

BEFORE THE  
**Oil Conservation Commission**  
SANTA FE, NEW MEXICO  
February 14, 1957

IN THE MATTER OF:

CASE NO. 1206

TRANSCRIPT OF PROCEEDINGS

**ADA DEARNLEY AND ASSOCIATES**  
COURT REPORTERS  
605 SIMMS BUILDING  
TELEPHONE 3-6691  
ALBUQUERQUE, NEW MEXICO

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
February 14, 1957

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IN THE MATTER OF: )  
: )  
: )

Application of the Ohio Oil Company for an )  
order granting an exception to Rule 5 (a) of )  
the Special Rules and Regulations of the Jal- )  
mat Gas Pool, as set forth in Order R-520 in )  
the establishment of a 600-acre non-standard )  
gas proration unit. Applicant, in the above )  
styled cause, seeks an order granting the )  
establishment of a 600-acre non-standard gas )  
proration unit comprising the E/2, SW/4, E/2 )  
NW/4, SW/4 NW/4 Section 16, Township 22 South, )  
Range 36 East, Jalmat Gas Pool, Lea County, )  
New Mexico. Applicant proposes to jointly )  
dedicate said acreage to its State McDonald )  
A/C No. 1 Well, No. 25, located 1980 feet from )  
the North line and 660 feet from the East line: )  
of said Section 16 and to its State McDonald )  
A/C No. 1, Well, No. 6, located 1980 feet from )  
the West line and 660 feet from the South Line )  
of said Section 16. )  
: )  
: )  
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Case No. 1206

BEFORE:

Honorable Edwin L. Mechem  
Mr. A. L. Porter  
Mr. Murray Morgan

TRANSCRIPT OF HEARING

MR. PORTER: The next case to be considered will be 1206.

MR. GURLEY: Application of the Ohio Oil Company for an order granting an exception to Rule 5(a) of the Special Rules and Regulations of the Jalmat Gas Pool as set forth in Order R-520 in the establishment of a 600-acre non-standard gas proration unit.

MR. COUCH: Terrell Couch, for the Ohio Oil Company. Gentlemen of the Commission, I would like to make a brief preliminary statement before we go into the evidence in the case.

This actually is an application for an enlargement of a presently existing 520-acre unit. That unit was approved by the -- The present unit of 520 was approved by the administrative order dated January 30, 1955. There are two wells on the unit which were completed during 1954, one just prior to the issuance of Order R-520 and one shortly thereafter. The fact there are two wells on the unit is the thing that gives rise to the hearing for the enlargement of the unit. At the time we filed our application in 1954, we stated at that time that we would proceed with negotiations to attempt to unitize the remaining acreage in Section 16 so as to form one complete 640 acre unit, a standard unit in size as provided in the pool rules for the Jalmat Gas Pool.

We have proceeded with negotiations and have now an operating and unit agreement signed by Continental and we have not been able to obtain a pooling agreement with the company we believe to be the owner of the one remaining 40-acre tract, that being Oil Well Drilling Company. We just learned last week from Oil Well Drilling Company that after all they don't own the gas rights, and apparently El Paso Natural Gas Company owns the gas rights. I have, today, advised Mr. Woodward of El Paso of the facts, and we are hopeful in the not too distant future we will be able to complete the pooling of the entire 640 acres. With that preliminary we will be able to proceed with our evidence.

MR. PORTER: Who is your first witness?

MR. COUCH: Mr. Tom A. Steele.

(Witness sworn.)

T H O M A S A . S T E E L E

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

DIRECT EXAMINATION

By MR. COUCH:

Q State your name.

A Thomas A. Steele.

Q By whom are you employed and in what capacity?

A The Ohio Oil Company, District Engineer for West Texas and New Mexico, stationed in Midland, Texas.

Q Mr. Steele, would you state briefly your professional qualifications?

A I graduated with a Bachelor of Science Degree from the University of Pittsburg, Pittsburg, Pennsylvania, in 1937. I was employed by the Shell Oil Company for four years after graduation; the last five years I have been employed by the Ohio Oil Company as District Engineer in five separate states.

Q Mr. Steele, in your duties as District Engineer at Midland, you have had occasion to keep yourself informed as to the Jalmat Gas Pool and as to the Ohio's McDonald Lease, have you not?

A I have.

Q Are you acquainted with the Ohio's two gas wells on Section 16, Township 22 South, Range 36 East?

A I am familiar with them.

Q Mr. Steele, what acreage do we now propose to include in the 600 acre unit that is the subject of this application?

A We propose to form a 600-acre non-standard gas proration

unit consisting of all of Section 16, except the northwest quarter of the northwest quarter, containing 40 acres in that section.

Q We anticipate that the remaining 40-acre tract will be included in a larger unit within the near future, do we not?

A We anticipate that, yes, sir.

Q That has been our aim since the time in 1954 when we made application for the 520 acre unit that now exists?

A Yes, sir, that is correct.

Q Mr. Steele, will you state whether all the acreage in this Section 16, all the acreage in the 600 acre proposed unit is within the limits of the Jalmat Gas Pool?

A It is my opinion that all 600 acres are productive of gas in the Jalmat Gas Pool.

Q Now the leases are all from the State of New Mexico on the entire 600 acres, is that correct?

A That is correct.

Q Mr. Steele, as to the productive ability of the two wells, state whether in your opinion each of the wells is capable of producing a volume of gas in excess of, or less than what has been the current 640 acre allowables in that Jalmat Gas Pool?

A In my opinion, each well is capable of producing a 640-acre allowable.

Q Mr. Steele, if this unit is not enlarged and approved as proposed here, to include the 600 acres, would that deprive the Ohio and the Continental and the State of New Mexico of an opportunity to recover their just and equitable share of gas in the

Jalmat Gas Pool?

A Yes, sir, it certainly would.

Q State whether the approval of this requested 600 acre unit would damage the correlative rights of adjoining operators?

A It is my belief it would not.

Q Would waste be caused or prevented by the enlargement of this unit?

A It's my belief that waste would be prevented.

Q It would prevent the drilling of unnecessary wells on other portions of the section?

A Yes, sir, that is correct.

Q Mr. Steele, under the present circumstances, would the Ohio or Continental, to your knowledge, have any objection to a reasonable limitation on the volume of gas to be legally produced from each of the wells in this proposed unit?

A I don't believe that the Ohio would object to any reasonable setting of allowables from either of the two wells. I'm sure they would go along with any reasonable allowable.

Q By reasonable, what would you suggest as a reasonable restriction?

A Well, I would say probably 75 percent would be a reasonable figure.

Q Is it necessary to facilitate the actual producing operations of the unit with two wells that you have some tolerance in excess of 50 percent permitted to each well?

A Yes, I'm sure it would be an impossibility to allocate 50

percent in a unit such as this, to each well. You have to have some tolerance allowed, and I believe the additional 25 percent would be satisfactory in this case.

Q If they were in two separate units, then each unit would have a tolerance under the present rules?

A Each unit would have the tolerance under the present rules.

Q You are seeking a similar tolerance here in excess of 50 percent to split the total production between the wells?

A That is correct.

Q Do you have available the percentage of total well production that was produced from each well during 1955?

A Yes, sir, I do.

Q What is it, please?

A During 1955, Well Number 25 produced 40 percent of the total production from the two wells on the State McDonald A/C No. 1 lease.

Q That would be then 60 percent of the production that was produced from the other well, Number 6?

A 60 percent was produced from the State McDonald A/C No. 1, Well No. 6.

Q What are the percentage figures of the division of total production from the two wells in 1956?

A During 1956 Well Number 25 produced 49 percent of the total production taken from the two wells.

Q And the remaining 51 percent from --

A (Interrupting) The remaining 51 percent from --

Q (Continuing) -- Well Number 6?

A That is correct.

Q Actually Well Number 25 does not have as great a potential or openflow as does Well Number 6, is that correct?

A That is correct.

Q Mr. Steele, I believe you have been advised that there has been a recent test made on each of these wells by El Paso Natural Gas, is that correct?

A Yes, I have been advised of that fact.

Q El Paso Natural Gas is now taking the gas from both wells?

A El Paso is taking the gas.

Q The results of this test as reported to you, would that change your opinion as to the abilities of each of the wells to produce at least 640-acre allowable?

A No, sir it would not. One well, Number 6, had a greater open flow potential in the last test than it originally had when it was completed in October of '54. Well Number 25 had a smaller open-flow potential than originally was potentialled in July of 1954.

Q When you refer to the results of this recent test, they are not the official results, are they?

A No, sir, as far as I know the official file has not reached this office yet.

Q But that is the best information you have. You believe it to be correct?

A I believe it to be correct, yes, sir.

Q Is it our intention or plan to attempt to produce the wells at approximately the same rates?

A Yes, sir, I would say that would be our plan. I think we should have that in mind when we produce both these wells, and as nearly as possible they should be produced on a 50-50 basis.

Q As indicated by the 1956 withdrawals of 51 percent from one and 49 percent from the other?

A Yes, sir. I think El Paso is doing an excellent job in producing the wells on approximately a 50-50 basis.

Q The reason you requested a tolerance in excess of 50 percent is just for practical operations, to permit each well a tolerance as it would have on a separate unit?

A That is correct.

Q Would a smaller figure than 75 percent be workable? Would you be able to get by with a smaller percent you think?

A Well, it is possible that we could get by with a smaller percentage. Maybe 60-40, 60-40 percent figure might be a good workable percentage. However, I would prefer to give El Paso who takes this gas, a little more leeway than the 40-60 percent which they probably get by on; if certain conditions arise it might be wise to produce the one well at a total allowable for the lease in place of 60-40 percent.

MR. COUCH: We have no further questions.

MR. PORTER: Does anyone else have a question of Mr. Steele?  
Mr. Utz.

#### CROSS EXAMINATION

By MR. UTZ:

Q Mr. Steele, do you have the date that these wells were

completed available to you?

A Yes, sir, Mr. Utz, I do. Well Number 25 was completed July 9, 1954; Well Number 6 was completed October 21, 1954.

Q Have these wells, either of these wells been worked over since this date?

A No, sir, they haven't, to the best of my knowledge.

Q Mr. Steele, you made a statement awhile ago that if this application was denied, that it would prevent you from getting your share of gas from the Jalmat Gas Pool. I wonder if you would enlarge on that a little and explain why it would?

A Well, I don't know just exactly know what you are driving at. That's my opinion that if this unit were not approved that we would be deprived of a fair opportunity to recover this gas. In other words, if this application were disapproved there would be 120 acres in Section 16 that would have no gas allowable. By enlarging this unit we hope that the entire section will have a gas allowable assigned to it.

Q You are considering that this application is merely for the enlargement of the 520-acre unit?

A Yes, sir, that is correct, Mr. Utz.

Q Mr. Steele, I wonder if you can explain to me why it would be impractical to form two units for these two wells instead of having two wells on one unit?

MR. COUCH: I don't see that the question is material to the issue that is before the Commission here, I don't think it is up to us to show it is impractical to form two units when what we

are trying to do is form one unit of the size that the Commission has found and stipulated is a standard proration unit for the pool. The impracticality of it or not is a question that probably goes beyond the engineering knowledge of Mr. Steele. It involves not only questions of an engineering nature, but principally and primarily a question of construction of the pool rules, which is largely a legal question. If it will benefit the Commission I'm sure Mr. Steele will be glad to point out some of the things that might occur to him. I don't know that that would be proper evidence on the point, or that the point is necessary or material to this hearing.

MR. PORTER: Mr. Couch, we would like to have the witness answer the question to the best of his ability.

MR. COUCH: Any reason you can think of, why it would be impractical to form two units, Mr. Steele, state them for the record.

A Well, I, personally, can't see any reason why two units should be formed here. This acreage is completely surrounded by gas wells and it is my belief that either or both could drain the entire section of gas. I think, as Mr. Couch has stated, that I don't think that it should enter into the actual application whether two units could be formed. I think it would be physically possible to form two units, but I can't see any particular reason why two units should be formed since this acreage is in the Jalmat Gas Pool, and it's completely surrounded by gas wells. I just can't see any practical need for it.

Q Mr. Steele, would creating two units and assigning 320 acres to one well and 280 acres to the other well decrease your allowable any, as long as each well was able to produce its allowable?

A No, it wouldn't decrease the allowable any.

Q Then --

A (Interrupting) Except in this way, if a well was to be worked over, then the allowable during that time would be cut. It looks to me like it all boils down from the original rules set up in the Jalmat Field, they have a 640 acre allowable set up if the well is 1980 from either line. Both wells are 1980 from one line, but only 660 from the other. I'm not too sure just what you are driving at.

MR. COUCH: This is getting into the reason why I made the statement I did to begin with. The impracticality stems from legal questions and contractual matters more than it does from any engineering feature. By a construction of the rules, as they now stand, if you were to attempt to divide this unit into two units, the boundaries of the units would fall so close to the wells in splitting the single 520 acres that is all under one lease right now, but by drawing an artificial line through the lease itself, they would cause a reduction, of allowable of the well one way or the other, depending on which way you drew the line. That is the way I construe the rules. That is one reason it is impractical and the other is, it has nothing to do with any engineer. Why it is impractical is that we have been two years negotiating an operating

agreement with various companies, and working out equitable completion costs on the wells. It is now done and assigned, and the communitization agreement has been prepared and signed, and submitted to the Land Commissioner's Office, all in accordance with the statement that we had in our application over two years ago when we first started trying to get this entire section unitized.

Those are some of the impracticalities of forming two units at this point, and at this date, It wasn't trying to keep information from the Commission or Staff, it was just that I felt that this witness here for engineering testimony is not fully advised of all those things that have to do with some of the impracticalities.

Further impracticalities, as far as putting it into two units arises from the fact that the recompletion costs on one of the wells was around \$33,000.00 and the other \$22,000.00, depending on which unit you put it in. If you made it into two units one fellow is going to pay the bigger share of the completion costs. The way we have done it now is to lump them together and Continental is paying its proportionate share of the total cost. The same deal has been made with El Paso in regard to its 40 acres.

Those are the impracticalities that I see, several of them, in forming two units at this stage of the game. I think the only one that Mr. Steele indicated, that it will facilitate a 640 acre allowable when the unit is ultimately formed, to have both wells in the same unit, from an engineering standpoint. So long as each well is capable of producing in a sufficient volume, and so long as there is a reasonable limitation upon the amount you can take

from either well, you can get virtually the same results from the single unit as would be from the two units from the conservation standpoint, I can't see the necessity for the two units at all.

MR. PORTER: Mr. Utz, do you have a question?

Q (By MR. UTZ) Mr. Steele, I gather then from what your attorney has said, it would be more convenient for you to put two wells in one unit and let one well lean on the other than to have each well stand on its own?

A No, I don't think one well is going to lean on the other. I think I pointed out to you that either well is capable of producing a 640 acre allowable, and certainly that's the way the wells have been produced for the last two years. As I pointed out, in 1955 Well Number 25 produced 40 percent of the total production and in 1956 Well Number 25 produced 49 percent of the production. That would not indicate to me that either well was leaning on the other.

Q Do you have information as to what the absolute openflow of your Well Number 25 was, the most recent test that has been submitted?

A Well, I haven't seen the official record and the information I have is second-hand. I can give that figure to you, but I don't know if it is accurate or not.

MR. PORTER: Give us whatever figure you have.

MR. COUCH: Give that figure to them, Mr. Steele. These are the figures that Mr. Utz furnished us with yesterday afternoon, is that right, Mr. Steele?

A That is correct.

Q I can ask a direct question if you would like for me to.

A I have them here. The openflow potential for Well Number 25 was 4.9MCF.

MR. COUCH: No, not that.

A 4,900 MCF, and the openflow potential for Well Number 6 was 14,000 MCF per day. That's 14,000,000 for Number 6, and 4,900,000 for Number 25.

Q In other words, the Number 6 well had almost three times the producing capacity of the Number 25 well?

MR. PORTER: That is the daily figure, Mr. Steele?

A That was the openflow potential that El Paso ran, I believe that is correct.

Q Absolute openflow daily figures?

A Yes, sir.

Q Which well would you say would become marginal sooner on the basis of those tests?

A Well, I don't believe that openflow potential would be an indication of which well would become a marginal well before the other, because the shut-in pressures are approximately the same. They were when we took the original openflow potentials, and if I interpret these figures here as the last openflow potentials, why the pressures are approximately the same on both wells. Now, one well does have a greater capacity than the other, probably due to difference in permeability of the formation at that particular well, but I don't believe I would be able to say which well would become marginal first.

Q After all, isn't absolute openflow an indication of what

a well will produce and what it produces has everything to do with its allowable, whether it can make its allowable or not?

A That is correct. However, as you know, when these gas wells, when the openflow potential of these gas wells drops down to where the pressures are not sufficient to put the gas into the gas line, most of them are worked over, re-fracked, acidized and the potentials are brought up.

Q Then if your Number 25 well should become marginal you would work it over and try to increase its capability?

A Yes, sir, that's absolutely right.

Q Do you know who owns the acreage to the south of your Number 6 well?

A I think Mid-Continent owns that acreage, Mr. Utz. Let me check this Sunray, Mid-Continent owns the northwest quarter of Section 21, 22 South, Range 36 East.

Q Do they own the northwest quarter of Section 23 -- I'm sorry.

A Wait a moment -- They own what? Section 23.

Q They own the quarter section offsetting your Number 6 well to the south, is that correct?

A Yes, sir, that is correct.

Q Is there a well on that acreage?

A Is there a gas well on that acreage?

Q Yes.

A To the best of my knowledge there is not.

Q Has Sunray-MidContinent objected to this unit being formed?

A To the best of my knowledge they have not.

Q Not to date anyway?

A Not to date.

Q Is there a well offsetting this unit to the west?

A To the west?

Q A gas well in the Jalmat?

A In Section 17 there are two gas wells, Continental's E-17 Wells 4 and 5.

Q Which quarter section are they located in?

A Well, Number 4 is in the northwest quarter of Section 17 and Number 5 is in the southwest quarter of 17.

Q Has the east half of Section 17 been dedicated to a gas well in the Jalmat Gas Pool?

A I can't answer that question, Mr. Utz, I didn't bring --

Q (Interrupting) I believe the Commission records would show that it has not been dedicated to any well in the Jalmat Gas Pool.

A (Continuing) I didn't bring my map.

Q Do you happen to know what the allowable status of this unit is at the present time?

A You mean the present allowable?

Q The allowable status, the net status of this unit, the 520-acre unit?

A It is substantially over-produced.

Q Do you know about how much?

A In the neighborhood of 700,000,000 cubic feet.

Q Which would be almost eight times the February current

allowable, would it not? I believe the February current allowable was 94,000,000 for the unit.

A I believe that is correct.

Q Then unless these wells are to be shut-in, the first of, March 1st, 1957, they are going to have to start cutting back pretty quick?

A Yes, we are going to get together with El Paso and see if they can get these two wells in line with the actual allowable. They certainly are over produced.

Q Mr. Steele, based on the fact that your February allowable was 94,000,000 for the unit, a 5 percent tolerance would be approximately 4,700 MCF, do you believe that this is an impractical tolerance on which to operate, to have one well produce five percent more than --

A (Interrupting) Yes, I certainly do. I don't believe El Paso could produce those wells month in and month out with 5 percent tolerance. It would be almost an impossibility to do it. They might average out over a year by being very careful with their take, but it would certainly entail a lot of extra work on their part to keep within the five percent tolerance. I think it would be impractical to do it.

Q This tolerance doesn't have to be from day to day, does it?

A No, but it is within --

Q (Interrupting) The six month period?

A The six month period.

Q They did operate it within two percent during 1956, didn't

they?

A And I'm very surprised they did it.

Q Well, frankly, I am too.

A I don't know of any other place where -- I think it was more a matter of luck that it came out that close, but they certainly were prudent operators to take approximately the same amount of gas out of both wells.

Q These wells are metered separately, aren't they?

A Yes, sir.

Q Do you have any suggestion as to how we can administrate five, ten, 15 percent tolerance, whatever the Commission allows, when we have two wells on the unit, both wells receiving a unit allowable? In other words, how are we going to check to see whether you are producing within your tolerance or not?

A Well, I believe you could very closely check it, because El Paso reports every month what the amount of gas is taken from each well. You probably would have to set up two separate sheets with the allowable and production on one sheet, and the allowable and production from the other well on another sheet, but I think it could be done very easily. I don't think it would be too hard to do it, because you have the figures that El Paso submits to you every month on your C-112, I believe it is.

Q We would have to administrate the balance of the procedure within the unit just the same as we do for the whole pool?

A I think that is correct.

Q It is an increased administrative load?

A Yes, sir, it would be a very slight administrative load,

increase in administrative load.

MR. UTZ: That is all.

MR. PORTER: Does anyone have any questions of Mr. Steele?  
Do you have any exhibits?

MR. COUCH: They were submitted or attached to the application, there was a plat attached to the application showing the surrounding gas wells and the unit that we requested.

MR. PORTER: I have one question I would like to ask. Do you recall how long this unit has been operating as a 520-acre unit with the two wells, Mr. Steele? I'll put the question this way, has either one of the wells ever produced as a single unit?

A Yes, sir in -- Wait a moment. One well was completed prior to the other, 25 was completed prior to Number 6, and it did produce in December of '54 and January of '55 as a separate well.

MR. PORTER: Well, the Commission records would show that. I thought you might have that.

A Yes.

MR. COUCH: I think that January 1, 1955 was the effective date of the 520-acre unit, and it was the first proration unit that was authorized for either of those two wells, and they were not connected and had no production prior to that time. I believe the Commission records will bear that out. I had one or two questions I wanted to ask.

#### RE-DIRECT EXAMINATION

By MR. COUCH:

Q Mr. Steele, generally speaking with regard to the gas wells

in the Jalmat Gas Pool are they over-produced, or under-produced?

A I would say they are over-produced.

Q Withdrawals from all wells in that gas pool have been large over the past two years?

A That is correct.

Q Mr. Steele, did the Ohio select these two locations because they were close to the section lines when they re-completed these two wells, or what was the reason that we re-completed Wells 25 and 6 instead of some of the other wells that are in that section?

A Well, Well 25 was completed first, and it was -- the well was plugged and abandoned because it was making less than one barrel a day.

Q That is as an oil well?

A An oil well.

Q In a different producing zone?

A In the Seven Rivers, that is correct. As you recall, the limits of the Jalmat permit a gas well to be completed from the Tansil to 100 feet of the base of the Seven Rivers.

Q Those are the vertical limits of the Jalmat?

A Right, or the Queen formation, and these wells were producing below that 100 feet, and they were producing in the base of the Seven Rivers, is where the wells were producing, and they were both uneconomical to operate and were producing less than a barrel a day.

Q So, from the economical standpoint, those were the two most likely wells for us to re-complete as gas wells?

A Those were the two with the smallest amount of production.

Q They weren't selected with the idea of draining a neighbor or taking an undue proportionate withdrawal from the pool?

A No, they certainly were not.

Q This pool has been in existence over two years, or a great deal longer than that, has it not?

A Yes, sir.

Q Do you have any idea why Cities Service or Continental have not drilled wells in the east half of Section 17, or haven't recompleted some of their oil wells as gas wells, or does that just come under the heading of their business?

A Well, I think that is their business. I am sure they will.

Q They haven't told you why they haven't?

A No, sir, they haven't asked me for any advise.

Q The same is true about Mid-Continent down there in the northwest section of 21?

A Yes, sir, that is correct.

Q Would you expect that Continental or that Mid-Continent, if they felt that they had been treated unfairly here for two years, would have drilled a well to protect themselves, if that is what they needed to do?

A I am certain they would have. I am sure that the Ohio Oil Company would have.

MR. COUCH: I have no further questions.

MR. PORTER: Are those all the questions of Mr. Steele?  
The witness amy be excused.

(Witness excused.)

MR. PORTER: Does anyone have anything further in this case?

MR. WOODWARD: El Paso will make a statement when the testimony is completed.

MR. COUCH: I offer in evidence Exhibit A attached to the application. It is attached to the original application filed in the case.

MR. PORTER: Without objection it will become a part of the record. Mr. Woodward?

MR. WOODWARD: John Woodward, of El Paso Natural Gas Company. As of about 45 minutes ago we were advised of the fact that we owned the gas rights in the northwest of the northwest of Section 22, and as of some 45 minutes ago we have under consideration a unit agreement consisting of the acreage in that section; just as soon as we can make ready the communitization agreement. The 40 acres doesn't make a good drill-site for a gas well. We think the Commission can, by administrative action, approve such a unit when such communitization is completed. As a purchaser, we would certainly appreciate the latitude of some reasonable tolerance in the production from these two wells. We can, if they are set up in the same unit, and we see no reason why they shouldn't be. If we have been prudent in anything, it is as a prudent purchaser from the two wells, and we intend to continue that policy to the best of our ability. I think there is an important question of precedent involved here which concerns us much more as a purchaser, and that is as to a location of acreage to more than one well completed on a proration unit. We would point out that the units

established are proration units, not drilling units. Under the rules, theoretically, you could drill a hundred wells, there is nothing that would require you to set up a hundred fractional proration units within that area so long as the wells collectively develop the acreage and can produce its allowable.

If a per well allocation is to be under those rules, we would submit that they are drilling units and should be so set out in your rules. As far as this particular case is concerned, these people have spent two years getting an agreement on the allocation of production and costs, the two wells can make the unit allowable if they constitute a reasonable development of that section. I don't think there's any administrative reason or consideration that outweighs the impracticality and of going back in and reforming their agreements. They have operated these two wells on one unit of 520 acres for sometime now.

The whole policy of setting up fractional proration units for individual wells is one that can involve a great deal more administrative work than simply taking, giving the unit its allocation and letting the people produce from whatever wells they have got on there. The Commission has found that one well will economically and efficiently drain 640 acres, certainly two wells can do it. If they are concerned about this, and I have the feeling if the Staff is concerned, that one of the wells will play out, and that the remaining well will have too high an allocation for its location, there is plenty of time down the road to review the situation when that fact occurs, but in the meantime we see no reason for making this allocation of acreage within a proration unit to

separate wells.

MR. PORTER: Does anyone else have a statement to make?  
Mr. Mankin?

MR. MANKIN: Warren Mankin, with the Commission Staff. I would like the record to show in connection with Mr. Woodward's statement, that Order R-520 would not allow the 640 to be granted administratively. It would have to be the subject of another hearing.

MR. WOODWARD: We are having a hearing now. What I am suggesting is that the Commission having considered this, that the communitization is signed, go ahead and constitute a unit on that basis. Whether it is necessary, independently or not, you are having a hearing now.

MR. PORTER: Anyone else have a comment?

MR. COUCH: I would like to make just one or two statements in closing. First of all we definitely are not attempting to place an undue administrative burden on the Commission Staff. We want to do all we can to make the gas proration simple, as simple as it can be made, the complex problem that it is.

It seems to me that there would be no more or greater administrative load with the wells being separately reported, to keep the accounting as we have discussed, and as we have requested, than it would be to keep two separate records on two separate units. It appears to me there is just about the same amount of administrative problem, or time required. Perhaps I don't fully understand, or appreciate all the computations and records that are necessary

in order to ride herd on these wells, so to speak, but it seems to me with the wells reported separately and the records kept separately there wouldn't be any greater time spent than would be if you had the two units.

Then this one further thing about the necessity for a hearing, if the Commission feels there should be a hearing when this 40 acres comes in, I should think that it ought to be a fairly simple and short hearing, if that would be the preferable way of going about it, why certainly we would have no objection.

In conclusion I just want to say this, that the, try as I might, I can not conceive of any reason based on conservation for dividing this acreage into two units. If there is any justification for dividing it in two units, it would have to stem from the proposition of administrative difficulty and computation and record keeping. I can't see the justification from the standpoint of conservation at all, and for that reason I think the Commission obligation under the Statutes would be to continue in effect this 520-acre unit enlarged to include the additional acreage that we have pointed out in this application here.

MR. PORTER: Anyone else have a further comment in this case? We will take the case under advisement.

STATE OF NEW MEXICO )  
 )  
 ) SS.  
 COUNTY OF BERNALILLO )

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

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 25th day of February, 1957.

  
 NOTARY PUBLIC, COURT REPORTER

My Commission Expires:

June 19, 1959

BEFORE THE  
**Oil Conservation Commission**  
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. \_\_\_\_\_

TRANSCRIPT OF PROCEEDINGS

**ADA DEARNLEY AND ASSOCIATES**

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