

CASE 5154: MOTION OF OCC TO CON-  
SIDER AMENDMENT OF R-1670 FOR  
ELIMINATION OF GAS PRORATIONING IN  
CERTAIN PICTURED CLIFFS POOLS.

CASE No.

5154

Application,  
Transcripts,  
Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
January 30, 1974

EXAMINER HEARING

IN THE MATTER OF:

Hearing called by the Oil  
Conservation Commission of  
the Commission's Pictured  
Cliffs Gas Proration Committee  
to consider the amendment of  
Commission Order No. R-1670  
for the purpose of elimination  
of gas prorationing in the  
Aztec-Pictured Cliffs, Ballard-  
Pictured Cliffs, Fulcher Kutz-  
Pictured Cliffs, and West Kutz-  
Pictured Cliffs Gas Pools in San  
Juan, Rio Arriba and Sandoval  
Counties, New Mexico.

Case No. 5154

BEFORE: Daniel S. Mutter, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conser-  
vation Commission:

William Carr, Esq.  
and  
Thomas Derryberry, Esq.  
Legal Counsel for the Com-  
mission  
State Land Office Building  
Santa Fe, New Mexico

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MR. NUTTER: Call Case 5154.

MR. CARR: Case 5154. In the matter of hearing called by the Oil Conservation Commission on its own motion, at the recommendation of the Commission's 'Pictured Cliffs Gas Proration Committee,' to consider the amendment of Commission Order No. R-1670 for the purpose of elimination of gas prorationing in the Aztec-Pictured Cliffs, Ballard-Pictured Cliffs, Fulcher Kutz-Pictured Cliffs, and West Kutz-Pictured Cliffs Gas Pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico.

MR. NUTTER: Call for appearances.

MR. DERRYBERRY: Mr. Examiner, I'm Tom Derryberry, attorney for the Commission and I have two witnesses to be sworn.

(Witnesses sworn.)

EMERY ARNOLD

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

DIRECT EXAMINATION

BY MR. DERRYBERRY:

Q Mr. Arnold, will you give your full name for the Examiner?

A Emery Arnold.

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ARNOLD-DIRECT

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Q And what is your position?

A I'm District Supervisor of Commission's District 3 in Aztec.

Q Is one of the duties of your position to participate in the administration of prorationing in your district?

A Yes, it is.

Q Are you familiar with the Pictured Cliffs Fields which are listed in this docket?

A Yes, I am.

Q Are you familiar with the study committee referred to in the docket?

A Yes.

Q Could you give -- describe briefly the committee and the events leading to the appointment of that committee?

A All right. By memorandum dated November 14th, 1973, Mr. A. L. Porter, Junior, Secretary-Director of the Commission, appointed an industry committee to study and naturalize prorationing and production in the prorated Pictured Cliffs Gas Pools in the San Juan Basin and to determine whether or not it would be possible to eliminate proration in the prorated Pictured Cliffs Pools.

It was stated in this memorandum that the Commission was considering holding a Hearing in January, 1974, to consider

ARNOLD-DIRECT

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eliminating prorationing for member companies serving on the committee were Thomas A. Dugan, appointed as Chairman of El Paso Natural Gas Company, Southern Union Gas Company, Southern Union Production Company, Anaco Production Company, Tenneco Oil Company, Aztec Oil and Gas Company, Mesa Petroleum Company and Dave Thomas, Continental Oil Company, Consolidated Oil and Gas Company and Northwest Production Corporation, and, also, Northwest Pipeline Corporation was appointed to this committee.

The committee was instructed to file a final report with the Commission not later than January the 7th, 1974, so the Hearing could be set for January the 30th, if possible.

Two committee meetings were held, one on November 26th and one on December 12th, 1973. The committee discussed all aspects of production and prorationing of these pools and a poll was taken of the committee and there were certain parties who objected to the elimination of prorationing in the Tapocita-Pictured Cliffs and in the South Blanco-Pictured Cliffs Pool, for the reason they were unequal pipeline pressures between the increasing pipelines in those pools and they thought that eliminating prorationing might possibly result in non-readable tape.

The committee did reach unanimous in motion to

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recommend to the Commission that proration be eliminated in the Aztec, Ballard, Fulcher Kutz, West Kutz-Pictured Cliffs Pools. This recommendation was forwarded to Mr. Porter by Mr. Tom Dugan, Chairman of the Committee. As a result of that recommendation this Hearing was called. Mr. Dugan will present testimony for the committee in support of this Application.

Q All right. Do you have anything to add at this time to your testimony?

A I don't believe so at this time.

Q I would like to clear up one thing. Were you a member of the study committee?

A Yes. I neglected to mention that. I was appointed a Commission representative on the committee.

MR. DERRYBERRY: All right. I would like to recall Mr. Arnold at a later time after I call Mr. Thomas Dugan.

MR. NUTTER: As I understand it, Mr. Arnold, the committee was charged with investigation of six pools for possible elimination of prorationing?

THE WITNESS: That's right.

MR. NUTTER: But the Committee's recommendation was only for these four, which is the subject of the Hearing today?



DUGAN-DIRECT

THE WITNESS: That's correct.

MR. NUTTER: Are there any questions of Mr. Arnold?

You may be excused, subject to recall.

(Witness excused.)

THOMAS A. DUGAN

called as a witness, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. DERRYBERRY:

Q Mr. Dugan, could you state your name and position?

A Thomas A. Dugan, independent producer, Farmington, New Mexico.

Q Have you participated in the study committee to study the pools listed in the docket?

A Yes, I have, as Chairman of the committee.

Q As part of your role, did you study production figures of the wells in the subject pools?

A Yes, I have.

MR. DERRYBERRY: Mr. Examiner, since the data is all statistical, I don't believe that it is necessary to qualify Mr. Dugan as an expert.

MR. NUTTER: Mr. Dugan is an expert. He has been qualified as an expert on previous occasions before the

DUCAN-DIRECT

MR. DERRYBERRY: Okay. Thank you.

BY MR. DERRYBERRY:

Q Can you briefly describe the study committee and its functions in its role in coming up with the recommendations?

A Yes. The committee looked at all six of the prorate Pictured Cliffs Pools in the San Juan Basin and prepared an Exhibit showing the number of wells in the pools and their rate of production. There are -- this is a copy of this Exhibit. We would like to submit two Exhibits, one showing the number of wells and their rate of production from prorate pools and one showing number of wells and rate of production from unprorate Pictured Cliffs Pools in San Juan Basin.

Q All right. Your prorate totals would be in Exhibit "A" and the non-prorate would be in Exhibit "B", is that correct?

(Whereupon, Commission's Exhibits "A" and "B" were marked for identification.)

A That is correct. That would be four pools that the committee has recommended to discontinue prorationing and there are 1,404 wells. This is 18.8 percent of the total

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number of gas wells in the New Mexico portion of the San Juan Basin. However, these -- the 18.6 percent of the wells only produce 5.4 percent of the gas. The average monthly production from all of the wells in the four pools average 2.3 million cubic feet per month. So, the production rate is well below 100 mcf per day from all of the wells. There are only 26 wells in the four pools that produce more than 10 million mcf per month and only 278 wells out of the total number of wells in the four pools that produce more than 100 mcf per month.

It was the committee's belief that because of the low productivity of the wells in these four pools, that it was uneconomical and unjustified to prorate these four pools. The cost to the Commission is something in excess of \$110 a month, just to print and mail the proration schedule on these four pools, that's the approximate cost that would be eliminated by eliminating the four pools from the prorationing schedule.

Q Is it your opinion that the low producing capabilities of the great majority of wells in this pool would, for all intents and purposes, eliminate the problem of drainage which is not counteracted by counter drainage?

A Yes, it is my belief that taking off the prorationing

DUGAN-DIRECT

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would not violate the correlative rights in any way.

Q Also the low production figures indicate that the producing capabilities of the wells in subject pool are significantly below market demand for gas from that -- from those pools?

A Yes, that's correct.

Q The main problem would be overcoming pipeline pressure more than anything else?

A There is a problem that would be rateable take, but in these four pools it was this committee's belief that that would be a minor problem.

Q Due to the low producing capabilities?

A The low productivity of the wells and in these four wells the purchasing pipeline companies' line pressures are relatively the same. They vary to some small extent one way or the other, but it was the belief of the committee that it was not significant fact.

Q You've already stated that the committee's recommendations are that prorationing be discontinued in the subject four pools. Taking such a recommendation, at what time would you recommend that such de-prorating would become effective?

A At the end of the current prorationing period, which is 4/1/74, April the 1st, '74.

DUGAN-DIRECT  
CROSS

Page.....11.....

Q All right. Thank you very much.

MR. DARRYBERRY: I have no further questions of  
this witness.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Dugan, on Exhibit "A", you got a total of  
2,952 prorated Pictured Cliffs Wells?

A Yes, sir.

Q Now, that is in the six pools. How many are in  
the four pools you are going to de-prorate?

A At this point there we have 1,464 wells in the four  
pools.

Q The average monthly production for those 1,464  
wells was 2.3 million a day?

A That was the average monthly production at drilling  
1972, yes, sir.

Q For those wells in those four pools?

A That was 2.3 million per month.

Q Per month, for the wells in those four pools?

A Yes, sir.

MR. ARNOLD: Excuse me. Did you mean 1972 or 1973?

THE WITNESS: No, the 2.3 is an average of 1972.

MR. NUTTER: How long is prorationing been in effect

in these pools, Mr. Dugan?

A Since 1955, I believe.

BY MR. NUTTER:

Q Has the producing characteristics of the pools changed since that time or why was prorationing necessary then and not now?

A In 1956 the average producing capacity of the Pictured Cliffs Wells was about 3.3 million per month. However, at that time, the four pools were producing 13.4 percent of the total gas production in the San Juan Basin. At the present time, the average production of the wells is approximately 2.2 million per month, but they are only producing 5.4 percent of the total production from San Juan Basin. So, the ability of these wells to produce has declined, while the total production from the San Juan Basin has approximately doubled and the demand for gas is much more at the present time than it was in 1955 and '56 when prorationing started.

Q In other words, at that time they represented a much more significant portion of the total market demand in the basin?

A Yes, sir.

Q Than they do today?

A Yes, approximately 13.4 percent down to 5.4 percent

DUGAN-CROSS

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at the present time.

MR. NUTTER: Are there further questions of Mr. Dugan? You may be excused.

(Witness excused.)

MR. DERRYBERRY: I would like to recall Mr. Arnold.

ELERY ARNOLD

recalled as a witness, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. DERRYBERRY:

Q Mr. Arnold, have you previously testified before the Commission and had your qualifications made a matter of record?

A Yes, I have.

MR. DERRYBERRY: Are the witness' qualifications accepted?

MR. NUTTER: Yes, they are.

BY MR. DERRYBERRY:

Q Briefly, I would like to ask you, as a registered petroleum geologist and as district supervisor of the Oil Conservation Commission, if you recommend that the committee's recommendation be adopted by the Oil Conservation Commission and that an Order issued, as recommended by that body, and give your reasons for it?

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A. Gas. I prepared a statement which I will read, which on behalf of the Commission's staff, I think reflects the majority of opinion at least.

(Reading) I participated on Pictured Cliffs prorationing committee as a Commission representative. From the production analysis which was made, it became apparent that average producing capacities of a large percentage of the wells in the four pools under consideration are relatively low.

Prorationing in these pools does result in the curtailment of production from wells capable of producing less than 100 mcf per day. It does not seem plausible in the face of the energy crisis and unlimited gas demands to prorate such wells unless it can be clearly demonstrated that such proration is needed to accomplish regular takes between wells in the pool. It would be possible, of course, for a non-regular take to occur in these small capacity pools and I would recommend that the Commission and industry should observe future production of these pools closely to insure that the removal of prorationing is not resulted in unfair practice or non-rateable take. If this does prove to be the case, a Hearing can be called to reconsider the needs for prorationing.



On behalf of the Commission's staff, I recommend that the Application be approved and that the prorationing be eliminated effective April 1st, 1974, from the Aztec, Ballard, Fulcher Kutz and West Kutz-Pictured Cliffs Pools.' (End of Reading.)

Q With the proviso that the production of the wells in these productive pools be examined to make sure that non-rating take does not occur in the future?

A Right.

MR. DERRYBERRY: I have no further questions of this witness.

MR. NUTTER: Any further questions of Mr. Arnold? You may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Derryberry?

MR. DERRYBERRY: No.

MR. NUTTER: You want to offer your Exhibits?

MR. DERRYBERRY: I would like to tender Commission's Exhibits "A" and "B" into the record.

MR. NUTTER: Commission's Exhibits "A" and "B" will be admitted in evidence. Does anyone have anything further they wish to offer in Case 5154?

(Whereupon, Commission's Exhibits

"A" and "B" were admitted in evidence.)

MR. MANNING: E. R. Manning, El Paso Natural Gas Company and El Paso Natural Gas has a pipeline in these four Pictured Cliffs Pools and as a purchaser of gas or as a producer of gas from these pools has no objection to removal of prorationing in any or all of these pools. Thank you.

MR. NUTTER: Thank you, Mr. Manning. Any further statements?

MR. McCRARY: Bob McCrary, Southern Union Gas in Dallas.

MR. NUTTER: Will you come forward, please. We are having a hard time hearing you.

MR. McCRARY: Southern Union Gas is the purchaser in all four of these Pictured Cliffs Pools and the other two Pictured Cliffs Pools does not oppose the elimination of prorationing of these four or the other two.

MR. NUTTER: Thank you, Mr. McCrary.

Any further statements? Mr. Porter?

MR. PORTER: I understand the Oil Conservation Commission, at least during my tenure here as Director, has called upon the industry, working with the Commission's staff

in various capacities on committees to work out problems and that was the occasion, of course, for the appointment of this committee. I just want to say that I certainly appreciate the response of the **industry** people, their usual cooperation in this matter. They had two very productive meetings and my special appreciation goes to Mr. Dugan, who acted as chairman and Mr. Arnold, who has joined Mr. Dugan here today in presentation of his testimony. The Commission appreciates your efforts very much. Thank you.

MR. CARR: Mr. Examiner, the Commission has received a telegram from R. B. Giles, **Anadarko** Production Company. **Anadarko** has no objection to elimination of gas prorationing in these pools due to the producing capabilities of the wells in those pools.

MR. NUTTER: Thank you, Mr. Carr.

Does anyone else have anything to offer in 5154?  
We'll take the case under advisement.

STATE OF NEW MEXICO )  
                              ) ss.  
COURT OF SANTA FE )

I, RICHARD L. NYE, Court Reporter, do hereby certify  
that the foregoing and attached Transcript of Hearing before  
the New Mexico Oil Conservation Commission was reported by  
me, and the same is a true and correct record of the said  
proceedings, to the best of my knowledge, skill and ability.

*Richard L. Nye*  
RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 5154  
heard by me on 1-30, 1974.

*[Signature]*, Examiner  
New Mexico Oil Conservation Commission

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BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

THE MATTER OF THE HEARING CALLED BY THE OIL  
CONSERVATION COMMISSION ON ITS OWN MOTION,  
AT THE RECOMMENDATION OF THE COMMISSION'S  
"PICTURED CLIFFS GAS PRORATION COMMITTEE,"  
TO CONSIDER THE AMENDMENT OF COMMISSION ORDER  
NO. R-1670 FOR THE PURPOSE OF ELIMINATION OF  
GAS PRORATIONING IN THE AZTEC-PICTURED CLIFFS,  
BALLARD-PICTURED CLIFFS, FULCHER KUTZ-PICTURED  
CLIFFS, AND WEST KUTZ-PICTURED CLIFFS GAS POOLS  
IN SAN JUAN, RIO ARRIBA, AND SANDOVAL COUNTIES,  
NEW MEXICO.

CASE NO. 5154  
Order No. R-1670-R

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 30, 1974,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 7th day of February, 1974, 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 Order No. R-565, dated December 23, 1954, as  
subsequently amended, adopted Special Rules for the Aztec-Pictured  
Cliffs Pool, the Fulcher Kutz-Pictured Cliffs Pool, and the  
South Blanco-Pictured Cliffs Pool, in San Juan, Rio Arriba, and  
Sandoval Counties, New Mexico, and provided for the prorationing  
of gas production from said pools.
- (3) That Order No. R-566, dated December 23, 1954, as  
subsequently amended, adopted Special Rules for the West Kutz-  
Pictured Cliffs Pool in San Juan County, New Mexico, and provided  
for the prorationing of gas production from said pool.
- (4) That Order No. R-846, dated July 18, 1956, as  
subsequently amended, adopted Special Rules for the Ballard-  
Pictured Cliffs Pool in San Juan, Rio Arriba, and Sandoval  
Counties, New Mexico, and provided for the prorationing of gas  
production from said pool.

Case No. 5154  
Order No. R-1670-R

(5) That subsequent to the issuance of the above-described orders, Order No. R-1670 was issued by the Commission on May 20, 1960, and said order consolidated all gas prorationing orders into one single order, said Order No. R-1670, and superseded, among others, all of the orders mentioned in Findings Nos. (2), (3) and (4) above.

(6) That said Order No. R-1670, as amended, currently includes among the gas pools which are prorated pursuant thereto, the Aztec-Pictured Cliffs Pool, the Ballard-Pictured Cliffs Pool, the Fulcher Kutz-Pictured Cliffs Pool and the West Kutz-Pictured Cliffs Pool, in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

(7) That by memorandum dated November 14, 1973, the Secretary-Director of the Commission notified all gas purchasers and producers in the San Juan Basin that a Pictured Cliffs Gas Proration Study Committee had been appointed to study the Pictured Cliffs gas pools and to make recommendations to the Commission concerning possible elimination of gas prorationing from some or all of said pools.

(8) That the Committee, by letter dated December 19, 1973, notified the Commission that it was its unanimous recommendation that the Commission call a hearing to consider the elimination of gas prorationing in the Aztec-Pictured Cliffs, Ballard-Pictured Cliffs, Fulcher Kutz-Pictured Cliffs, and West Kutz-Pictured Cliffs Pools, whereupon the instant case was docketed.

(9) That the evidence adduced at the hearing shows that the productivity of the aforesaid four pools has so declined that the average daily per well production is approximately 100 MCF of gas per day.

(10) That according to the evidence, 79.1 percent of the wells in the Aztec-Pictured Cliffs Pool, 85.1 percent of the wells in the Ballard-Pictured Cliffs Pool, 73.6 percent of the wells in the Fulcher Kutz-Pictured Cliffs Pool, and 86.7 percent of the wells in the West Kutz-Pictured Cliffs Pool produced an average of less than 3000 MCF per month during the first nine months of 1973.

(11) That due to the low productivity of the wells in the subject pools, gas prorationing should be discontinued in said pools.

(12) That the elimination of gas prorationing in the subject pools, under present conditions, will not cause waste nor impair correlative rights.

(13) That the most practicable time at which gas prorationing should be discontinued in the subject pools would be at the expiration of the current gas proration period at 7:00 o'clock a.m., April 1, 1974.

-3-

Case No. 5154

Order No. R-1670-R

(14) That the Commission should continue to observe gas production and gas purchase practices and trends in the subject pools, and should take whatever steps it may deem advisable if it appears correlative rights may become impaired or waste might result in the absence of gas prorationing.

IT IS THEREFORE ORDERED:

(1) That effective at 7:00 o'clock a.m., April 1, 1974, gas prorationing is hereby discontinued in the Aztec-Pictured Cliffs Pool, the Ballard-Pictured Cliffs Pool, the Fulcher Kutz-Pictured Cliffs Pool, and the West Kutz-Pictured Cliffs Pool, in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

(2) That Commission Order No. R-1670, dated May 20, 1960, as amended, is hereby further amended to delete all reference therein to the aforesaid four pools effective at 7:00 o'clock a.m., April 1, 1974.

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

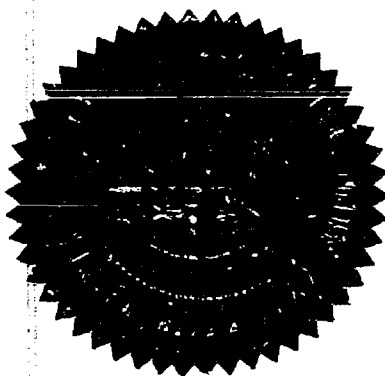
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman

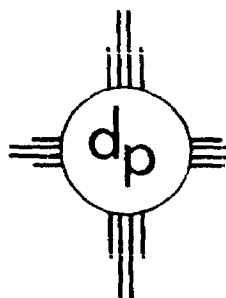
ALEX J. ARMIJO, Member

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



S E A L

dr/



dugan production corp.

*Page 5154*

*For  
Bureau of Land  
Management*

December 19, 1973

*Mr. Porter - please  
note -  
K*

Mr. A. L. Porter  
Oil Conservation Commission  
Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Porter:

At the recent meeting of the Pictured Cliffs Gas Proration Committee, the following motion was passed unanimously:

"It is moved that the Committee recommend to the Oil Conservation Commission that a hearing be set before the Commission to consider the elimination of proration in the Aztec, Ballard, Fulcher Kutz, and West Kutz Pictured Cliffs Pools."

We are requesting that the commission staff instigate a hearing for the elimination of proration in the Aztec, Ballard, Fulcher Kutz, and West Kutz Pictured Cliffs pools.

Sincerely,

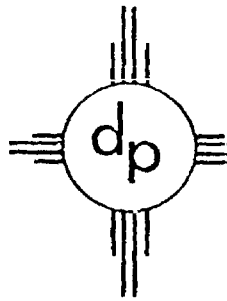
*Thomas A. Dugan*  
Thomas A. Dugan

dw

*copy for...*  
DOCKET MAILED

Date *1-18-74*  
PHONE 505-325-0238





dugan production corp.

*Page 5754*

December 19, 1973

Mr. Bob Keener  
Northwest Pipeline Corporation  
Box 1526  
Salt Lake City, Utah 84111

Dear Mr. Keener:

Mr. A. L. Porter, Secretary-Director of the New Mexico Oil Conservation Commission, appointed a committee to study the proration of Pictured Cliffs pools and to make recommendations to the commission. I was appointed chairman of this committee.

The committee feels that Northwest Pipeline Corporation should be represented and we are requesting that you become a member of the committee. We are enclosing minutes of the two meetings we have had and correspondence concerning our work.

The committee has requested that the Oil Commission set a hearing to consider the elimination of proration in the Aztec, Ballard, Fulcher Kutz, and West Kutz Pictured Cliffs pools. The committee plans to meet again immediately following the hearing. We hope you will join us.

Sincerely,

*Thomas A. Dugan*  
Thomas A. Dugan

dw

cc: Emery Arnold  
A. L. Porter



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

I. R. TRUJILLO  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMJO  
MEMBER

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

NOVEMBER 14, 1973

### MEMORANDUM

TO: GAS PURCHASERS AND PRODUCERS IN THE SAN JUAN BASIN

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

Because of the low productivity of most of the wells in the Pictured Cliffs Gas Pools, the Oil Conservation Commission is considering holding a hearing in January, 1974, to consider abolishing proration in all or some of the Pictured Cliffs Pools.

To make a study of the Pictured Cliffs Pools and to make recommendations as to the most feasible course to pursue, the Commission has appointed the following committee:

Thomas A. Dugan, Chairman  
El Paso Natural Gas Company  
Southern Union Gas Company  
Southern Union Production Company  
Amoco Production Company  
Tenneco Oil Company  
Aztec Oil and Gas Company  
Mesa Petroleum Company  
Dave Thomas  
Continental Oil Company  
Consolidated Oil and Gas Company

Mr. Emery Arnold, District Supervisor of the Commission at Aztec will represent the Commission at all meetings. All other producers are welcome to attend the meetings or submit suggestions.

The committee will be expected to file a final report with the Commission not later than January 7, 1974 so that the matter can be set for hearing on January 30, 1974 if necessary.

The first meeting will be held in the Oil Conservation Commission Conference Room, State Land Office Building, Santa Fe, New Mexico, on November 26, 1973, at 9:30 a.m.

ALP/ir

im western union Telegram Teleg

IPMFEKA SANA  
1-031532 C 025 01/25/74  
TWX AMOCO PROD DNV  
002 DENVER CO 1/25/74  
PMS NEW MEXICO OIL CONSERVATION COMMISSION  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501

ATTN: A. L. PORTER, JR., SECRETARY-DIRECTOR

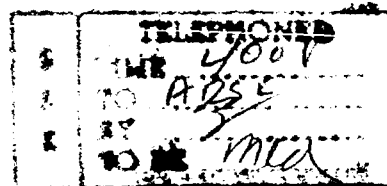
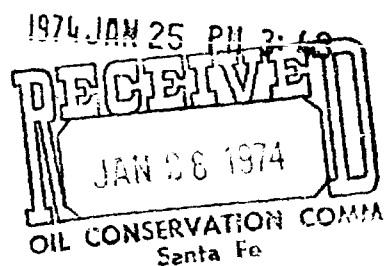
RE CASE 5154 SET FOR JANUARY 30 HEARING ON NMOCC'S MOTION OF TO  
CONSIDER ELIMINATING GAS PRORATIONING IN AZTEC, BALLARD, FULCHER KUTZ  
AND WEST KUTZ PICTURED CLIFFS GAS POOLS. AMOCO HAS NO OBJECTION TO  
ELIMINATING GAS PRORATIONING IN THESE 4 POOLS BECAUSE BOTH MARGINAL  
AND NON-MARGINAL WELLS PRODUCE AT SUCH LOW RATES AS TO MAKE CONTINUED  
PRORATIONING UNNECESSARY TO PROTECT CORRELATIVE RIGHTS.

R. B. GILES  
AMOCO PRODUCTION COMPANY  
SECURITY LIFE BUILDING  
DENVER, COLORADO 80202  
1/25/74

WB

1641 EDT

IPMFEKA SANA



DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 30, 1974

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

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 5153: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the amendment of Commission Form C-113, Refiner's Monthly Report.

CASE 5154: In the matter of the hearing called by the Oil Conservation Commission on its own motion, at the recommendation of the Commission's "Pictured Cliffs Gas Proration Committee," to consider the amendment of Commission Order No. R-1670 for the purpose of elimination of gas prorationing in the Aztec-Pictured Cliffs, Ballard-Pictured Cliffs, Fulcher Kutz-Pictured Cliffs, and West Kutz-Pictured Cliffs Gas Pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 5128: (Continued from the January 3, 1974, Examiner Hearing)

Application of Gulf Oil Corporation for a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the NE/4 SW/4 and W/2 SE/4 of Section 28 and the NW/4 NE/4 of Section 33, both in Township 21 South, Range 37 East, Blinbry Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its J. N. Carson Wells Nos. 4 and 9 located in Units O and K, respectively, of Section 28.

CASE 5132: (Continued from the January 3, 1974, Examiner Hearing)

Application of American Quasar Petroleum Company of New Mexico for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the White City Unit Area comprising 5,120 acres, more or less, of Federal, State and fee lands in Township 25 South, Ranges 25 and 26 East, Eddy County, New Mexico.

CASE 5155: Application of Harding Oil Company for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to re-enter an existing well, the surface location of which is 2310 feet from the South line and 1650 feet from the West line of Section 34, Township 13 South, Range 32 East, adjacent to the old Gross-Devonian Pool, Lea County, New Mexico, and to directionally drill said well in such a manner as to bottom the well in the Devonian formation within 100 feet of a point 430 feet South 60 degrees West of the surface location.

- CASE 5156: Application of Franklin, Aston & Fair for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new gas pool for Morrow production for its McIntyre Well No. 6-A located in Unit 0 of Section 20, Township 17 South, Range 30 East, Eddy County, New Mexico, and for the promulgation of special pool rules therefor including a provision for 640-acre spacing.
- CASE 5159: Application of Petroleum Reserve Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Wood Canyon Unit Area comprising 2,560 acres, more or less, of Federal and fee lands in Township 24 South, Range 25 East, Eddy County, New Mexico.
- CASE 5160: Application of Randolph M. Richardson for a unit agreement, Eddy and Chaves Counties, New Mexico. Applicant, in the above-styled cause, seeks approval for the West Hope Unit Area comprising 13,448 acres, more or less, of Federal, State and Fee lands in Townships 17 and 18 South, Ranges 20 and 21 East, Eddy and Chaves Counties, New Mexico.
- CASE 5161: Application of Depco, Inc. for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Northwest Artesia Unit Area comprising 640 acres, more or less of State lands in Sections 31 and 32, Township 17 South, Range 28 East, and Section 6, Township 18 South, Range 28 East, Eddy County, New Mexico.
- CASE 5144: (Continued and Readvertised)
- Application of Depco, Inc. for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg-San Andres formation through six wells located in its Northwest Artesia Unit Area, Artesia Pool, Eddy County, New Mexico.
- CASE 5162: Application of Western Oil Producers, Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill an undesignated Morrow gas well at an unorthodox location 1980 feet from the South line and 660 feet from the East line of Section 34, Township 17 South, Range 26 East, Eddy County, New Mexico, the S/2 of said Section 34 to be dedicated to the well.
- CASE 5163: Application of Western Oil Producers, Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill an undesignated Morrow gas well at an unorthodox location 660 feet from the South and East lines of Section 27, Township 17 South, Range 26 East, Eddy County, New Mexico, the S/2 of said Section 27 to be dedicated to the well. As an alternative, applicant seeks approval for a location 1980 feet from the South line and 660 feet from the East line of said Section 27.

CASE 5158: Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 29, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to its Simpson Well No. 1 to be drilled at an orthodox location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5157: Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 9, Township 21 South, Range 27 East, Burton Flats Field, Eddy County, New Mexico, to be dedicated to its State C-P Well No. 1 to be drilled at an orthodox location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5164: Application of Jake L. Hamon for compulsory pooling and for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order force pooling all mineral interests in the Strawn and Morrow formations underlying the E/2 of Section 9, Township 21 South, Range 27 East, Burton Flats Field, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 1650 feet from the North line and 660 feet from the East line of said Section 9. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

NUMBER OF WELLS IN PRODUCTION RANGES BASED UPON PRODUCTION FROM 1-1-73 thru 9-30-73

All volumes are MCF/MO.

Aztec-  
PC

Ballard-  
PC

South  
Blanco-  
PC

Fulcher  
Kutz-PC

West  
Kutz-PC

Tapacito-  
PC

Total  
PC

Total Wells	465	531	1289	295	173	199	2952
Over 10,000	0	9	10	15	2	5	41
Under 10,000	465	522	1279	280	171	194	2911
Over 6,000	8	14	54	32	4	18	130
Under 6,000	457	517	1235	263	169	181	2822
Over 5,000	16	26	86	37	6	28	199
Under 5,000	449	505	1203	258	167	171	2753
Over 4,000	33	48	149	53	12	46	341
Under 4,000	432	483	1140	242	161	153	2611
Over 3,000	97	79	277	78	23	82	636
Under 3,000	368	452	1012	217	150	117	2316

$99/465 = 20.9$   
 $100.0 - 20.9 = 79.1$   
 $79.1 / 531 = 14.9$   
 $100.0 - 14.9 = 85.1$   
 $85.1 / 1289 = 6.6$   
 $6.6 / 295 = 2.3$   
 $2.3 \times 100 = 230$   
 $230 / 173 = 1.33$   
 $1.33 \times 100 = 133$   
 $133 / 199 = 0.67$   
 $0.67 \times 100 = 67$

or about 100 MCF/day  
(in 4 subj. pools)

BEFORE EXAMINER STAMETS  
OIL CONSERVATION COMMISSION  
EXHIBIT NO. A  
CASE NO. 5153  
Submitted by Comm  
Hearing Date 1-30-74

Commissioner studied these pools also but did not feel proration should be eliminated. Prorated

✓ = subject pools

465  
531  
295  
173  
1464 in  
the 4 subj.  
pools

NON-PRORATED PICTURED CLIFFS POOLS

NUMBER OF WELLS IN PRODUCTION RANGES BASED UPON PRODUCTION FROM 1-1-72 thru 12-31-72

All volumes are MCF/MO.

	<u>Blanco- PC</u>	<u>Gavilan- PC</u>	<u>Choza Mesa- PC</u>	<u>East Blanco- PC</u>	<u>Total Non-Prorated PC</u>	<u>Total PC</u>
Total Wells	298	90	7	20	415	3367
Over 10,000	19	0	0	0	19	60
Under 10,000	279	90	7	20	396	3307
Over 6,000	53	1	0	1	55	185
Under 6,000	245	89	7	19	360	3182
Over 5,000	85	1	0	1	87	286
Under 5,000	213	89	7	19	328	3081
Over 4,000	129	1	0	3	133	474
Under 4,000	169	89	7	17	282	2893
Over 3,000	191	19	1	4	215	851
Under 3,000	107	71	6	16	200	2516

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	<u>B</u>
CASE NO.	<u>5154</u>
Submitted by	<u>Comer</u>
Hearing Date	<u>1-30-74</u>



DRAFT

DSN/dr

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION ON ITS OWN MOTION, AT THE RECOMMENDATION OF THE COMMISSION'S "PICTURED CLIFFS GAS PRORATION COMMITTEE," TO CONSIDER THE AMENDMENT OF COMMISSION ORDER NO. R-1670 FOR THE PURPOSE OF ELIMINATION OF GAS PRORATIONING IN THE AZTEC-PICTURED CLIFFS, BALLARD-PICTURED CLIFFS, FULCHER KUTZ-PICTURED CLIFFS, AND WEST KUTZ-PICTURED CLIFFS GAS POOLS IN SAN JUAN, RIO ARRIBA, AND SANDOVAL COUNTIES, NEW MEXICO.

CASE NO. 5154  
Order No. R-1670-R

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 30, 1974, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this \_\_\_\_\_ day of February, 1974, 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 Order No. R-565, dated December 23, 1954, as subsequently amended, adopted Special Rules for the Aztec-Pictured Cliffs Pool, the Fulcher Kutz-Pictured Cliffs Pool, and the South Blanco-Pictured Cliffs Pool, in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, and provided for the prorationing of gas production from said pools.

(3) That Order No. R-566, dated December 23, 1954, as subsequently amended, adopted Special Rules for the West Kutz-Pictured Cliffs Pool in San Juan County, New Mexico, and provided for the prorationing of gas production from said pool.

(4) That Order No. R-846, dated July 18, 1956, as subsequently amended, adopted Special Rules for the Ballard-Pictured Cliffs Pool in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, and provided for the prorationing of gas production from said pool.

(5) That subsequent to the issuance of the above-described orders, Order No. R-1670 was issued by the Commission on May 20, 1960, and said order consolidated all gas prorationing orders into one single order, said Order No. R-1670, and superseded, among others, all of the orders mentioned in Findings Nos. (2), (3) and (4) above.

(6) That said Order No. R-1670, as amended, currently includes among the gas pools which are prorated pursuant thereto, the Aztec-Pictured Cliffs Pool, the Ballard-Pictured Cliffs Pool, the Fulcher~~Kutz~~-Pictured Cliffs Pool and the West Kutz-Pictured Cliffs Pool, in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

(7) That by memorandum dated November 14, 1973, the Secretary-Director of the Commission notified all gas purchasers and producers in the San Juan Basin that a Pictured Cliffs Gas Proration Study Committee had been appointed to study the Pictured Cliffs gas pools and to make recommendations to the Commission concerning possible elimination of gas prorationing from some or all of said pools.

(8) That the Committee, by letter dated December 19, 1973, notified the Commission that it was its unanimous recommendation that the Commission call a hearing to consider the elimination of gas prorationing in the Aztec-Pictured Cliffs, Ballard-Pictured Cliffs, Fulcher Kutz-Pictured Cliffs, and West Kutz-Pictured Cliffs Pools, whereupon the instant case was docketed.

(9) That the evidence adduced at the hearing shows that the productivity of the aforesaid four pools has <sup>50</sup>declined ~~in~~ that the average daily per well production is approximately 100 MCF of gas per day.

(11) That according to the evidence, 77.1 percent of the wells in the Aztec-Pictured Cliffs Pool, 93.1 percent of the wells in the Ballard-Pictured Cliffs Pool, 13.6 percent of the wells in the Fulcher Kutz-Pictured Cliffs Pool, and 86.7 percent of the wells in the West Kutz-Pictured Cliffs Pool produced an average of less than 3000 MCF per month during the first nine months of 1973.

under

pools.

(12) That the elimination of gas prorationing in the subject pools, under present conditions, will not cause waste nor impair correlative rights.

(13) That the most practicable time at which gas prorationing should be discontinued in the subject pools would be at the expiration of the current gas proration period at 7:00 o'clock a.m., April 1, 1974.

(14) That the Commission should continue to observe gas production and gas purchase practices and trends in the subject pools, and should take whatever steps it may deem advisable if it appears correlative rights may become impaired or waste might result in the absence of gas prorationing.

IT IS THEREFORE ORDERED:

(1) That effective at 7:00 o'clock a.m., April 1, 1974, gas prorationing is hereby discontinued in the Aztec-Pictured Cliffs Pool, the Ballard-Pictured Cliffs Pool, the Fulcher Kutz-Pictured Cliffs Pool, and the West Kutz-Pictured Cliffs Pool, in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

-4-

Case No. 5154  
Order No. R-1670-R

(2) That Commission Order No. R-1670, dated May 20, 1960, as amended, is hereby further amended to delete all reference therein to the aforesaid four pools effective at 7:00 o'clock a.m., April 1, 1974.

~~That jurisdiction of this cause is hereby retained for the entry of such further orders as the Commission may deem necessary.~~

(3) 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.