

BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico
February 8, 1956

IN THE MATTER OF:

CASE 1004

TRANSCRIPT OF PROCEEDINGS

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.....
IN THE MATTER OF:)

The application of Humble Oil and Refining Company)
for an order approving a non-standard gas proration)
unit in exception to Rule 5 (a) of the Special Rules)
and Regulations for the Eumont Gas Pool, Lea County,)
New Mexico, as set forth in Order R-520. Applicant,)
in the above-styled cause, seeks an order establish-)
ing a 160 acre non-standard gas proration unit con-)
sisting of S/2 S./4 Section 25, S/2 SE/4 Section 26,)
Township 20 South, Range 36 East, Lea County, New)
Mexico; said acreage to be dedicated to the applicant's)
Federal Popeano Well No. 1, located in the S/2 SW/4 of)
Section 25, Township 20 South, Range 36 East.)
.....

CASE NO. 1004

BEFORE:

Warren W. Markin, Examiner

TRANSCRIPT OF HEARING

EXAMINER MARKIN: We will now proceed with continued Case 1004, which is the application of Humble Oil and Refining Company for a non-standard proration unit in the Eumont Gas Pool.

MR. HINKLE: Clarence Hinkle, Roswell, appearing on behalf of the Humble Oil and Refining Company. This is an application on behalf of the Humble -----

MR. CURLEY: Mr. Hinkle, I believe we should swear Mr. Dewey in on this case.

MR. HINKLE: Yes, we will do that.

Mr. Malone: If it please the Examiner, I would like to enter an appearance, Ross Malone of Roswell on behalf of Stanolind Oil and Gas Company, in opposition to the application.

MR. HINKLE: Now this is the application of Humble Oil and Refining Company for approval of a communitization agreement to form a non-standard gas proration unit consisting of the S/2 of the SW/4 of Section 25, and the S/2

of the SE/4 of Section 26, Township 20 South, Range 36 East.

MR. GURLEY: Do you have any witnesses for your opposition, Mr. Malone?

MR. MALONE: I won't know until I have heard the testimony of the applicant.

R. S. DEWEY

having first been duly sworn, testified as follows:

By Mr. Hinkle:

Q. State your name please.

A. R. S. Dewey

Q. By whom are you employed, Mr. Dewey?

A. Humble Oil and Refining Company.

Q. Where do you live?

A. Midland, Texas

Q. Have you previously testified before the Commission?

A. I have.

Q. In what capacity?

A. District Petroleum Engineer.

MR. MANKIN: His qualifications are acceptable.

Q. Mr. Dewey, I hand you Humble's Exhibit No. 1 and ask you to state what that shows.

A. Humble's Exhibit No. 1 is a plat of four sections containing Humble's Fopeano lease together with the surrounding offset properties of other operators. The plat also shows the location of various gas wells which are producing from the Eumont Gas Pool, together with their ownership. The Humble Fopeano lease consists of the S/2 of the SW/4 of Section 25 and the S/2 of the SE/4 of Section 26 and the NE/4 of Section 35, all in Township 20 South, Range 36 East.

Q. Is there a gas well at the present time located upon part of the acreage which is proposed to be communitized?

A. There is.

Q. Where is that well located?

A. That well is located in the approximate center of the SE/4 SW/4 of Section 25, known as the Humble Fopeano No. 1.

Q. Does the Humble have any other gas wells in the area adjoining this lease?

A. There is a gas well in the approximate center of the NE/4 NE/4 of Section 35 and is known as Humble's Fopeano No. 6.

Q. Are these two wells producing from the same gas pool or reservoir?

A. They are both producing from the Queen formation in the Eumont Gas Pool.

Q. Are the other wells that are indicated on the plat producing from the same reservoir or formation?

A. To the best of our knowledge and information they are producing from the Queen formation of the Eumont Gas Pool.

Q. Mr. Dewey, why did you urge the Humble to seek in this case to combine these two eighties to form a non-standard gas unit?

A. In order to protect our correlative rights we feel that it is necessary to expand the 80 acres now designated in Section 25 -- or to expand it to include the 80 acres which has not been assigned a gas allowable to date.

Q. Is there any other acreage which could be assigned to it at the present time?

A. It possibly could be assigned to Humble's No. 6 gas well in Section 35. That would make it a 240-acre unit, whereas if we assign it as proposed in this hearing both units will then be of 160 acres each.

Q. Is the Well No. 1 capable of producing the allowable for the 160 proposed?

A. It is. It is capable of approximately 4 million cubic feet of gas production per day.

Q. The Humble has a standard unit which consists of the NE/4 of Section 35, does it not?

A. That is correct.

Q. And that acreage has been assigned to Well No. 6?

A. It has.

Q. Was Exhibit No. 1 prepared by you or under your direction?

A. It was prepared under my direction.

Q. I would like to offer Exhibit No. 1 as evidence.

MR. MANKIN: Is there objection to the entering as evidence Exhibit No. 1 in this case? If not, it will be so entered.

Q. Mr. Dewey, refer to Humble's Exhibit No. 2 which is on the wall and state to the Commission what that shows.

A. Exhibit No. 2 is a cross-section east and west to the wells which is proposed to include the expansion of this unit. There is the Amerada Federal "D" No. 5 on the west and Humble's Federal Fopeano No. 1 on the East. It has been prepared to show our conception of the relation between the various producing formations in the area and to indicate that the Queen formation is continuous across the lease, east and west and that it is reasonable to believe that the Fopeano No. 1 will drain the -- will have communication to drain the area proposed to include within this unit.

Q. Does it show in effect that all the lands proposed to be included in the unit are reasonably productive of gas?

A. It does.

Q. And that the Fopeano No. 1 would effectively and efficiently drain the entire proposed communitized area?

A. Considering counter drainage in the area, I think it does.

Q. Now was this exhibit prepared by you or under your direction?

A. It was prepared by geological department.

Q. We would like to enter this exhibit as evidence.

MR. MANKIN: Is there objection to the entering of Exhibit No. 2 in evidence in this Case? If not, it will be so entered.

Q. Mr. Dewey, do you know whether or not a communitization agreement has been executed covering these two 80-acre tracts and presented to the United States Geological Survey for approval?

A. It has.

Q. Now I hand you Humble's Exhibit No. 3 and ask you to state what it is.

A. That is a communitization agreement entered between the Humble Oil and Refining Company and submitted to the U. S. G. S.

Q. Is that the signed copy?

A. Executed by the Humble Oil and Refining Company.

Q. Is that a duplicate of the copy which has been -- the original which has been filed with the United States Geological Survey?

A. Yes Sir.

Q. Do you know whether or not the U.S.G.S. has yet approved it?

A. They are withholding approval, as I understand it, until an application was presented to the Conservation Commission to see if the unit may be increased from 80 acres to 160 acres.

Q. As far as you know, the United States Geological Survey has no objection to the formation of this unit?

A. No, none whatsoever.

Q. I would like to offer in evidence, Humble's Exhibit No. 3.

MR. MANKIN: Is there objection to the entering of this exhibit in evidence, exhibit No. 3? If not, it will be so entered.

Q. Is the royalty ownership the same over the 160 acres constituted in this application?

A. The U.S.G.S. owns ---

Q. You mean the United States.

A. The United States owns the entire royalty under that tract in question.

Q. Is there anything else you would like to state to the Commission in regard to the formation of this unit?

A. I would like to restate Humble's position relative to the proration in the Eumont Gas Pool. Humble has gone on record a number of times relative to two allowables on the same designated acreage and our position has not changed relative to our former statements at all. In the Case No. 881 dated June 20, 1955, the statement was made that Humble would like to concur in a proposal made by Amerada in the May hearing as to suggested rules recommending that a gas-oil ratio of 6,000-1 be placed on oil wells and the production of casinghead gas be deducted in computing the allowable in any unit having both oil and gas wells. The 6000-1 gas-oil ratio is in keeping with the limiting gas-oil ratio established in the Eunice Field, a reduction of 10,000 to 6,000 in an attempt to control waste. Until such time as the Commission revise the field rules for the Eumont Pool, the Humble requests that they be treated the same as every other operator in the area and be permitted to protect their correlative rights. I

might state also that this No. 1 Well -- Fopeano No. 1 was granted a privilege of being made a dual completion prior to the time that the Eumont Gas Pool was created and that it is producing gas from the Queen and oil from the Grayburg in the Eunice Pool. I believe that is all.

MR. GURLEY: Have you had any indication from the U.S.G.S., Mr. Dewey, that they would approve this?

A. My understanding is that pending the approval of the Commission, the U.S.G.S. will send this communitization to Washington for the final approval.

MR. GURLEY: Have you had any correspondence to that effect or is that a verbal commitment?

A. As far as I know that is a verbal commitment.

MR. HINKLE: With permission, I would like to state that I talked to Mr. John Anderson also Mr. Canfield of the U.S.G.S. and they were ready to recommend the approval of this and send it into Washington when I told them about this hearing and they said that they would like then to withhold the sending of it in to Washington for approval with their recommendation until the Conservation Commission acted upon the application. He indicated to me that they would approve it if the Conservation Commission approved it.

MR. GURLEY: Is it not customary, Mr. Hinkle, in these cases where they have rather a form letter that they usually send out that show --- assuming that nothing develops that they in all probability will approve ---

MR. HINKLE: No, As far as I know they don't.

MR. GURLEY: That came up at a hearing before I think, and if I remember, Mr. Anderson stated that they sometimes sent out such a statement, that they would ----

MR. HINKLE: They didn't in this particular case, but at the same time we submitted for their approval the communitization agreement which also ---

which involves the NE/4 of Section 35 and they didn't send us a letter on that, as indicated, they gave us verbal permission.

MR. GURLEY; They indicated they would.

MR. MANKIN: Mr. Hinkle, we have recently received a similar situation where it was all federal acreage and where they were in agreement providing of course that we were acceptable. Would it be possible that you could have Mr. Anderson submit a letter to us and make a matter of record in this file, that they would be agreeable, providing of course that the Commission saw fit to approve it. We just received just a few days ago such a similar letter in another case.

MR. HINKLE: I would like to have permission to file that letter for the record in this particular case.

MR. MANKIN: Mr. Dewey, ----- that permission will be granted for filing this particular letter from the U.S.G.S., indicating their permission proviso upon the Commission's action. Now, Mr. Dewey, I believe you indicated this well was completed and in production in the Eumont Gas Pool or what is now known as the Eumont Gas Pool prior to the issuance of Order R-520, that is of August, 1954. Is that correct?

A. That is right.

MR. MANKIN: And further in this case, I believe, your exhibit No. 2 reflects that this well in question in this case, Well No. 1, is higher structurally than the other three oil wells producing from the same Queen zone on the same 160 acre lease. Is that correct?

A. That's correct.

MR. MANKIN: And there are a considerable number of wells surrounding your lease that are producing Queen oil, possibly lower down structurally.

A. Yes, that's right.

MR. MANKIN: Does this particular Well, Well No. 1, producing from the Eumont Gas Pool, does it produce any liquids?

A. No, Sir. Not any recoverable liquids -- it is -- I don't think it produces anything -- we don't recover anything from it, I know that.

MR. MANKIN: Is there any further question of the witness? Mr. Montgomery.

MR. MONTGOMERY: Mr. Dewey, you testified to the fact that -- or answered the question that you assumed all the gas acreage was productive of gas.

A. Well it's productive of gas in the Eumont Pool. The Amerada has a well to the west of us, the Elliotts have a well to the north of us and there are productive wells south, southwest, to the south, southeast, east, they are surrounded by us. Eumont Gas Wells.

MR. MONTGOMERY: Well, if I restrict you to the interval of the zones you have opened your wells -- this No. 1 Well. Would you say that all of the acreage is productive of dry gas on the full 160 acres.

A. Oh, I think it is. It may not all be coming out of the Queen. Wait just a minute here, maybe I didn't understand your question here, would you mind repeating it.

MR. MONTGOMERY: Would you testify to the fact that the full 160 acres that you are asking for as a unit is productive of dry gas from the same zone that you have perforated in your No. 1 Well?

A. No, I don't think that is so because as the cross-section will show there the No. 1 Well is up dip and higher on structure than the other three wells on the lease and their -- those wells are completed as oil wells, but the --- those wells are overlain by gas that is in the Eumont Gas Pool.

MR. MONTGOMERY: Would you say that the gas overlying the Queen Gas Zone in this area is probably commercial on that 160 acres.

A. I would think it would be due to the fact that the Amerada No. 5 Well on the extreme west end of the cross-section produces gas and supports a 160 acre unit.

MR. MANKIN: It is producing gas from the Seven Rivers or the Queen, Mr. Dewey ----

A. I imagine the Seven Rivers but I don't know, it's immaterial whether it is Seven Rivers or Queen, it is all within the confines of the Eumont Gas Pool.

MR. MONTGOMERY: I would like to ask one other question. Do you approve of the policy of dedicating acreage to a gas well that is not productive of gas?

A. We -- our policy has been that you should have just one allowable from the same dedicated acreage until that policy is verified by or accepted by the Conservation Commission and the only recourse we have is to protect our correlative rights.

MR. MONTGOMERY: Would your correlative rights be protected assuming that from your exhibit the cross-section illustrates that a large portion of the acreage is not productive of dry gas from the zone that you have perforated in your well therefore, would the correlative rights of the offset operators be protected if you assign acreage over and above what your productive ground is.

A. The wells that are offsets there are producing from the Eumont Gas Pool and they may be taking gas out of the Seven Rivers and where we take gas out of the Queen but as long as its the same designated gas pool I don't see that the distinction between that or whether they are all Queen wells or all Seven Rivers Wells.

MR. MANKIN: Do you have anything, Mr. Rieder?

Mr. Rieder: Just a moment.

MR. DEWEY: We have a test on the Fopeano 4 where we could make that a gas well producing from the Queen if we care to do so why it has produced gas on tests from the Queen formation.

MR. RIEDER: Mr. Dewey, I am correct that it is the same interval open in your gas well is the same interval --- essentially the same interval that is open in your three oil wells?

A. That's right, essentially so, yes.

MR. RIEDER: Don't you feel, or do you, that the increased withdrawal of gas from your No. 1 well might not have an effect on the oil to the extent that it might pull some of that oil upstructure and thereby cause waste?

A. That is perfectly true, but that is current on all of the offset properties too. That apparently is the scheme of things in the Eumont Gas Pool today.

MR. RIEDER: But you do feel that it is a good indication that increased withdrawal from the gas pool most certainly might contribute to waste by pulling the oil upstructure -- in the general area of the No. 1 Well?

A. Oh, I think that is true, that is very true.

MR. MANKIN: Anything further. Any other questions of the witness?

MR. MALONE: Ross Malone for Stanolind. Mr. Dewey, you testified, I believe, that the Fopeano No. 3, No. 4 and No. 5 are oil wells in the Eumont Pool.

A. Yes, Sir.

MR. MALONE: And that the No. 1, of course, is a gas well producing from the Eumont Gas Pool?

A. That's right.

MR. MALONE: So that there would be a dual assignment of acreage for allowable purposes if your application was granted, would there not?

A. That is true. That is the same situation that is prevalent throughout the Eumont Pool.

MR. MALONE: Until the policy of the Commission, with reference to the Eumont Pool is fixed, in this regard, it is true that we would be making a prior commitment that might or might not be consistent with the policy of the Commission when it issues an order in Case 881.

A When and if the Commission issues such an order, we will certainly obey whatever new order is specified.

MR. MALONE: And if that order should come out prohibiting the dual assignment of acreage to both an oil and gas allowable, then it would be necessary for the Commission to unmake the unit which it would be making if it granted your application.

A That is true. Of course, if they feel that they should unmake several other similar situations at the same time.

MR. MALONE: You - - I correctly understood you to testify that you did not think that there was necessarily communitization of gas between the gas in the Seven Rivers formation and the gas in the Queen that you are producing in your Fopeano No. 1.

A Well not immediately - - In the immediate locality I am not sufficiently versed in the geology of the area, but I am authorized to say that they are connected somewhere through a common water table at edge acreage or some other place.

MR. MALONE: Yes, you couldn't testify that in your opinion the Fopeano No. 1, as it is presently completed, would drain gas from the Seven Rivers formation in the other 40 acre tracts which compose the unit.

A As I visualize the situation, the Eumont Gas Pool consists of three formations, the Yates, Seven Rivers and Queen, all of which are productive of gas in various places and they are - - - they are also productive of oil at other localities so in essence we have here a large gas gap and a - - -

with a down flank production of oil due to the drilling in the area the gas wells are pretty well tied together through well bores and they might not have existed and to start with - - - in communitization - - - but due to the completions that have taken place on this large area, I am sure that there are instances where wells are completed partially in the Seven Rivers and partially in the Queen so that in essence there are one huge gas cap with oil wells down the flank and that any withdrawals from one formation such as the Queen would have in effect eventually on the withdrawals from other formations, Seven Rivers or the Yates.

MR. MALONE: On that basis is it your testimony that in your opinion this well through its present perforations would produce gas from the adjoining 40 acres in the Seven Rivers formation.

A Not adjacent to it. It may be acquired by a devious route. It would take considerable time to have any effect on this area. I think that all the wells in there have accumulated effect in there in drawing down the pressure in the gas cap and that is transmitted by well bores back to all the oil zones down strike from the gas wells.

MR. MALONE: Yes, sir. It is your position that inasmuch as that all of these formations are in the Eumont Gas Pool, it doesn't make any difference whether there is immediate communitization throughout the unit for which you have applied.

A I think that is right, yes, sir.

MR. MALONE: With reference to the adjacent acreage that is shown on Exhibit 1, are you familiar with the location of the Stanolind Gillully's lease?

A I think you have reference to the 30 acres being the N/2 of the SW/4 of Section 25.

MR. MALONE: Yes, sir. Do you know whether or not there are oil or gas wells on that 80 acres immediately north of the east 80 acres of your proposed unit?

A To the best of my knowledge, Stanolind has two wells on that 80 acres. One of them is completed in the Eunice Pool and the other is completed in the Eumont Pool. They are both oil wells.

MR. MALONE: For the purposes of the record, would you agree that Stanolind's Gillully No. 6-A is in the NE/4 of the SW/4 of Section 25 and is a Eunice Monument oil well and that Stanolind's Gillully 1-B is in the NW/4 of the SW/4 and is a Eumont oil well.

A I will accept that.

MR. MALONE: If the Commission should conclude that dual assignment of acreage would not be permitted for allowable purposes, it would be possible to form an 80 acre unit consisting of the SE/4 of the SW/4 of Section 25 and the NE/4 of the SW/4 of Section 25 to form an 80 acre unit for gas purposes from the Eumont Gas Pool, would it not?

A I think that is right.

MR. MALONE: Are you advised of the fact that Stanolind has offered to form such a unit with Humble?

A I know that negotiations are going on between Stanolind and Humble. They have been very recent. I think they were started since this application was published by the Commission and I haven't had any personal contact with Stanolind on the matter.

MR. MALONE: There has been contact between your land department and Stanolind's land department on the subject matter.

A I understand there has, yes, sir.

MR. MALONE: And if the Commission should conclude that dual assignment of acreage would be permitted in the Eumont Pool, it would be possible to form a unit which would consist of a standard 160 acre subdivision and be composed of the SW/4 of Section 25, would it not?

A You might repeat that for me.

MR. MALONE: Well, if the Commission concluded that dual assignment of acreage would be permitted, then we could have a unit made up of the SW/4, Stanolind's N/2 of the SW/4 and Humble's S/2 of the SW/4?

A Yes, I think that is so. The status quo would continue as it is currently. It would be possible for Stanolind and Humble to join together under some sort of a mutual agreement and include Stanolind's acreage in the unit there.

MR. MALONE: And you have at least heard that negotiations to that end have been discussed in the event that policy should be promulgated by the Commission.

A Yes, sir.

MR. MALONE: Does Humble have any particular objection to forming a unit with Stanolind in the SW/4 of 25?

A In the event our application is approved as presently proposed to the Commission and in the event that mutual agreements can be worked out which are agreeable to both Stanolind and Humble, we have no objection to the further enlargement of this to actually include Stanolind. I think that the Fopeano No. 1 Well has sufficient capacity to support a 240 acre unit.

MR. MALONE: If this application should be denied, it would also be possible to form a 160 acre with that same unit well, would it not?

A It would be. Of course that would be in violation of our correlative - - - wouldn't give us an opportunity to protect our correlative rights in the area.

MR. MALONE: Do you feel that the correlative rights of other operators will be protected by the approval of this application to protect yourself?

A I think so due to the fact that Stanolind, I think, is similarly situated in their 80 acre tract so that if they so desire, it would be very possible to make an application to the Commission to dually complete the oil well that is now completed in the Eunice Pool by perforating and completing higher as a dual completion. It would protect their 80 acres.

MR. MALONE: They would be required to dually complete a well which would not otherwise be necessary if a standard unit were formed here, wouldn't it?

A No, it would be an additional expense to Stanolind. On the other hand they might prefer to have their own operation rather than entering into some sort of a joint operating agreement with a farmout contract.

MR. MALONE: At the present time, the unit which is assigned to this well consists of the S/2 of the SW/4 of Section 25, does it not?

A It is an 80 acres unit. It is confined to that 80 in Section 25.

MR. MALONE: That is all.

MR. MANKIN: Any further questions of the witness? Mr. Hinkle.

MR. HINKLE: Mr. Dewey, under the present rules of the Eumont Gas Pool, assuming that the Humble owned all of the SW/4 of Section 25, would that not be designated as a standard unit and approved administratively without hearing?

A That is right, yes, sir.

MR. HINKLE: Is that any different situation from that which you contemplate here as far as the assignment of dual allowables?

A No, sir. Exactly the same.

MR. HINKLE: Now, in reply to Mr. Malone's questioning, he stated that it might be possible to communitize with the Stanolind as far as the SW/4 of Section 25 is concerned. Would that not leave the Humble with an 80 which is unprotected, the same as the Stanolind 80.

A You would force Humble to ~~recomplete~~ complete the No. 4 Well as a dual provided

that the Commission would grant us such approval. That would place us in the same position regarding that 80 acres that Stanolind is now.

MR. HINKLE: Well then one of the other of you would have to make a dual completion in order to protect your correlative rights.

A That is correct. I think that if Stanolind cares to do it we can arrive at a mutual set of agreements with Stanolind. This unit can be further enlarged to take in Stanolind's.

MR. HINKLE: As far as the assignment of acreage is concerned for the allowable, then dual allowable, is that not true, in regard to any standard proration unit which has both oil wells and gas wells on the acreage.

A As I understand it.

MR. HINKLE: This situation, of course, would be no different than you have today and you have provisions available under the existing rules for the protection of Stanolind.

A That is right.

MR. MANKIN: Any further questions of the witness?

MR. MALONE: I have one further question. You referred to the possible expansion of this unit to form a unit in the area, Mr. Dewey. It would be possible to expand the unit assigned to your Fopeano No. 6 Well to a 240 acre, would it not?

A It would be. It wouldn't be as desirable to do that because the No. 6 Well is not - - - hasn't the same capacity as a gas well as our No. 1.

MR. MALONE: Could the No. 6 Well produce the allowable for a 240 acre unit?

A I think it could. It would crowd it but I think it could.

MR. MANKIN: Any further questions of the witness?

DON WALKER: Mr. Mankin, I don't have a question but I have a statement.

MR. MANKIN: Mr. DuPont.

MR. DU PONT: At the time that Elliott applied for a - -

MR. MANKIN: Just a moment. Mr. DuPont with the U.S.G.S.

MR. DU PONT: At the time Mr. Elliott applied for a 160 acre unit did Humble enter any objection to that unit that they applied for, being the W/2 of the NE/4 and the N/2 of the SE/4 of Section 26.

A No. We raised no objection to that at all. We didn't enter any objection to Elliott's application at all.

MR. MANKIN: Anything further, Mr. DuPont? Mr. Hinkle.

MR. HINKLE: One more question of Mr. Dewey. At the time you filed this application did you send out registered notices to all of the offset owners?

A We did. We sent notices to Stanolind Oil and Gas, Gulf Oil Corporation, Shell Oil Company, Sinclair Oil & Gas, Amerada Petroleum Corporation, Bay Petroleum, L. E. Elliott, Phillips Petroleum, Skelly Oil Company and Atlantic Refining Company.

MR. HINKLE: Did you have any replies or protests to the formation of this?

A Not that I know of. I have the return receipts here, do you want them?

MR. MANKIN: It won't be necessary. Any further questions of the witness? If there is no further questions, the witness may be excused. Any statements to be made in this case?

DON WALKER: With Gulf.

MR. MANKIN: Is there any other statements besides the one which Mr. Walker is preparing to make? Go ahead Mr. Walker.

DON WALKER: With Gulf Oil. I think our policy concerning the dual assignment of acreage is a matter of record before this Commission, but I would just like to have ten days to see if my company would like to restate this for this case if that is permissible with the Examiner. Otherwise, I'll write it anyway.

MR. MANKIN: Could you make it five days, Mr. Walker?

MR. WALKER: Yes, sir.

MR. MANKIN: I think we have had sufficient time otherwise for advertisement of this case, but I think five days would certainly be sufficient, if that is agreeable with you.

MR. WALKER: It takes a study sometimes of these applications to bring out all of the facts. It is a little clearer to me here as presented.

MR. MANKIN: Mr. Hinkle, would Humble be agreeable for five days for Gulf to prepare a statement which they would like to present to the Commission in regard to this?

MR. HINKLE: No objection.

MR. MANKIN: Would Gulf likewise furnish Humble a copy of this?

MR. WALKER: Yes, sir.

MR. MANKIN: Who would you desire this to go to? To you Mr. Hinkle or to you Mr. Dewey?

MR. HINKLE: Either one would be alright.

MR. GURLEY: For the sake of the record here, Mr. Examiner, I think it should be understood that it is legal counsel's opinion that it is most irregular that another party be allowed additional time to come back with argument after the time of the hearing. This case has been advertised. All the argument should be presented at the time of the hearing in my opinion. It prejudices the person -- the party putting on the testimony at the hearing itself and in the future I would certainly recommend that any statements be prepared and presented at the time of the hearing in all fairness to the parties involved.

MR. MANKIN: I agree with that but in this particular case Humble is in agreement to it.

MR. HINKLE: I think the Gulf's position is the same as Stanolind and the Humble. They are all the same. The trouble is the existing rules of the Commission. It would be unfair at this point not to grant this in our opinion unless they change all of these.

MR. GURLEY: By granting this, what do you mean, Mr. Hinkle?

MR. HINKLE: This application.

MR. MANKIN: Mr. Malone did you wish to put on a witness?

MR. MALONE: No. I would like to make a statement for Stanolind. We will not offer any testimony. At the time of the hearing in Case 881 Stanolind stated its position that in its opinion the dual assignment of acreage for allowable purposes was inadvisable and was a dangerous precedent and recommended to the Commission that in the order which might be written in that case that there be no dual assignment of acreage authorized. Stanolind's position in this regard has not changed and for that reason it is forced to oppose the granting of the application of Humble in the case now being heard. We feel that to grant this application merely adds to an existing evil and perpetuates that evil which is the dual assignment of acreage and insofar as this particular unit is concerned, Stanolind is willing and has offered and now renews its offer to negotiate with Humble and enter into a mutual agreeable arrangement for a unit that would be composed of the E/2 of the SW/4 of Section 25, neither of which 40 acres has an oil allowable assigned to it. If when the order in Case 881 is written, the Commission, contrary to the recommendations of Stanolind, should authorize the dual assignment of acreage, Stanolind would then be very much interested and has indicated to Humble its willingness to enter into a standard 160 acre unit which would be composed of the SW/4 of Section 25, which would avoid the crossing of

section lines in the proposed unit of Humble and would prevent the repercussion that always come from an irregularly shaped unit such as the one here proposed. Under those circumstances Stanolind reluctantly recommends to the Commission that the application of Humble be not approved and that until an order is issued in Case 881 any change such as that which is contemplated by this unit will merely further complicate the ultimate disposition and assignment of acreage in this 160 acres which is involved and that if ultimately the dual assignment of acreage is authorized, the logical unit to be attributed to the Fopeano No.1 Well would be the SW/4 of Section 25 and Stanolind as the owner of the N/2 of the SW/4 would be willing to enter into negotiations and I am sure we could reach an agreement on the unit operating agreement. For these reasons we recommend that the application be not approved at this time.

MR. MANKIN: For the record, Mr. Malone, you mentioned that this would be a standard unit, the SW/4 of Section 25, I think, but that you meant it would be contained within the section. A Standard unit would be 640 acres.

MR. MALONE: That is correct. Within a standard governmental subdivision I meant to say.

MR. MANKIN: Is there further statements to be made in this Case? Mr. Rieder.

MR. RIEDER: If it please the Examiner, I believe that considerable reference has been made to the potential order that might or might not be written in Case 881. I do not feel that it is pertinent to the issues nor do I feel that the reference made to other proration units which are not under consideration by the Commission at this time has been made. I feel the pertinent fact here is the granting - - or the application for a unit which would be the evidence submitted clearly contribute to waste of oil in the Queen zone in this particular area. I wish to point this out as what I feel. The pertinent issues at hand in the formation such as the Queen,

it would be definitely conducive to waste and in addition I would like to point out that it has been shown in Humble's exhibit that only 80 acres of the proposed unit and only 80 acres of the proposed allowable could be considered productive of gas in the Queen zone and that primarily the granting of the increased allowable would certainly aggravate the situation.

MR. MANKIN: Is there further statements to be made in this case? Did you have anything further Mr. Hinkle?

MR. HINKLE: No.

MR. MANKIN: If there is nothing further we will take the case under advisement.

STATE OF NEW MEXICO)
 :
COUNTY OF SANTA FE) ss

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

Dated at Santa Fe, New Mexico this 7th day of March, 1956.

Bobby Postlewaite