NEW MEXICO OIL CONSERVATION COMMISSION

Examiner Hearing (Elvis A. Utz)

Santa Fe, NEW MEXICO

REGISTER

HEARING DATE November 10, 1959 TIME: 9 a.m.

NAME:	REPRESENTING:	LOCATION:
Rogers Aston	Franklin, Aston & Fair	Roswell
Louis C. Todd	" " "	"
Curtis McBroom	Water Flood Associates, Inc.	Artesia & Fort Worth
Hal Porter	"	Artesia, N. M.
R. M. Anderson	Sinclair Oil & Gas Co	Midland, Tex.
Jason Kellahin	Kellahin & Fox	Santa Fe
H. C. [illegible]	[illegible]	[illegible]
Sam F. Harrill	Humble Oil & Ref. Co.	Hobbs
Luke E. Irby	State Engr	Santa Fe
P. Stephens	Franklin, Aston & Fair, Inc.	Roswell, N. M.
Campbell	Campbell & Russell	Roswell N. M.
Frank	U. S. G. S.	Artesia
Lindsey	Chaco Oil Co.	Albuquerque
)	John H. Trigg Co.	Alhambra, Calif.
) Wow		

ILLEGIBLE

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 10, 1959

EXAMINER HEARING

IN THE MATTER OF:	
Application of Boller & Nichols and Leonard Nichols for a water flood project. Applicants, in the above-styled cause, seek an order authorizing the institution of a water flood project in the Roberts Pool in Lea County, New Mexico, by the injection of water into the Grayburg formation through 11 wells located in Sections 2, 3, 10 and 11, Township 17 South, Range 32 East. Applicants further seek the establishment of an administrative procedure whereby capacity allowables may be assigned to wells in said project without notice and hearing.	Case 1803

BEFORE:
Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: The hearing will come to order. The next Case is 1803.

MR. PAYNE: Application of Boller & Nichols and Leonard Nichols for a water flood project.

MR. KELLAHIN: If the Commission please, could the record show the same appearancesas in Case 1806?

MR. UTZ: Yes, sir.

MR. McBROOM: We will call Mr. Porter to the stand.

MR. PAYNE: Let the record show that Mr. Porter was

sworn in a previous case. In the previous case.

MR. McBROOM: An application has been filed with the Commission which I have a copy of and which we request be made a part of the record of this hearing. It has attached to it a map which will again be introduced in evidence as an exhibit. That particular map will be numbered Exhibit 5. In order to facilitate this hearing, since it's in many respects similar to the hearing in Case 1806, we'll proceed with getting these exhibits. These are pinned together, but you can unpin them or look at them in that way.

HAROLD PORTER

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

DIRECT EXAMINATION

BY MR. McBROOM:

Q Let me first ask you, Mr. Porter, if you have made a study of this field?

A Yes, sir, a study of this field was made by Bert H. Murphy, Chief Engineer for Water Flood Associates. I assisted him in the study and am familiar with it.

Q I will ask you to identify this exhibit to be numbered Exhibit 1.

A Exhibit No. 1 shows the Iso initial potential for this field, for the Roberts Field, Lea County, New Mexico. This field

was discovered in 1943 with production from Zones 5 and 6 of the Grayburg formation at approximately 4100 feet in depth. A 34 degree API gravity oil was produced. Primary production from these leases has been on the order of 1,000,000 barrels.

Referring to Exhibit No. 1, you will notice that the field has been defined in this case as shown on this map, the low initial potential of the wells on each flank all around the field, in other words.

Q And exhibit to be marked No. 2?

A Exhibit No. 2 is a graph of the oil-producing rates for the past two years, the producing rate is plotted in barrels per month, and as you will notice, it's down to producing approximately 2500 barrels per month. Also it's plotted barrels per day per well and is now producing around 3 barrels per day per well.

Q On that graph I notice that the last month shows a little increase. Can you tell the Commission why that increase?

A Well, during that month one well on this property was completed and fracked and that accounted for an increase in oil.

Q I think it's Iles No. 9.

A Yes, Iles No. 9, that's in the L Unit of Section 3, 17, 32. I have the production for August to show it is a depleted reservoir and has declined back down. The average barrel per day per well for August, 1959, was 3.09 barrels. This exhibit proves that this field is depleted at or beyond the economic

limit of primary production.

Q That is production from how many wells?

A Twenty-seven wells.

Q I'll hand you an exhibit to be numbered 3 and ask you to identify that.

A Exhibit No. 3 is an Iso recovery map of the field showing the recovery per well in thousands of barrels. This also correlates with the Iso initial potential map which helps define or prove that the field has been defined. It is pinched out on all sides with dry holes and plugged and abandoned wells limiting the production.

Q I'll hand you Exhibit No. 4 and ask you to identify it.

A Exhibit No. 4 gives well completion data, spudded dates, stimulations, IP's, casing program, shows the surface casing and the long strings and the number of sacks of cement used in each case. Also the intervals where the drillers' logs have logged productive pay and the total depth of each well.

MR. McBROOM: We don't have it here, but I'm sure the State Water Board will want it, we just have three copies of the well completion. I'll send you another copy of it, but we don't have it here.

A We do not show the calculated tops of the cement behind these strings of pipe. However, I will calculate that and submit it to the Commission at a later date and to the State Engineer's

Office.

Q Then Exhibit No. 5.

A Exhibit No. 5 shows the proposed water flood pattern with injection into 11 wells which are now producing and which are to be converted; different plans were studied as to the patterns to most efficiently flood this reservoir and this one more nearly suited the plans to best sweep the reservoir and recover as much secondary oil as possible.

MR. McBROOM: In this connection I would like to make a statement that this pattern indicates two wells on what is known as the J. C. Watson, which is not in the permit request, and one well by Suppes and Kennedy, which is not in this permit in this hearing. Both of these parties have been contacted and know of this hearing and have indicated that if we go ahead that they will work out cooperation so that all of the wells indicated except those two are included in the hearing with the exception of the Texas Company well that is shown in Section 12, and we have discovered since this work was done that that well was plugged and abandoned. We don't know what happened over there.

Q Now, to refer back to your study of this field, Mr. Porter, you have told the Commission that the present production is on an average of about 3 barrels per day. Have you made a study to make recommendations for further work under a primary program or any other program to facilitate the operation of these

leases?

A Yes, sir, we have. The wells are now at the economic limit. Unless production can be stimulated by some means this field must necessarily be plugged and abandoned, at economic considerations the normal stimulation methods such as fracturing and acidizing and shooting it have already been used. However, from our study it seems that this field would lend itself very readily to a pattern water flood. This field has had recoveries which compare very favorably with other fields in the Permian Basin which have been water flooded. There's no evidence of any solution gas drive or water encroachment in the field, and the primary producing energy was from solution gas, solution gas drive reservoir.

Q What do you calculate the primary oil production has been percentagewise to the oil in place?

A From the study that's been made, we have no logs, we have no core data, but we do have drillers' logs, and from the pay thicknesses as indicated on these logs, it would seem that the average recovery would be approximately fifteen to eighteen percent of the oil originally in place.

Q What amount of oil would you expect from your study to be possible to recover from a water flood, and how would you program it?

A From the study that was made, approximately 2,200,000

barrels of water flood oil should be recovered. This has been figured on a volumetric basis, again using the drillers' logs which we had available to us, and it would seem that from experience in other fields of this type that somewhere on the order of two times primary production should be recovered.

Q Is there an indication of how much water you will need and availability of water to conduct this project?

A Yes, sir, we anticipate that these 11 wells which are applied for, an injection rate of 350 barrels per day per well can be attained, staying well within the formation breakdown pressure we anticipate that our injection pressure after fillup will be somewhere around fifteen to eighteen hundred pounds for the 11 wells, that will be 1150 barrels of water per day.

This water is available from 200 acre feet per annum of water rights held by Leonard Nichols in Sections 1 and 2, Township 17 South, Range 32 East. It is anticipated that a total of 13,200,000 barrels of total injected water will be required.

MR. IRBY: What was the number, please?

A 13,200,000. Approximately 6 barrels of water per barrel of produced oil.

Q Have you, in your study and proposal to water flood this project, made a calculation of how you would expect this oil to be produced under your programming and will you explain to the Commission, I'll hand you this item that should be marked Exhibit 6?

A Let me say in answer to that question that the program as outlined on the Exhibit No. 5, which is the pattern of the proposed water flood, is necessary in this case to promote the conservation of a natural resource and prevent its waste. We feel that any curtailment of this production would cause an irreparable waste of natural resources, being the secondary oil reserves under this property, and would not be in the interest of conservation.

This Exhibit No. 6 shows the predicted daily oil production curve, and this has been drawn from an imperical curve which plots percent of oil recovery versus percent of flood life, and has been found that nearly all these Permian floods follow very closely to this imperical curve. From this curve you'll see that in the first two years of project after injection has started, 264,000 barrels will be produced, at which time our daily production rate will equal the 42 barrels per day per unit of the proposed order or the new order that has just come out.

During this time if we had had 42 barrels per day our total allowable would have been 816,480 barrels, which would mean that we would underproduce that amount by 552,480 barrels. At this point in time our production curve, if allowed to continue uninterrupted, would increase and be above the 42 barrel per day per unit allowable for a period of slightly over two years. Now, during this time, if allowed to produce at its maximum rate, the project would produce 1,276,000 barrels. Our allowable for that

period at 42 barrels per unit per day would be 1,020,600 barrels, or we would be overproduced 256,400 barrels. So the amount that we're underproduced in the first part of this flood would be a little more than twice as much as the amount that would be overproduced, two year period, which would exceed the 42 barrel a day allowable.

Q If you were to undertake the development of this project knowing that you had a 42 barrel maximum allowable, what planning and what can you do in order to recover your reserves? How would you proceed and what would your timing be?

A Of course you would start out putting the maximum amount of water in the ground that you could, and within certain limitation until you reached the point where the allowable was curtailing the production from your wells, at which point you would necessarily need to shut in or slow down your producing rate, shut in your wells or slow down your producing rate, and at the same time you must necessarily curtail your injection rate.

Q At the time you would expect for your field average to go above the 42 barrels, how much water approximately would you expect to be producing a day?

A At the time that it goes past?

Q Yes, when you get to the point that you are going to cut back, will you then be producing any water?

A I should say you wouldn't be producing a whole lot, no,

sir.

Q Then when you cut back your production and injection, would you anticipate a reduction in the percentage of water that you would be producing?

A No, sir, I would expect that the percentage of water, the percentage of total fluid, which would be water, would increase rapidly after curtailment of production.

Q How long if you attempted to work out a program to curtail this production, you have this program worked out on about nine or ten years, would you anticipate that the flood would last, longer than curtailing this production or would you still come to economic limit at about the same time as you have it here?

A I feel you would come to economic limit as soon as or possibly sooner than this shows.

Q It doesn't mean that you are lengthening the life of your flood then when you attempt to reduce the production?

A No, sir, not in my opinion it doesn't.

Q Because your life is conditioned on economic limit, is that right?

A Yes, sir. That is correct.

Q Now, you say that if you tried to program a flood to cut back at the time you got the 42 barrels, would that mean that you could effect a material savings in additional equipment which you would put on to handle these large volumes? Can you

save a lot of money by using the equipment that's there or using small equipment instead of using larger equipment, knowing that you are cutting yourself back to 42 barrel a day allowable?

A No, sir, you can't save on equipment in this case because at the initial stages of the flood you need to put as much water in the ground as you are ever going to, so you have to have as much injection equipment if it were curtailed at 42 barrels as you would if you were allowed to produce uncurtailed.

Q How about the production equipment?

A Well, the production equipment for any flood must be designed to lift large quantities of water. Eventually your water cut will run up as high as 90 to 95% of water, total fluid will be water. Therefore, it doesn't make any difference whether you are being curtailed or whether you are producing at capacity allowables, your production equipment will necessarily have to be designed to handle large volumes.

Q Are you saying then that after you cut back, in order to keep from taking 42 barrels a day, that after you cut back you would still have to later increase your total water injection and you eventually would be producing as much total fluid out of these wells as you would if you followed the curve that you propose?

A Yes, sir. After you reach fillup, total fluid in equal total fluid out with the exception of certain inefficiencies,

you are going to have to produce as much fluid with curtailed allowables as you would with capacity allowable.

Q Mr. Porter, as consulting engineer and advising with your client on this project, based on the 42 barrel allowable as is presented in the light of the information and the study you made, what would your recommendation to Nichols, Boller & Nichols be?

A My recommendation would be that if no exception can be gained, if some relief cannot be had during this two-year period when we're producing in excess of the 42 barrel allowable, cannot be gained or if the 42 barrel per day allowable cannot be had from the beginning of the project accrued and used during this period of peak performance, then I would recommend that he not undertake such a program inasmuch as it would not yield the reasonable rate of return.

Q What of this 2,200,000 barrels that you have predicted on a pattern water flood with capacity allowables as indicated if this were cut back, based on your best information, how much oil do you think would actually be unrecoverable economically?

A Well, I would say --

Q In effect, lost.

A I would say that somewhere on the order of half the oil would not be recovered. There's no way that I or anyone else that I know of can calculate this without a great deal of reservoir

data which is not available, but I would estimate that somewhere on the order of half this total predicted might be recovered under a curtailed program.

Q Well, now, if I were proposing to invest money or loan money to Mr. Nichols to do this work, under these restrictions, would there be any additional hazards other than cutting the allowable which you would caution me as a lender for financing such a project as this? Or would you say that's all the hazard that would occur?

A Well, I don't know whether I can advise that or not. What do you mean by hazard, I don't understand that?

Q Well, you say you think that perhaps we would lose half the oil. Would the other half be produced as economically where this money could be paid back, or do you have an additional economic hazard?

A I'll say this, there will be an additional operating cost due to lifting high water cut oil under a restricted allowable program.

Q As my engineer on this, if I were a banking facility, would you recommend that I make a development loan to cover the cost of this based on getting the recovery out of the project to Mr. Nichols under these circumstances?

A No, sir, I wouldn't.

MR. McBROOM: We would like to make a formal offer

of the exhibits that have been presented to become a part of the record.

MR. UTZ: Without objection, Exhibits 1 through 6 will be admitted in the record.

MR. McBROOM: That's all.

MR. PAYNE: I would like again to move the incorporation of the record in Case 1787 into this case and ask the Examiner to take notice of the administrative order entered in that case.

MR. UTZ: Case 1787 should be made a part of the record in this case.

MR. McBROOM: Inasmuch as the order has already been entered in the other case and that this information was not available to the Commission at that time, was not available for our study, we would just like to make a formal objection to having this matter included in this case.

MR. PAYNE: I would make one brief answer, that should the Examiner see fit not to include the record in Case 1787, I would move to strike all testimony regarding waste being caused by not producing this flood at capacity.

MR. McBROOM: And I in turn would object to that, for the record.

MR. UTZ: Mr. McBroom, I will overrule your objection regarding the entrance of Case 1787 into this record, for the reason, or one of the reasons that you entered testimony into this

record regarding the waste by controlled water flooding. So your objection is overruled.

MR. McBROOM: Just note my objection.

MR. UTZ: Are there other questions of the witness?

MR. NUTTER: Yes, sir, I have a question or two.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Porter, I don't know if I understood you correct or not, but were you suggesting or intimating that there was possibility of taking this 42 barrel per day allowable and building up a bank of allowable that you would be able to draw on at a later time?

A Yes, sir, I was suggesting that.

Q Are you aware of any rule in the Statewide Rules and Regulations of the Oil Conservation Commission that would permit such a procedure?

A No, sir, I was merely stating that if an exception were made and that could be done, then it would be physically possible to produce this flood at maximum rates all during its life, and the allowable which we did not use during the first year or so before we had response would more than take care of the allowable which we'd need to take care of our excess over 42 barrels per unit, which actually averages out only ten barrels a well per day during that period.

Q Have you ever heard of any well in New Mexico being primary recovery or secondary that has a bank built up that it didn't use that it could draw on at a later time?

A No, sir, I have not.

Q I believe you also stated that if the project were curtailed to the rate of 42 barrels per day you would have 50% of the secondary reserves that would be unproduced.

A That's what I said.

Q What do you base that figure on, Mr. Porter?

A I don't have any engineering data or completion data to substantiate this, however, I've been, seen, had experience on floods where the production was curtailed through not understanding at that time what needed to be done in a water flood, and I have seen the producing oil rate drop immediately whereas it had been climbing, and the percent water cut increase tremendously.

Q You stated awhile ago you could still produce a well if it were producing 90 to 95% water?

A Of course you could.

Q So even if the water cut were to increase, you would still be able to produce the water and the oil?

A Yes, sir. That's true, you could.

Q Have you ever seen a project that was cut to an allowable of 42 barrel a day and 50% of the oil was lost?

A No, sir, I never have seen a prorated water flood.

I have never been on one that was prorated due to administrative rule. However, I have been on projects where the production and injection were both curtailed due to faulty equipment or mismanagement.

Q Now, did I also understand you, Mr. Porter, to say that you wouldn't recommend this project as a banking investment if it were curtailed to 42 barrels per well per day?

A No, sir, I could not.

Q How much allowable would this project make under that allowable rate per well?

A How much --

Q How much allowable could it have?

A Let me see, I have it here. Approximately 500, no, 1134 barrels per day, yes, sir, that's correct.

Q And 1134 barrels per day wouldn't pay the operating cost and the cost of injecting water?

A I didn't say it would be making the allowable. I said I wouldn't recommend it if it were held to this. I think that the producing oil rate would rapidly fall down below your 42 barrels a day allowable and the increased water production would come immediately.

Q Now, Mr. Porter, as an engineer, does it stand as a reasonable conclusion to draw that if the peak of this daily production curve on your Exhibit No. 6 were removed, that this decline

curve would be flattened out?

A I can't say on that whether, I'll say it doesn't stand to reason to me. I can't say what it will do. I can't predict it. It stands to reason to me that whenever this injection rate is curtailed and the pressure drop across your front has diminished, then there will be less and less oil recovered from the microscopic small pores and also from the tight strata, and that then if water is again increased, water injection is again increased, that an even lesser percentage would be going into the tight strata than would have been going into it immediately. I mean than was going into it before.

Q But you maintain that if this peak of daily production were removed from this production curve, that this decline curve wouldn't be affected at all?

A No, I don't see it would be affected at all. I see, I doubt if it would flatten it in my experience and my opinion is all I could speak.

Q What would it cause it to do, go down more sharply?

A Yes, sir.

MR. NUTTER: Mr. Examiner, I reiterate Mr. Payne's suggestion that the record in Case 1787 be incorporated in this record. That's all.

MR. UTZ: It's already incorporated. Mr. Irby.

BY MR. IRBY:

Q I realize that you are going to submit this casing and cementing program, but there's one question I would like to ask. Do you know where the surface casing is set with respect to the Ogala Red Bed contact?

A I know where the surface pipe is set and cemented and also know that the Ogala contact with the Red Bed is somewhere in the neighborhood of 300 feet. That's from what I've heard, now I have never drilled any wells out there, but this surface pipe is cemented to somewhere greater than a thousand feet it looks like, in all cases it's greater than 1200 feet of surface pipe has been cemented in the well.

Q And you will give me the cementing program on that later?

A Yes, sir.

Q Will the water that is produced with the oil in this program be recycled?

A Yes, it's our intention to recycle the water as produced water increases.

MR. NUTTER: What was your expected total demand for water, Mr. Porter?

A Let's see, I gave it. 13,200,000 total barrels.

MR. NUTTER: You stated that you would have an injection rate of 1350 barrels a day for 11 wells, but this program would eventually have more than 11 injection wells, would it not?

A Yes, sir, we haven't applied for any additional wells in this hearing. However, according to our patterns there would be a few additional injection wells to be drilled.

Q You would have a few additional producing wells to be drilled too?

A Yes.

Q This little blank circle are locations of wells that you propose to drill?

A Yes, that's right, but we are not applying for them here now.

Q What's the area outlined in yellow on the various exhibits, Exhibit 5?

A On mine it's a cross-hatched area; that area is the area under consideration belonging to Nichols and, Boller & Nichols.

Q This is the area?

A Yes, sir, inside the cross-hatched area.

Q I notice there are some injection wells as well as production wells outside that area owned by applicant?

A Yes, sir.

Q Will that be put on water flood also?

MR. McBROOM: That was a statement that I tried to make. They have been contacted and they have indicated that they would work out a cooperation, but they didn't want to be in this negotiation at this time.

MR. PAYNE: How about the, up in the north?

MR. McBROOM: That's out of the San Andres pay and those wells are not included.

MR. PAYNE: We have a proposed injection well there?

A That's not necessarily proposed, but it's a possible reentry into the well.

BY MR. NUTTER:

Q If some negotiations were conducted?

A Yes. And if this is a success as we think it will be.

Q The properties that you say are under negotiation is the Suppes and Kennedy property under negotiation?

MR. McBROOM: Yes.

Q Is the Texas property under negotiation?

MR. McBROOM: No, because the well has been plugged out and it wouldn't be feasible to redrill it or reenter it.

MR. PAYNE: This well is shown as being on the injection pattern also?

MR. McBROOM: It was, yes. It would not affect production because that well would not affect the production of these other people, that J. C. Watson lease.

MR. PAYNE: The J. C. Watson acreage is under negotiation?

MR. McBROOM: Yes, but it's not under consideration in this application.

Q (By Mr. Nutter) Does the area shown on this exhibit comprise the entire Roberts Pool?

A As far as it has been defined. Like I said, all, as I said, it's defined by plugged and abandoned locations or dry holes and it, I have these Iso recovery maps and so forth and Iso potentials to show that it has been defined. As far as it has been defined it is all shown on this plat.

MR. NUTTER: I believe that's all.

BY MR. UTZ:

Q Mr. Porter, the area outlined in your cross-hatched or x-hatched would be determined as a unit area for this application, would it not?

A I believe it would under these rules as we have them.

Q And the ownership in this area is common?

A I'm not familiar --

MR. McBROOM: Yes.

A With the Boller, Nichols and Nichols differentiation.

Q But it is not unitized?

A No, sir, the leases are not unitized.

MR. UTZ: Any other questions? Did you have something further?

MR. McBROOM: In connection with unitization, although the ownership is all the same, it's the Nichols and Boller-Nichols which is all one family, the deep rights on that which is listed

as Leonard Nichols belonging to Ohio Oil Company, and he owns only down through this area and he owns other property which would probably preclude him from going into unitization as to his Federal lease that you are generally familiar with.

MR. UTZ: Are there any other questions of the witness? Mr. Irby.

MR. IRBY: I would like to ask both Mr. McBroom and Mr. Porter if they are familiar with the value of this permit which has been granted to Mr. Nichols. Their reference to it as a water right indicates that they're not fully aware of what the exact value of it is.

MR. McBROOM: Well, there's a water lease also that he has I believe from the Land Office.

A He has a permit which has been approved, is that correct, he has to prove up on it before he has established his rights?

MR. IRBY: That's correct.

A Yes, sir, I realize that.

MR. McBROOM: Yes, we understand that.

MR. UTZ: Any further questions? If not the witness may be excused.

(Witness excused.)

MR. UTZ: Any other statements to be made in this case?

MR. KELLAHIN: If the Commission please, in connection

with the questioning by Mr. Nutter, it seemed to be indicated that an allowable be assigned when the order is initiated, and that allowable be carried forward to the point where peak production is reached is a rather unheard of proposition. I would like to point out in the first place that the Commission heretofore has granted and continues to grant in a number of pools capacity allowables. If they can do that then certainly they can do what we're proposing here. In addition to that we might observe that the Commission has frequently granted back allowable, which essentially is a similar proposition in the field of gas prorationing, of course you carry your allowable forward, it's the only way you can adjust it, it's not so common in the oil production as in gas, but at the same time if the Commission has power in the one instance to grant capacity allowables on those pools which have heretofore been approved, then certainly they have power to grant an exception to the order which has just recently been promulgated.

We find ourselves under a very severe handicap in this connection for the reason that the application was filed and the testimony prepared for hearing prior to the entry of that order, and it was only after the arrival of the witness in Santa Fe and late yesterday afternoon that we learned of the provisions of the statewide order which has been promulgated.

If the Commission, by virtue of entering that order, is

going to close its eyes to any testimony as to waste, certainly the Commission just as well close up shop insofar as hearing anything in connection with, hearing anything in connection with water flood. The prime function of this Commission is the prevention of waste, and in doing so, the protection of correlative rights. To say that the order which has been entered is the ultimate and final answer in every specific instance in the State of New Mexico would be to close the eyes of the Commission to its duty to the prevention of waste. Certainly I think this Commission has a prime obligation under our statute to listen to testimony in regard to waste in any instance which ever comes before this Commission.

MR. UTZ: Mr. Kellahin, I don't believe in this case we precluded the entrance of any testimony pertaining to waste.

MR. KELLAHIN: The Commission attorneys asked that the testimony regarding waste being caused by not producing the flood at capacity be stricken from the record.

MR. PAYNE: Because you did not wish to incorporate 1787 which also pertains to waste.

MR. UTZ: Actually what you are asking for here in simple language, as I interpret it, is something like a two-year proration period with two or three year balancing periods thereafter, isn't that about what it amounts to?

MR. KELLAHIN: It could be interpreted that way perhaps. I don't think the testimony carried quite that far.

MR. UTZ: Any other statements? If not the case will be taken 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 20th day of November, 1959.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:

June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1803, heard by me on November 10, 1959.

Examiner
New Mexico Oil Conservation Commission