is required to preserve correlative rights. In the May and June, 1955 hearings on the Eumont Gas Pool, Humble concurred in the proposal made by Amerada relative to suggested rules recommending a gas-oil ratio of 6,000 to 1 be placed on oil wells and that the production of casinghead gas be deducted in computing the allowable for any unit having both oil and gas wells. The practice of gas cap withdrawal is not considered to be the best conservation practice. Humble is requesting the assignment of both oil

and gas allowables on the same acreage for the State "AK" lease under conditions currently permitted by the Commission in order to protect Humble's competitive position in the area.

Q. Now, does Humble own under a single lease or one unit all of the 240 acres that are proposed to be placed in this gas unit?

A. Humble's State "AK" lease is owned entirely by the Humble Oil and Refining Company and it being a State lease, the royalty under the lease is believed to be common.

Q. One other question -- were all of these exhibits prepared by you or under your direction?

A. That's right.

Q. And the respective Exhibit 1, to the best of your knowledge and belief, does it show the correct ownership of the leases in the particular area?

A. We purchased a commercial map that was suppose to be ---

Q. Ownership map?

A. Commercial ownership map that was supposed to be up to date and we purchased it just prior to this hearing, in order to attempt to get a lease ownership map that was correct in the area.

We would like to offer Exhibits 1 thru 5 in evidence.

MR. MANKIN: Is there objection to entering Exhibitsl thru 5 in evidence in this case? If not, they will be so entered.

MR. GURLEY: Mr. Dewey, the interval between the two perforated zones amounts to how many feet approximately?

A. I'd say in excess of 150'.

MR. GURLEY: To the best of your knowledge, are most of the dual completions that have been granted have similar distances between the perforated zones in those particular wells?

A. There is quite a variation between the perforated intervals -- some of them are much closer together than in our application.

MR. GURLEY: In your official capacity as an engineer, what would you say would be the minimum safe interval which would insure a definite division between the two zones?

A. We usually feel that if we have evidence of a good cement job, that if there is 50 or 60' between perforations, that we should not have communication. There is no assurance that we won't, but then we feel that that is a reasonable distance for an assumption that there won't be.

MR. GURLEY: To the best of your knowledge, is that the general consensus throughout the industry?

A. I think that most of the people in the industry feel that somewhere in that range of distances is consistent with good practice, considering it safe to perforate.

MR. GURLEY: How old is the equipment in this well?

A. This well is a rather recent well. Drilling of it was completed September 30, 1955. The well is a rather recent completion and all the materials as far as I know -- casing and that sort of thing -- were new materials.

MR. GURLEY: Thank you.

MR. MANKIN: Mr. Dewey, I notice from your Exhibit 2 that as far as structural position, your well which is considered in this application, the Schermerhorn Linam A-1, which is directly east of your well, are on a similar structural position; however, that particular offset well is predominantly a dry gas well and is perforated in the same zone which - or similar zones to which you are presently perforating your oil well and also perforating the same zone which you expect to perforate for the gas zone, is that correct?

A. That is right. They opened up the whole Queen section and it is all open, as I understand it, from our records, it is all open, the whole Queen section is open.

MR. MANKIN: Then on Exhibit 3 you showed that your well was a lower structural position than the Tide Water State "AC" 1 which is almost directly south

of your well. Structural position of the Tide Water Well is considerably higher in that particular exhibit than your well?

A. That's right.

MR. MANKIN: And then at that particular -- is your well as low structurally, it more nearly approaches a gas-oil contact there than did the Tide Water State well higher on structure, is that right?

A. That is true.

MR. MANKIN: Do you have knowledge of the offset well to the east, which is the Schermerhorn Linam A No. 1, which is the subject of Case 1042 -- is that making any fluids?

A. I cannot answer that. I don't know.

MR. MANKIN: It very likely is predominantly gas or you have no knowledge of it?

A. I understood that there was a rather large capacity gas well, but whether it is making any fluids or not, I don't know.

MR. MANKIN: Is there other questions of the witness in this case? Mr. Folmar.

MR. FOLMAR: L. W. Folmar with the Texas Company. Mr. Dewey, you presented some cross sections and some other information on wells completed in this general area surrounding your well, covered by this application. You, I believe, have stated that some of these wells are open to both the upper and the lower Queen.

A. Yes, sir, that Schermerhorn well in particular is open all the way through the Queen.

MR. FOLMAR: Referring to the Schermerhorn Linam Well No. 1, which I believe is an east offset to your well, that well is completed, I believe you just told Mr. Mankin, in both the upper and lower Queen.

A. They opened up the whole section. We don't know just where that gas is coming from, but ---

MR. FOLMAR: Is it producing gas?

A. YES, SIR.

MR. FOLMAR: It is not an oil well?

A. It is so classified as a gas well.

MR. FOLMAR: And it has a gas allowable from the Eumont Gas Pool?

A. Yes, sir.

MR. FOLMAR: Then referring to the Schermerhorn Gulf State Well No. 1, which is southwest of your well, I believe your cross section shows that it is open to---that both the upper and lower Queen are open in that well. I am not certain.

A. No. If you are talking about the other Schermerhorn well, that is just open below the casing, so far as I know.

MR. FOLMAR: In other words the open hole is open to the upper and the lower Queen section.

A. I don't think it takes in all the Queen section, but ---

MR. FOLMAR: At least a part of the upper Queen and a part of the ---

A. It takes up a higher part of the Queen than our well, put it that way.

MR. FOLMAR: Are you acquainted with the completion data on the Continental State A-6 well which is located - I believe it is well No. 7, Continental State A-6 Lease located in the southwest corner of Section 6, you refer to that well.

A. All the information I have on that well is the amount of acreage that is attributed to that well which I got from the current gas proration schedule.

MR. FOLMAR: You don't know whether that well is completed in both the upper or lower Queen Sands?

A. I don't know. No, sir, I didn't look that up.

MR. FOLMAR: Are you acquainted with the completion data or completion intervals on the Texas Companies State C-(NCT) 6 Well No. 1.

A. Well, that's similar to the Continental Well, I just looked up the proration schedule and found out how much gas was -----

MR. FOLMAR: It may or may not be completed with both the upper and lower Queen open?

A. The only thing that I know about that well is that according to the proration schedule it is completed in the Eumont Gas Pool.

MR. FOLMAR: And it is on the Gas Proration Schedule?

A. Yes, sir.

MR. FOLMAR: It has one allowable, being the gas allowable?

A. That's right.

MR. FOLMAR: The present zone which is open in your well in a general section or the lower Queen whichever you may call it, is within the designated interval from the Eumont Gas Pool as defined by the Commission's Rules and Regulations?

A. Oh, yes, indeed.

MR. FOLMAR: And the section which you propose to open in the upper Queen section in this well is also within that same defined interval of the Eumont Gas Pool?

A. That's correct.

MR. FOLMAR: --- of the Commission's Rules and Regulations. Your well, I believe, you testified presently has a gas-oil ratio of 27,000 cu. ft. to one barrel of water.

A. That's right.

Q. Do you have record here of what it's gas-oil ratio was on its completion in September 1955?

A. At that time,the initial completion, it had a gas-oil ratio of 4,550.

MR. FOLMAR: Then since September 1955 until present it had a considerable increasing gas-oil ratio, is that correct?

A. Shortly after completion the gas-oil ratio reached a volume of gas has been rather constant but the oil production has fallen off so that the gas-oil ratio is increased.

MR. FOLMAR: Do you anticipate that there will be an additional increase in the gas-oil ratio in future operation of this well?

A. I think probably there will be, as the oil is shown a tendency to gradual depletion so that with the gas remaining relatively constant the gas-oil ratio should increase.

MR. FOLMAR: Is there any possibility, in your opinion, that this well eventually reach such conditions that it will be defined as a gas well according to the Commission's Rules and Regulations?

A. I think that if it were allowed to produce the way it is for long enough, that probably it would come under the definition of a gas well in the Eumont Pool.

MR. FOLMAR: I know, Mr. Dewey, that you perforated the 20' section which appears to be somewhat lower stratigraphically than the perforations in the Schermerhorn Linam A-1 Well on your Exhibit 2. To your knowledge was there any particular reason for selecting those perforations that low and I refer particularly to the Possibility that there might have been attempting to stay below a gas-oil contact.

A. We -- it is our company's policy to start with the lowest part of a well from our interpretation of the information we get in drilling a well from electric log and core data and also from drill stem tests, and to progressively test each section coming higher and higher up in the well to determine the productive intervals in the well and where it is desirable to maintain our production and after we got oil at that -- in those perforations, that 20' perforated interval, why having an oil well there we didn't continue to come up the hole to perforate it.

MR. FOLMAR: Well, Mr. Dewey, in your study of this area or your possible knowledge of tests that might have been conducted and drill stem tests or anything of that type, in your opinion is it very likely that a gas cap, or what you might call a gas cap, does exist directly above this oil zone you have perforated?

A. They -- I think that 20' interval, that we may have the very top of the gas cap and that Penrose member down there and it is very common in the Eumont Pool, the whole Eumont Pool is just one gigantic gas cap, in that thing --- around the edge of the field the oil wells that are obtained higher on the structure they encounter gas so that the gas and oil being encountered, depending upon the structure depth of which the wells are completed, it is a major gas cap over a large area.

MR. FOLMAR: From that then, I take it, Mr. Dewey, that you consider this oil accumulation from which your producing here to be in contact with the main gas pay in the Eumont Gas Pool?

A. Oh, I think it is, undoubtedly, yes. As you go down structure you have oil and as you go up structure you come to a point where you run into gas again.

MR. FOLMAR: What is the present allowable on your State "AT" Well No. 1?

A. It is producing --- it is capable of producing 13 barrels. With that ratio, I just couldn't tell you just what the allowable is on the proration schedule.

MR. FOLMAR: It is capable of producing 13 barrels?

A. Yes, sir. In a recent test made in March 18, it produced 13 barrels of oil.

MR. FOLMAR: Under the present rules, established for the Eumont Gas Pool by the Commission, you can produce what rate of gas from an oil well?

A. The limiting ratio is 10,000 to 1 currently, as I understand it.

MR. FOLMAR: For April which has a 40 barrel ----

A. 39

MR. FOLMAR: 39 Barrel allowable, that would amount to ---

A. 4 million.

MR. FOLMAR: 4 hundred thousand

A. 4 hundred thousand

MR. FOLMAR: Approximately.

A. 4 hundred thousand, yes, sir.

MR. FOLMAR: And so under the present rules, you can produce this well such that you will obtain 4 hundred thousand cu. ft. of gas per day from it?

A. I don't think the well has that capacity, I never tried to figure it, I don't think it has that --- 13 barrels, --- I could multiply it out here.

MR. FOLMAR: Mr. Dewey, is there anything in the rules that prevents you to perforate additional sections in the Eumont Gas Pool at this time?

A. No, sir, we could come right up the hole and perforate in the section and we could combine the different sets of perforations and in that way we could make a gas well that we just --- our preference was to separate the oil under ground under dual completion rather than to try to separate it above ground in tanks after it had all been produced from a lot of different perforations.

MR. FOLMAR: Well, Mr. Dewey, is there anything in the rules that prevent you from doing that now without coming before the Commission here?

A. No, sir, we have a preference here to produce our oil through the tubing and segregate it down there rather than trying to segregate from the stock tanks down there. We think that we cover more oil that way, and it won't be as wasteful.

MR. FOLMAR: Yet, to your knowledge there is nothing in the rules to prevent you from making your own unofficial dual completion ---

A. Well, we don't make unofficial dual completions. It's only official dual completions that we make and if we came up the hole and perforated higher and just threw them together I would consider that that was a dual completion.

MR. FOLMAR: Mr. Dewey, if the Commission approves your application today and assigns a 240-acre proration unit to your well for gas production from the Eumont Gas Pool and assigns a 40-acre proration unit to the lower zone in order to give you an oil allowable, what would be the permitted gas production from this well based on this month's proration schedule?

A. Well, the --- I don't know exactly what the gas allowable in the Eumont is currently, but I'd have to check the schedule to determine that but --

MR. FOLMAR: I hand you a copy of the Commission's proration schedule for April for the Eumont Gas Pool and if you could, Mr. Dewey, I'd appreciate it if you'd calculate the current allowable for a 240-acre unit.

A. The Amerada Andrews Well No. 1 in 12-20-36 has 240 acres assigned to it, a factor of 1.5. It was granted an April Current Allowable of 21 million 305 thousand.

MR. FOLMAR: Now on a daily basis for a 31 day month, that would amount to about 710 thousand cu. ft. per day for a 240 acre unit, is that correct?

A. Well, we would have to divide 21 million by 31. It would be 21 million 305 thousand divided by 31.

MR. FOLMAR: It would be approximately 700 thousand.

A. Well, I'll take your figures for it.

MR. FOLMAR: And if your application is approved as submitted here today, you would also be entitled to 400 thousand cu. ft. per day from the oil zone on this well.

A. If it will make it.

MR. FOLMAR: Now, your offset operators, some of which have the entire Queen section open and have only a dry gas well would be entitled to, on an equivalent basis, only the 700 thousand?

A. That's right.

MR. FOLMAR: In other words, would you not then be enjoying the advantage of some 400 thousand cu. ft. of gas per day production?

A. They didn't elect to make a dual completion -- I would say that it is possibly so. Our Experience has been that sometimes some of our wells will make more as single completions than they will as dual completions because they'LL make a great deal more oil than making it a single completion, than we would if they made a daul completion out of them and tried to segregate our oil under

ground and produce our gas on top of the ground because their higher ratio ---- depending upon the rate of which they flowed, they have varying characteristics between oil and gas wells and we can get more oil out of some of them under those circumstances.

MR. FOLMAR: Well, Mr. Dewey, in case this is true ---

A. Well, it's possible that the case which you have sighted there, that the wells are capable of making more oil than we would produce under this dual completion.

MR. FOLMAR: Mr. Dewey, in case your application is approved and you do obtain an allowable for your gas zone and also a continued allowable for the oil zone with the present 10,000 to 1 ratio, what would you suggest an offset operator with the entire section open in his well do to protect himself?

A. Oh, I think that is his individual business, I don't ----- I hate to go out and make suggestions to other operators in the field -------

MR. MANKIN: Is there further question of the witness in this case? If there is nothing further the witness may be excused inthis particular case.

MR. HINKLE: I would like to enter Exhibits 1 thru 5 in evidence.

MR. MANKIN: Without objection, they will be received. Are there statements to be made in this case?

L. W. FOLMAR: I'm L. W. Folmar, of the Texas Company. We take the position that an application to dually complete a well and to obtain independent allowables for each of two zones by what is considered by the Commission in it's Rules and it's delineation of pools and the common rule or common source of supplies is in direct violation of the Commission's Rules. Paragraph B 65-3-29, New Mexico Statutes annotated in 1953 compilations reads as follows: "Pool" means and underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separated from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "Common Reservoir."

The definition of a pool according to the Commission as carried under paragraph 46, page 4 of the Commission's Rules and Regulations, issued January 1, 1956 is identical to the statue definition. Dual Completions as defined in Paragraph 36 Page 3 of the Commission's Rules and Regulations as follows: Dual Completion shall mean the completion of any well so as to permit the production from two common sources of supply with the production from each common source of supply completely segregated. Referring again to the statues 65-3-14 paragraph (a) reads as follows: The rules, regulations or orders of the Commission shall, so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas or both in the pool, and for this purpose to use his just and equitable share of the reservoir energy. In our opinion the approval of this application or any other application to dually complete a well within a single source of supply and assignment of more than one allowable in a single well completed only within a single source of supply as defined by the Commission is in conflict with the stated definitions and will violate the correlative rights of those Operators who have single completions in accordance with the applicable regulations. We want to point out that nothing prevents an operator from installing his own separation device, withdraw from the various zones as he desires so long as he does not exceed either the gas allowable if he produces his well such that it falls within the definition of a gas well or the oil allowable and the 10,000 cu. ft. per barrel gas volume for the Eumont Gas Pool. If he produces his well such that it falls within the definition of an oil well. Now during the hearing of Case 673, last May or June, I believe. No, I'm wrong on that, Case 673 which resulted in Order R-520 which established among other

things the Rules and Regulations for the Eumont Gas Pool, testimony of the operators recognized the probability that some oil wells would be found in the confines of the Eumont Gas Pool and provisions for the definition of an oil or gas well were incorporated in those Rules 14 and 15 of the Special Rules and Regulations of the Eumont Gas Pool were part of Order R-520. And Rule No. 18 of those Special Rules provided for a 10,000 to 1 gas oil ratio limit for oil wells. The opinion expressed by operators in this case was that these definitions of a gas oil ratio limit would provide equitable withdrawals from an oil well as compared to a gas well. Now, therefore, the conditions which have been found by Humble's well in this case were anticipated by formation of that order and were provided for in the Eumont Rules. We urge the Commission to deny this application and to reconsider it's entire policy of dual completions within common sources of supply, and we urge that you reconsider any previous approvals that may have been made at this time.

MR. MANKIN: Is there further statements to be made in this case?

MR. HINKLE: Bob Dewey has already made a statement on behalf of Humble as to their position in this case and in other similar cases. It is not the best conservation practices but it is necessary in order to protect themselves and correlative rights. I think the Humble has gone on record several times and wish to go on record again that if and when someone proposes a workable solution to this and if the Commission issues an order the Humble is willing to abide by any order that will carry out an equitable solution of it.

MR. MANKIN: Is there anything further in your statements? If not, the witness may be excused and we will take the case under advisement. On the record again, I failed to read a telegram which was received by the Commission Dated April 23 addressed to the New Mexico Oil Conservation Commission, Attention: A. L. Porter, Santa Fe. Stanolind Oil & Gas Company respectfully requests that Humble Oil and

Refining Company's application in Case 1063 be denied. Although Stanolind is not an offset operator, we are operators in other areas of the Eumont Pool and have consistently opposed dual completions within the vertical limits of the Eumont Pool. It is our position that simultaneous dedication of acreage for the production of oil and gas from the Eumont Pay does not result in equitable withdrawals from the pool. Furthermore, the granting of such dual completions results in a violation of correlative rights of those operators who do not have completions. It is further requested that this telegram be read into the record at the hearing on Case 1063. Signed Stanolind Oil and Gas Company, C. L. Kelly, Roswell, New Mexico. Is there anything further in this case?

STATE OF NEW MEXICO)

COUNTY OF SANTA FE)

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

Dated this 6th day of July, 1956.

Nancy Chowning