

SUN OIL COMPANY

SOUTHWEST DIVISION
RIO GRANDE NATIONAL BUILDING
DALLAS 2, TEXAS

S. M. GLADNEY
MANAGER
T. F. HILL
ASSISTANT MANAGER

*Case file
No. 1327*
A. S. RHEA
SUPT. OPERATING DEPT

April 3, 1958

Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Porter:

Enclosed are three copies of Sun Oil Company's closing statement made in the Jalmat rehearing, Case No. 1327, Order No. R-1092-A. A copy of this statement is being furnished to counsels for Texas and Pacific Coal and Oil Company and El Paso Natural Gas Company.

Yours very truly,

Granville Dutton
Granville Dutton

GD:k
cc - Mr. Jack Campbell
Mr. B. R. Howell

JALMAT REHEARING
CASE NO. 1327, ORDER NO. R-1092-A
ARGUMENT AND CLOSING STATEMENT OF SUN OIL COMPANY
March 27, 1958

The New Mexico Conservation Statutes are among the most modern and enlightened in this nation. Nowhere are the enlightened aspects of these Statutes better revealed than with respect to the allocation provisions. The establishment of the proportional relationship between allowable and the hydrocarbons "under each property" recognizes the ownership of the in-place hydrocarbons by each property owner.

You have heard of discrepancies in the various engineers' testimony on points involved in this case. However, one point upon which all engineers who answered the question did agree was that, neglecting coincidences, the recoverable gas in-place under a tract is not proportional to the deliverability of the well to which that tract is assigned. It is not consistent with good engineering or good logic to contend that the addition of a non-proportional factor, i.e., deliverability, to a universally recognized proportional factor, i.e., acreage, could bring the allowable more nearly in proportion to the gas in-place.

With respect to the purchasers' claim that acreage allocation has resulted in a shift of gas allowable from the Jalmat Pool to the San Juan Basin, I am reminded of a story by one of my law school professors. He told me that the old adage, "No man can make evidence for himself", was as wrong as it could be. In fact, he stated that if ever I were involved in an accident at an intersection I should immediately jump out of my car and shout at the other driver, "Why did you run that red light?". In reply to my question as to if I should not first study the intersection to see if a traffic signal were

installed, he told me that if I didn't get rid of my engineering ideas, I would never make a lawyer. Perhaps he was right.

As you gentlemen no doubt realize, this hearing involves much more than gas proration in the Jalmat Pool. The immediate future of proration and conservation is at stake.

Is allocation to be based upon coincidental circumstances? This, to me, is deliverability allocation.

Are your efforts and ours to be restricted to refighting the old battle of the potential formula, the proponents of which based their arguments on the outmoded concept that since the christmas tree is the only thing above ground -- the only thing we can see, feel and hear -- we must allocate on the basis of what is occurring within that tree? This is deliverability allocation.

Are we again to see an arbitrary, manipulatable factor introduced into allocation -- a factor that will encourage a man to seek that which he does not own, that is, his neighbors' gas? This is deliverability allocation.

Or, on the other hand, are we to be free to seek the attainment of a worthy goal -- that of conservation without confiscation?

Are we to be free to take advantage of the tremendous technical strides in the oil industry that have eliminated us from basing our entire knowledge of a reservoir upon what occurs at the mouth of the well?

Are we to be free to advance the scientific aspects of proration in order to realize at the earliest time the maximum recovery along with maximum protection of correlative rights? These involve allocation upon the

statutory basis of gas in-place "under such property".

I have extolled the many virtues of the New Mexico Conservation Statutes. I would like to close with one more compliment.

The last sentence of Article 65-3-20 specifically gives you the authority to "...enter such new order or decision after rehearing as may be required under the circumstances". Gentlemen, if your judgment dictates that a change from acreage allocation should be effected in Jalmat, let me urge you to avail yourself of the wise breadth of this provision to make such a change a forward step -- a step toward the ultimate in proration, that of allocation on the basis of the gas in-place "under each property". Factors in addition to acreage which on a sound and practical engineering basis are both directly related to gas in-place under a given tract and are capable of uniform interpretation are available. The use of such additional factors would represent a step forward toward ideal proration -- the use of deliverability would represent a step backward toward inequitable production resulting in the taking of one man's property and giving it to another under color of law.