

CASE 3658: Appli. of CONTINENTAL
OIL CO. for non-standard gas pro.
unit & unorthodox location.

Case No.

3658

Application, Transcript,
Small Exhibits, Etc.

State of New Mexico
Oil Conservation Commission



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

Re: Case No. 3658
Order No. R-3323
Applicant: _____
Continental Oil Company

A. L. PORTER, Jr.
Secretary-Director

Hobbs OCC x
 Artesia OCC _____
 Aztec OCC _____
 Other _____

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 3658
Order No. R-3323

APPLICATION OF CONTINENTAL OIL COMPANY
FOR A NON-STANDARD GAS PRORATION UNIT
AND AN UNORTHODOX LOCATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 27, 1967, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 4th day of October, 1967, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Continental Oil Company, is the owner and operator of the Sanderson B-1 Well No. 2, located 1650 feet from the North line and 330 feet from the East line of Section 10, Township 20 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico; that said well presently has dedicated to it 160 acres in the Eumont Gas Pool comprising the E/2 E/2 of said Section 10, approved by Administrative Order NSP-417.

(3) That the applicant now seeks approval of a 240-acre non-standard gas proration unit in the Eumont Gas Pool comprising the NE/4 NW/4, NW/4 NE/4, and E/2 E/2 of said Section 10 to be dedicated to its Sanderson B-1 Well No. 2; further that the location of the well is unorthodox for a 240-acre unit in said pool.

(4) That the entire proposed non-standard gas proration unit may reasonably be presumed to be productive of gas from the Eumont Gas Pool.

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CASE No. 3658

Order No. R-3323

(5) That the proposed non-standard gas proration unit can be efficiently and economically drained and developed by the Sanderson B-1 Well No. 2.

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Eumont Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

(7) That Administrative Order NSP-417 should be superseded.

IT IS THEREFORE ORDERED:

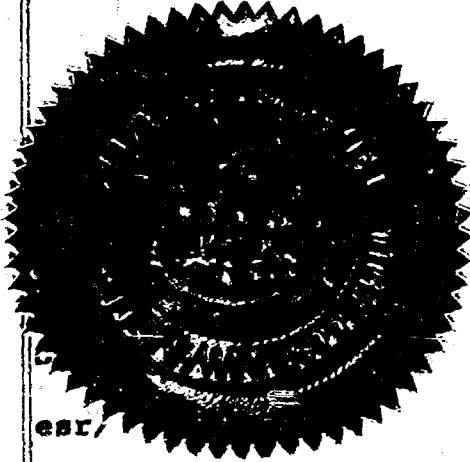
(1) That an unorthodox location in the Eumont Gas Pool is hereby approved for the Continental Oil Company Sanderson B-1 Well No. 2, located 1650 feet from the North line and 330 feet from the East line of Section 10, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico.

(2) That a 240-acre non-standard gas proration unit in the Eumont Gas Pool comprising the NE/4 NW/4, NW/4 NE/4, and E/2 E/2 of Section 10, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby established and dedicated to the Continental Oil Company Sanderson B-1 Well No. 2.

(3) That Administrative Order NSP-417 is hereby superseded.

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

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

David F. Cargo
DAVID F. CARGO, Chairman

Gulton B. Hays
GULTON B. HAYS, Member

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



CONTINENTAL OIL COMPANY

P. O. BOX 460

HOBBS, NEW MEXICO 88240

PRODUCTION DEPARTMENT

HOBBS DISTRICT

L. P. THOMPSON

District Manager

G. C. JAMIESON

Assistant District Manager

August 8, 1967

1001 NORTH TURNER
TELEPHONE: 393-4141

Case 3658

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Attention of Mr. A. L. Porter, Jr., Secretary-Director

Re: NSP Unit - Sanderson B-1
Well No. 2, Eumont Pool

Gentlemen:

Forwarded herewith in triplicate is our application for administrative approval for the enlargement of the gas proration unit for our Sanderson B-1 No. 2 in Section 10-20-36. The present nonstandard unit for this well consisting of E/2 E/2, Section 10, was approved by Order NSP 417. The completion interval in this well includes a substantial section outside the producing interval of the down structure oil wells on the acreage proposed to be added.

Your further handling and approval of this application will be sincerely appreciated.

Yours very truly,

L. P. Thompson

LPT-JS

JPM GW JWK
Attach

OFFICE

81 Aug 10 AM

DOCKET MAILED

Date 9-14-67

R

PIONEERING IN PETROLEUM PROGRESS SINCE 1875

C O N T I N E N T A L O I L C O M P A N Y

P. O. Box 460
Hobbs, New Mexico
August 8, 1967

OFFICE

✓ New Mexico Oil Conservation Commission(3)
P. O. Box 2088
Santa Fe, New Mexico

57 AUG 10 AM

Case 3658

Attention of Mr. A. L. Porter, Jr., Secretary-Director

Re: Continental Oil Company Application
for a Nonstandard Proration Unit
and Nonstandard Location for its
Sanderson B-1 No. 2 in Section 10,
T-20S, R-36E, NMPM, Eumont Gas Pool,
Lea County, New Mexico

Gentlemen:

Continental Oil Company respectfully requests administrative approval under the provisions of Rule 5(C) of the Special Rules and Regulations for the Eumont Gas Pool of Order No. R-1670 for the formation of a 240-acre nonstandard gas proration unit consisting of the NE/4 NW/4, NW/4 NE/4 and E/2 E/2 Section 10 and, under the provisions of Rule 5(B) of said order, a nonstandard location for its Sanderson B-1 No. 2 well located 1650 feet from the north line and 330 feet from the east line of Section 10, T-20S, R-36E, Lea County, New Mexico, in the Eumont Gas Pool.

In support of this request, we should like to point out that the proposed unit conforms with the requirements of said Rule 5(C) in all respects as follows:

1. Said proposed nonstandard gas proration unit consists of contiguous quarter-quarter sections.
2. Said proposed non-standard gas proration unit lies wholly within a single governmental section.
3. The entire proposed nonstandard gas proration unit may be reasonably presumed to be productive of gas.
4. The length or width of said unit does not exceed 5,280 feet.

5. Copies of this application have been furnished this date by registered mail to all operators in the same section and all operators within 1500 feet of said well, as required by the provisions of said Rule 5(C).

Said well was completed as an oil producer on August 4, 1937, at a location conforming to then existing rules.


A plat is attached hereto showing to the best of our knowledge and belief the proposed unit, the location of the No. 2 well and other wells on the lease, offset wells and ownership thereof.

The granting of this application is in the interest of preventing waste and the protection of correlative rights.

In view of the facts set out herein, it is respectfully requested that the Commission enter an order approving the non-standard gas proration unit and nonstandard location for Continental Oil Company's Sanderson B-1 No. 2 well as described above.

Respectfully submitted,

CONTINENTAL OIL COMPANY

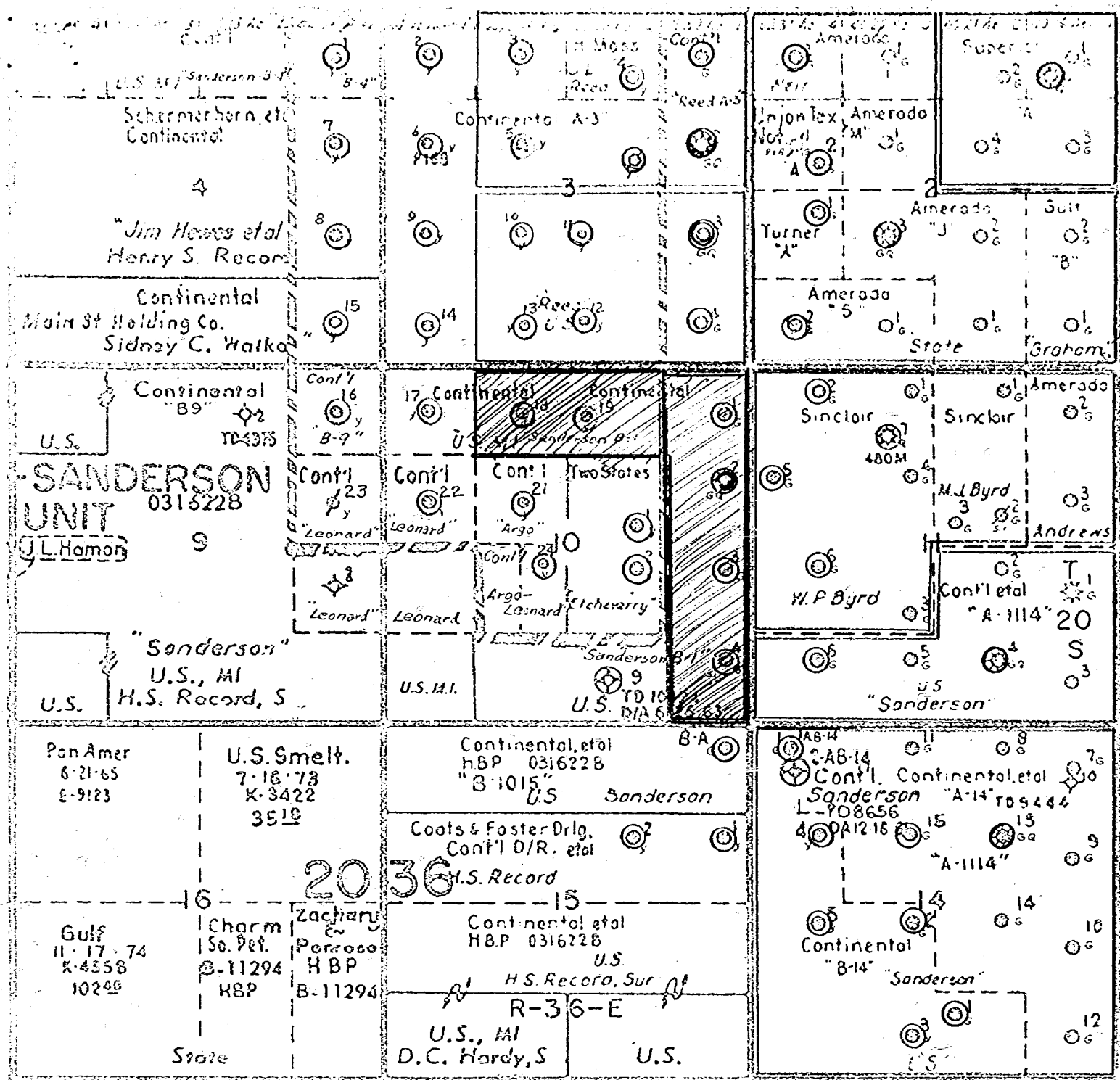

L. P. THOMPSON
District Manager

LPT-JS

cc: Two States Oil Company
P. O. Box 176
Eunice, New Mexico

Sinclair Oil and Gas Company
P. O. Box 1920
Hobbs, New Mexico

JPM GW JWK



LEGEND

- 6. Eumont Yates, Seven Rivers, Queen-011
- 6. Eumont Queen Gas
- 6. Eunice Grayburg - Oil
- 5. Monument Abo - Oil
- 5. Monument Grayburg San Andres - Oil
- 7. Monument McKee Ellen. Gas
- 7. Monument Paddock - Oil
- 5. Monument Blinbry - Oil
- Approved Unit
- Proposed Unit
- Unit Well
- Eumont Oil Well
- Monument Oil Well

CONTINENTAL OIL COMPANY

PRODUCTION DEPARTMENT
HOBBS DISTRICT

SANDERSON B-1 GAS UNIT

Lea County, New Mexico

UNIT AREA

SCALE
0 1000' 2000'

Case 3658

Case 3658

Rec'd 9-27-67

Rec. 9-27-67

1. Grant Cont. a Non-Std. unit
in Dumont Gas pool for their
Sanderson B-1 #2 - 1650 N, 330 1/2 E
lines 10-20 S-36 E. Unit will
consist of E 1/2 E 1/2, NW NE, NE NW,
of said section 10.

Also request exception to R-1670
Rule 5(B) for a non-std location
for a 240 Ac. unit.

2. The NW NE, + NE NW, 80 Acs. is in
the Reed-Sanderson unit. This is
apparently their problem however.

Thurs 10/1

Docket No. 30-67

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 27, 1967

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

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

CASE 3622: (Continued from the July 26, 1967 Examiner Hearing)

Application of Ryder Scott Management Company for a waterflood buffer zone, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the N/2 NE/4, SW/4 NE/4 of Section 20, Township 18 South, Range 28 East, Eddy County, New Mexico, as waterflood buffer zone in the Artesia Pool offsetting its waterflood project in Section 21 and Cima Capitan's waterflood project in Section 17 of the same township.

CASE 3658: Application of Continental Oil Company for a non-standard gas proration unit and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a 240-acre non-standard gas proration unit comprising the NE/4 NW/4, NW/4 NE/4, and E/2 E/2 of Section 10, Township 20 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be dedicated to its Sanderson B-1 Well No. 2 at a non-standard location 1650 feet from the North line and 330 feet from the East line of said Section 10.

CASE 3659: Application of Continental Oil Company for an amendment to Order No. R-3115, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3115 to substitute its SEMU Well No. 56 located in Unit I of Section 25, Township 20 South, Range 37 East, Eumont Pool, Lea County, New Mexico, as a water injection well in its Eumont Hardy Waterflood Project in lieu of SEMU Well No. 55 located in Unit J of said Section 25.

CASE 3660: Application of Tenneco Oil Company for a waterflood project and for an exception to Rule 104 C-I, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Upper Sand of the South Hospah Upper Sand Oil Pool on its Hospah Lease through five wells located in Units A, B, F, G, and H of Section 12, Township 17 North, Range 9 West, McKinley County, New Mexico, and on its Hospah "A" Lease through one well located in Unit L of said Section 12. Applicant, further seeks an exception to the well location requirements of Rule 104 C-I to permit the drilling of more than one well on a 40-acre tract, said wells being located closer than 660 to each other and with each 40-acre tract being subject to a single 40-acre allowable. The above exceptions, for the South Hospah Upper Sand Oil Pool and the South Hospah Lower Sand Oil Pool, would be applicable to Tenneco's leases comprising the SE/4 of Section 11 and all of Section 12, Township 17 South, Range 9 West.

September 27, 1967 Examiner Hearing

-2-

Docket No. 30-67

CASE 3513: (Reopened)

Application of Midwest Oil Corporation for an amendment to Order No. R-3179, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3179 which order denied 160-acre spacing for the Vada-Pennsylvanian Pool, Lea County, New Mexico, and established 80-acre spacing on a temporary basis. Applicant seeks the reopening of Case 3513 on the basis of new information not available at the time of the original hearing and the promulgation of temporary rules for said pool, including a provision for 160-acre proration units.

OIL CONSERVATION COMMISSION
P. O. BOX 2088
SANTA FE, NEW MEXICO

LEGAL DIVISION
PHONE 827-2741

August 18, 1967

See 3658

C
O
P
Y

Mr. Victor T. Lyon
Continental Oil Company
P. O. Box 460
Hobbs, New Mexico 88240

Dear Vic:

Reference is made to our telephone conversation concerning the application of Continental Oil Company for a non-standard proration unit and a non-standard location for the Sanderson B-1 Well No. 2 in Section 10, Township 20 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico.

After reviewing the rules governing the Eumont Gas Pool, the Commission is of the opinion that a hearing will be necessary in order to dedicate 240 acres to the subject well and has set the matter for hearing September 27, 1967.

Very truly yours,

GEORGE M. HATCH
Attorney

GMH/esr

OIL CONSERVATION COMMISSION
P. O. BOX 2088
SANTA FE, NEW MEXICO

LEGAL DIVISION
PHONE 827-2741

August 11, 1967

Encl 3658

C
O
P
Y

Continental Oil Company
P. O. Box 460
Hobbs, New Mexico 88240

Attention: Mr. L. P. Thompson

Gentlemen:

Reference is made to your application dated August 8, 1967, for a non-standard proration unit and non-standard location for your Sanderson B-1 Well No. 2 in Section 10, Township 20 South, Range 36 East, NMPM, Eumont Gas Pool, Lea County, New Mexico.

As your Sanderson B-1 Well No. 2 is located only 330 feet from the outer boundary of the proposed non-standard proration unit, your application for a non-standard proration unit consisting of 240 acres is not eligible for administrative approval.

Please notify the Commission by August 17, 1967, if you wish to have your application set for hearing before an Examiner on September 6, 1967.

Very truly yours,

GEORGE M. HATCH
Attorney

GMH/esr

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO



BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 27, 1967

EXAMINER HEARING

IN THE MATTER OF:

Application of Continental
Oil Company for a non-standard
gas proration unit and an
unorthodox location, Lea County,
New Mexico.

Case No. 3658

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOREGISTERHEARING DATE SEPTEMBER 27, 1967TIME: 9 A.M.

NAME:	REPRESENTING:	LOCATION:
V T LYON	CONTINENTAL OIL CO	HOBBS
B T NELSON	"	"
J. Willock	Tenneco Oil Co.	Durango, Colo.
LB Plumb	Tenneco Int Co.	Durango, Colo.
Richard S. Morris	Montgomery, Federali & Associates	Santa Fe
Jason W. Kallala	Kallala & Fox	Santa Fe, N. M.
Bill Baker	Midwest Oil Corp.	Midland, Texas
D.W. DAVIS	" " "	" "
Bother Kelly	White Oil & Refining	Santa Fe

MR. UTZ: The next case will be Case 3658.

MR. HATCH: Application of Continental Oil Company for a non-standard gas proration unit and an unorthodox location, Lea County, New Mexico.

MR. KELLAHIN: If the Examiner please, Jason Kellahin, Kellahin and Fox, appearing for the applicant. I have one witness I would like to have sworn.

(Witness sworn)

(Exhibits 1 through 3 marked for identification)

V I C T O R L Y O N, called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Victor T. Lyon, L-y-o-n.

Q By whom are you employed and in what position,

Mr. Lyon?

A I am employed by Continental Oil Company as supervising conservation engineer.

Q Where are you located?

A Hobbs, New Mexico.

Q Have you testified before the Oil Conservation Commission and made your qualifications a matter of record?

A Yes, sir, I have.

MR. KELLAHIN: Are the witness's qualifications accepted?

MR. UTZ: Yes, sir, they are.

Q (By Mr. Kellahin) Are you familiar with the application of Continental Oil Company in Case Number 3658?

A Yes, sir.

Q Briefly, what is proposed by Continental Oil Company in this application.

A This is the application of Continental Oil Company for an enlargement to two hundred and forty acres for the presently approved one hundred and sixty-acre non-standard gas proration unit for our Sanderson D-1 Well Number 2 located in Unit 8 of Section 1-, Township 20 South, Range 36 East.

Q Now, referring to what has been marked as Exhibit Number 1, would you identify that exhibit and discuss the information shown on it?

A Exhibit 1 is a location, an operator plat showing the presently approved unit, proposed unit, for the Sanderson B-1 Number 2. It shows the unit well circled in red. Monument Oil Wells are circled in blue. The Eumont gas wells are circled in green and the Eumont oil wells are circled in

heliotrope.

MR. UTZ: Circled in what?

THE WITNESS: That's what the pencil said, it looks pink on the exhibit.

MR. UTZ: Is that the new Monument Oil Well?

THE WITNESS: Yes.

MR. UTZ: If we're not color-blind, I think we can make that determination.

THE WITNESS: Would you rather I said pink?

MR. UTZ: I think that would be appropriate.

A The Sanderson Well is shown located 1650 feet from the north line, 330 feet from the east line, Section 10, Township 20 South, Range 36 East. The presently approved unit which is outlined in green is the east half of the east half of Section 10, one hundred and sixty acres. We propose to add eighty acres described as the northwest of the northeast in the northeast of the northwest of Section 10.

Q Now, referring to what has been marked as Exhibit Number 2, would explain that exhibit?

A Exhibit Number 2 is a cross section drawn through the two wells located on the two-forty-acre tracts sought to be added in this unit and connecting to the unit well.

Proceeding from left to right, we show on the exhibit Web Sanderson Unit Number 18 which is located in Unit C. Web Sanderson Unit Number 19 located in Unit B. Sanderson B-1 Number 1 located in Unit A and Sanderson B-1 Number 2 located in Unit H, Section 10. The cross-section consists of log traces of these wells and the exhibit shows that the Sanderson B-1 Number 2 produces from zones which are above the producing zones for the down-dip oil wells on the proposed proration unit. As shown on the log trace of Sanderson B-1 Number 2 at the extreme right of the exhibit is a dual completion in the Eumont Gas; Eumont oil wells. The producing interval is shown to consist of the middle Seven Rivers, a zone at the top of the Queen and several zones in the upper half of Penrose section extending down to an elevation of minus 48 feet. The gas oil contact in the Eumont pool occurs generally at approximately a minus 150 feet elevation, and the Eumont portion of the Sanderson B-1 Number 2 is perforated in the Penrose. The Sanderson B-1 Number 1 is a Monument oil well and completed in the Grayburg. There is no Eumont pay open in that well. Reed Sanderson Number 19 which is the next well proceeding from right to left is completed in the Penrose below a minus 150 and the same is true of the Reed Sanderson Unit Number 18, which is the well on the extreme

left side of the exhibit.

Q The Queen and Seven Rivers intervals are open then in the Sanderson B-1 Number 2 but not open in the other wells, is that correct?

A That is true.

Q So you are producing from different interval in that well.

A Yes, sir, at least partially.

Q Referring to what has been marked Exhibit Number 3 would you discuss that exhibit please?

A Exhibit Number 3 is a structure map showing the structural configurations of the Penrose member of the Queen with the contour interval at 50 feet, and the proposed enlarged unit is shown outlined in red, and the unit well is circled in red. Approved proration units that are immediate offsets are outlined in green and the wells to which this acreage is allocated, are circled in green. As this exhibit shows, the acreage sought to be added to the present unit is structurally comparable to the acreage which is allocated to the north offset wells which are Reed A-3, Wells Numbers 2 and 3 located in Units H and I of Section 3, Township 20 South, Range 36 East.

Q Now in your opinion is the acreage sought to be

added to the unit productive of gas?

A Yes. The Seven Rivers and Queen members which are perforated in the unit wells appear from the log to be porous, and at the structure location certainly should be gas productive, and, as I mentioned, the acreage is structurally comparable to acreage which is already allocated to wells to the North, and in my opinion, acreage sought to be added is gas productive.

Q Will the granting of this application result in the prevention of waste and will correlative rights be protected?

A Well, I couldn't say definitely, that the addition of this acreage to this well would increase the recovery from the reservoir. I do believe that it will increase the ultimate recovery from this well, in other words, there is more a question of correlative rights involved here, than there is waste, in my opinion, and I do believe that the well is suffering from disproportionate withdrawals from the offset wells, because of various acreage in this lease which is not allocated, and which can be allocated and which we seek to allocate in this application.

Q The wells to the North are operated by Continental Oil Company, are they not?

A Yes, sir.

Q Is the lease operator different as to the proposed unit and the wells offsetting it to the North?

A They are both Federal leases, but they are different Federal leases.

Q They have different overriding royalty interest, is this correct?

A Yes, sir.

Q Would the approval of this application result in the protection of those interests?

A In my opinion, it would.

Q Were Exhibits 1, 2, and 3 prepared by you or under your supervision?

A Yes, sir, they were.

MR. KELLAHIN: At this time, I will offer in evidence, Exhibits 1, 2, and 3.

MR. UTZ: Without objection, Exhibits 1, 2, and 3 will be entered into the record of this case.

(Whereupon, Exhibits 1, 2, and 3 were entered in evidence)

MR. KELLAHIN: That's all I have on direct examination.

CROSS EXAMINATION

BY MR. UTZ:

Q Referring to your Exhibit Number 2, Mr. Lyon --

A Yes, sir.

Q -- the interval in your D-1 Number 2, which is perforated just below the 3400 foot marker, is in the Eumont Pool, did you say?

A No, sir. There is at the top of the Queen which is in the Eumont Pool.

Q Well, then the zone below the top of the Penrose is in the Monument?

A No, sir.

Q You said that was a dual completion, did you not?

A It is a dual completion. The Monument consists of the Grayberg-San Andres formations, and the top of the Grayberg is shown in this well at, it looks approximately 3740. There is a liner in the well and the completion intervals in the Grayberg are shown at approximately 3820, 3850, ending at 3900 right at the bottom of the log trace.

Q Which pool are the perforations in on each side of 3600?

A 3600 is approximately at sea level. That is the meaning of the heavy line drawn horizontally across the

exhibit. Perforations on either side of that are in the Penrose, member of the Queen, which is Eumont.

Q The packer is set at 3700 feet?

A Yes, sir.

Q In other words, everything above the packer, you consider to be in the Eumont Pool?

A Yes, sir. I might add that Reed R-3, Numbers 2 and 3 which are the unit wells for the units North of proposed unit are almost identical to Sanderson B-1, Number 2 in their structural position and their completion intervals.

Q Now the zone perforated just below the top of the Penrose is gas in your opinion?

A Yes, sir. In Sanderson B-1, Number 2.

Q The zone perforated just below the top of the Penrose, in your Reed Sanderson 19, and you Reed Sanderson Number 18, you consider to be oil?

A Yes, sir.

Q Aren't those pretty much perforated in the same vertical interval?

A To a large extent, yes. The zone equivalent to the top of the Penrose perforations in Sanderson's B-1, Number 2 occurs at about 3710; and Reed Sanderson unit Number 19; which about 40 or 50 feet above the top perfora-

tions in that well. Other than that, the Penrose perforations are about the same.

Q So the only reason your Number 18 or Number 19 is oil is simply because it's downstructure, is that your interpretation?

A Correct.

Q So actually you would be receiving oil allowables for your oil wells, right?

A Yes, we are.

Q And you would be receiving your gas allowables for the same 80 acre tract from your B-1, Number 2?

A Yes, sir.

Q That's getting pretty close to dual dedication?

A Well, it's close. The perforated intervals, the producing intervals aren't identical, but part of them is the same.

Q Would you agree that the perforations in the Number 18, and Number 19 are in the vertical limits of the Eumont Gas Pool?

A Yes, sir, the Eumont Pool, oil or gas.

Q In relation to your Exhibit Number 3 --

A Yes, sir.

Q -- how about the well, the Number 1 that is just

south of your -- you have two wells in Section 10 labeled 6 and 7. Which wells are those?

A Oh, I'm sorry, this is the old designation for those wells.

Q They should be 18 and 19, shouldn't they?

A Yes, sir, they are Reed Sanderson wells Numbers 18 and 19, now.

Q In other words you're designation on Exhibit 1 isn't correct?

A That's true.

Q And the well I have reference to is the well just south of the Number 18, is that an oil well?

A Yes, sir.

Q It's a Eumont oil well?

A Yes, sir.

Q And your well which is the offset to the south of Number 19, which is marked on the Exhibit Number 1, is that also a Eumont well?

A I'm sorry, I didn't understand your question.

Q The well marked Number 1, which is the south offset to the Number 19 well?

A Yes, sir, two States Echeverry No. 1?

Q Yes, that's a Eumont oil well?

A Yes, sir.

Q The working interest operator of the 80 acres that you are making application for there, is as the same as the present unit?

A Yes, sir.

Q But it's overriding royalty that is differnt, is that correct?

A No, the overriding royalty is different in this lease as compared as to these leases to the North in Section 3. All interest in the acreage sought to be added is the same as the present unit.

Q Then all interests in your 240 acre tract are the same?

A Yes, sir.

Q Overriding and working?

A Yes, sir.

Q Is there a unitization in this area?

A Yes, there is. Reed Sanderson unit is shown on Exhibit Number 1 by the alternate dot-dash line and comes down the boundry at the east half of the east half of both those sections.

Q So the 80 acre which is the subject of this application is in the Reed Sanderson unit?

A Yes, sir.

Q And your present unit is outside?

A Yes, sir.

Q How is the situation going to be resolved?

A It leads to problems, but we have confidence that they will be worked out. This had been discussed with the USGS and there will be a unitization necessary both for this unit and for the unit to the North, because the leases have been segregated as the result of the unitization, but the operator is still the same even though the leases now bear different Federal serial numbers.

MR. UTZ: Are there other questions?

REDIRECT EXAMINATION

BY MR. KELLAHIN:

Q A question of possible dual dedication of acreage was raised. Do you know of any instances of dual dedication of acreage in the Eumont?

A There are numerous instances of dual dedication in the Eumont as far as the same acreage is concerned.

MR. KELLAHIN: That's all I have.

MR. UTZ: Any other questions? The witness may be excused.

(Witness excused.)

MR. KELLAHIN: That's all we have in Case 3658.

MR. UTZ: The case will be taken under advisement.

I N D E XWITNESSPAGE

VICTOR T. LYON

Direct Examination by Mr. Kellahin

2

Cross Examination by Mr. Utz

9

EXHIBITMARKEDOFFERED AND
ADMITTEDApplicant's 1,
2, and 3

2

8

STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

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

Witness my Hand and Seal this 20th day of October, 1967.

Ada Dearnley
 NOTARY PUBLIC

My Commission Expires:

June 19, 1971

I do hereby certify that the foregoing is
 a correct record of the proceedings in
 the Bernalillo County of New Mexico
 heard by me on Sept. 27 1967
365-8
[Signature]
 New Mexico Oil Conservation Commission

