

CASE 5842: HANAGAN PETROLEUM  
CORP. FOR EXCEPTION TO PROVISIONS  
OF ORDER R-1670, EDDY COUNTY, N.M.

CASE NO.

5842

---

APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
January 19, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Hanagan Petroleum  
Corporation for an exception to the  
provisions of Order No. R-1670,  
Eddy County, New Mexico.

CASE  
5842

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil  
Conservation Commission:

Lynn Teschendorf, Esq.  
Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

I N D E X

Page

HUGH HANAGAN

Direct Examination by Mr. Lopez	3
Cross Examination by Mr. Stamets	19

EXHIBIT INDEX

Offered      Admitted

Applicant's Exhibit One, Plat	4	18
Applicant's Exhibit Two, Notice	7	18
Applicant's Exhibit Three, Letter	8	18
Applicant's Exhibit Four, Tabulation	8	18
Applicant's Exhibit Five, Schedule	10	18

**sid morrish reporting service**  
*General Court Reporting Service*  
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
 Phone (505) 982-9212

1 MR. STAMETS: We will call at this time Case 5842.  
 2 MS. TESCHENDORF: Case 5842, application of Hanagan  
 3 Petroleum Corporation for an exception to the provisions of  
 4 Order No. R-1670, Eddy County, New Mexico.

5 MR. LOPEZ: Mr. Examiner, my name is Owen Lopez of  
 6 the law firm of Montgomery, Federici, Andrews and Hannahs  
 7 appearing on behalf of Hanagan Petroleum Corporation and I  
 8 have one witness to be sworn.

9 MR. STAMETS: If you will stand and be sworn, please?  
 10 (THEREUPON, the witness was duly sworn.)  
 11

12 HUGH HANAGAN

13 called as a witness, having been first duly sworn, was  
 14 examined and testified as follows:  
 15

16 DIRECT EXAMINATION

17 BY MR. LOPEZ:

18 Q Would you please state your name, where you reside,  
 19 by whom you are employed and in what capacity?

20 A I'm Hugh Hanagan, I reside in Roswell, New Mexico  
 21 and I'm Vice President of Hanagan Petroleum Corporation.

22 Q Have you previously testified before the Commission  
 23 and had your qualifications accepted as a matter of record?

24 A Yes, I have.

25 Q And you are familiar with Case Number 5842, the

sid morrish reporting service

General Court Reporting Service  
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
 Phone (505) 982-9212

1 application of Hanagan Petroleum Corporation?

2 A. Yes, sir, I am.

3 MR. LOPEZ: Are his qualifications acceptable?

4 MR. STAMETS: They are.

5 Q. (Mr. Lopez continuing.) Mr. Hanagan, would you  
6 describe what you seek in Case Number 5842?

7 A. Hanagan Petroleum Corporation seeks an exception to  
8 Rule 15(B) of Order R-1670 as amended under the Rules and  
9 Regulations governing Southeastern New Mexico to permit its  
10 No. 9 Catclaw Draw Well located in Section 35, 21 South, 25  
11 East, Catclaw Draw-Morrow Gas Pool, Eddy County to make up its  
12 overproduction at a rate less than complete shut in. This  
13 would be permitted under Rule 15(E) of the same Order, R-1670.

14 Q. Now, referring to Exhibit Number One, would you  
15 please describe what this represents?

16 A. Exhibit Number One is an ownership plat of the  
17 area. It shows the Catclaw Draw Field which roughly consists  
18 of the east half of Township 21 South, 25 East and five sections  
19 in Township 21 South, 26 East.

20 This field has presently sixteen producing Morrow  
21 wells. They are on six hundred and forty acre spacing.  
22 Hanagan Petroleum is the operator of ten of these wells.

23 The colors on the plat, the blue outlined area is  
24 the acreage dedicated to the Catclaw Draw-Morrow Field. The  
25 green outlined area is the Catclaw Draw Unit area. This unit

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 is a Federal and State approved unit of which Hanagan  
2 Petroleum Corporation is the operator.

3 The well in question, the Catclaw Draw No. 9, is  
4 located in Section 35 of 21 South, 25 East. It's double  
5 circled, the outer circle is colored blue.

6 You will notice a little check mark above some of  
7 the wells in the field. That check mark represents the wells  
8 that are operated by Hanagan Petroleum Corporation.

9 The red circle, the red colored, are the wells that  
10 are classed as top allowable wells or non-marginal wells. There  
11 is one exception to the red circled wells. The Catclaw Draw  
12 No. 11 Well located in Section 36 of 21 South, 25 East is  
13 carried presently in the Commission books, proration books,  
14 as a top allowable well. I hope to convince them to reclassify  
15 that well as a marginal well. On the other hand, the Catclaw  
16 Draw No. 4 Well located in Section 24, 21, 25 is presently  
17 classed as a marginal well. This well should be classed as a  
18 non-marginal well.

19 The yellow, of course, are the marginal wells. The  
20 inner circle in green are the Morrow producing wells.

21 You will notice that there is one well in the field  
22 that -- actually there are two wells that have been plugged,  
23 one in Section 30 of 21, 26 which was originally the Inexco  
24 No. 1 Bosquewitz. It has officially been plugged this year.  
25 We also plugged the No. 3 Catclaw Draw Well located in Section

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 36, 21, 25 but drilled a replacement well which is our Catclaw  
2 No. 11 Well also located in 36.

3           You will note from here on this map that all of the  
4 surrounding acreage to the Catclaw 9 Well is owned or operated  
5 by Hanagan Petroleum Corporation. Even the section to the  
6 south of the Catclaw Draw located in -- the section I'm speaking  
7 of is Section 2 of 22, 25. That particular section is also  
8 owned by Hanagan Petroleum Corporation. There is a well  
9 located in the northwest quarter of 2 which is colored brown on  
10 the outside. Brown indicates dry holes in the Morrow and the  
11 center circle is orange which is a Wolfcamp completion. That  
12 well was dry in the Morrow. So we do have the well in question,  
13 the old produced well, the Catclaw Draw No. 9, you have a dry  
14 hole to the south, you have an undrilled location to the west  
15 which is in the unit and owned by Hanagan Petroleum, you have  
16 a marginal producing well north of it which is the No. 1 Catclaw  
17 Draw, you have a well, the east offset to the Catclaw 9 which  
18 is the No. 11 Catclaw Draw and which is also a marginal well  
19 and also operated by Hanagan Petroleum Corporation.

20           So all of the direct offsets to the Catclaw 9 is  
21 either owned or operated by Hanagan Petroleum Corporation.

22           The Catclaw Draw Field's first production was in  
23 September of 1972 and the field's first proration was April the  
24 first of 1974.

25           I think that's all at present anyway on that particular

**sid morrish reporting service**

General Court Reporting Service

825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212



1 exhibit.

2 Q All right then, turning to Exhibit Number Two, would  
3 you describe it?

4 A Exhibit Number Two is a notice from the Oil Conserva-  
5 tion Commission dated August 27th, 1976 instructing Hanagan  
6 Petroleum Corporation under Rule 15(B) of Order Number R-1670  
7 to immediately shut in the No. 9 Catclaw Draw Well due to over-  
8 production. Attached to the letter is a shut-in data sheet  
9 prepared by the Commission in which they list the twelve months  
10 allowable versus the twelve months of production. The twelve  
11 months of production totaled one million, eighty-three thousand  
12 six hundred and ninety-seven MCF. That was the total twelve  
13 months allowable. Divide that figure by twelve and you get  
14 an average for that twelve months period of ninety thousand,  
15 three hundred and eight, point oh eight MCF per month. We  
16 are in agreement with those figures.

17 Now, to arrive at the times overproduced, the  
18 Commission has on this same sheet a beginning shut-in status,  
19 they have the Catclaw Draw No. 9 charged with overproduction  
20 in the amount of seven hundred and fifty-nine thousand, nine  
21 hundred and two MCF. We question that figure and our other  
22 exhibits will show you why, but assuming that figure is correct  
23 the Commission's calculations would have that well produced  
24 in excess of eight point four one times over its allowable  
25 over that twelve months period. And, of course, under the

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 Rule any well six times overproduced during a twelve month  
2 period should be shut in. So based on these figures the  
3 Commission was correct in shutting this well in.

4 Q Now, turning to Exhibit Number Three, please explain  
5 it?

6 A Exhibit Three is a letter dated September 1st, 1976  
7 sent to the New Mexico Oil Conservation Commission by Llano,  
8 Incorporated. Llano, Incorporated is the transporter of the  
9 gas from the Catclaw Draw No. 9 Well. This letter was dated  
10 August 27th, 1976 and in this letter it states the exact time  
11 that this well was shut in, which was one-thirty P.M.,  
12 August 31st, 1976, so you can see that the letter we received  
13 from the Commission, we received it on the twenty-seventh and  
14 the well was shut in immediately and has been shut in since  
15 August 31st, 1976.

16 Q Now, referring to Exhibit Number Four would you  
17 please explain it?

18 A Exhibit Number Four is titled, production versus  
19 allowable balance for the Catclaw Draw Field. It includes  
20 the allowables assigned to the Catclaw Draw No. 9 Well from  
21 the inception. In other words, from April 1974 through  
22 January of 1977. These figures are taken directly from the  
23 New Mexico Oil Conservation Commission Southeast Gas Proration  
24 Schedule. You will see the months, the way it is tabulated  
25 here, to the left is the year and month, the next column is the

**sid morriss reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 current allowable. In other words, that is the allowable  
2 assigned for each month. Right next to those figures you will  
3 see the letter "N" which means that it was classed as a non-  
4 marginal well. This status of a non-marginal well is still  
5 in effect. In other words, it has always been a top allowable  
6 well. The third column there is the actual production during  
7 those months. The next column to the right is our calculations  
8 as to the balance on a monthly basis, in other words, whether  
9 we were overproduced or underproduced, similar to the calcula-  
10 tions made by the Commission. The next column is the  
11 Commission's underage or overage monthly calculations. The  
12 two right most columns, one is Hanagan Petroleum's accumulative  
13 over or underage versus the one right on the right-hand column  
14 is the Commission's over or underage, accumulated over or  
15 underage.

16 You will note that through this entire period,  
17 April 1974 through January of 1977, Hanagan Petroleum's  
18 figures are identical with the Commission's with the exception  
19 of one month which was January of 1975. There we differ in  
20 the amount of approximately two hundred and fifty thousand MCF,  
21 allowable difference in that month. Well, you can see the  
22 difference right down below there, two hundred and fifty  
23 thousand, six twenty-seven MCF is the difference that we have.  
24 Now, like I say, these figures are based right out of the pages  
25 of the proration schedule.

1 MR. STAMETS: Excuse me, Mr. Hanagan, for January of  
2 '75 you show a current allowable of four hundred and seventy-  
3 one million, three hundred and six thousand.

4 A. Cubic feet.

5 MR. STAMETS: Right. Now, this is from the proration  
6 schedule?

7 A. Yes, sir, I think that it will clear it up on the  
8 next exhibit and I will go to the next exhibit.

9 Q. (Mr. Lopez continuing.) All right, that would be  
10 fine.

11 A. The next exhibit which is Exhibit Number Four.

12 Q. Five.

13 A. Exhibit Number Five which is just a Xerox -- the  
14 first page of it is a Xerox copy of the front cover off of the  
15 New Mexico Oil Conservation Commission Southeast Gas Proration  
16 Schedule with a date of January 1975, Order Number AG-39-10  
17 and the next two pages are the pages of the Catclaw Draw Morrow  
18 Field, the calculations showing the January allocations, the  
19 overage and underage for November and the actual production  
20 from November of 197 -- actually the November would be, of  
21 course, 1974, but you can see on those pages that the allowable  
22 assigned to the non-marginal wells in all cases, to each and  
23 every non-marginal well was the same in the amount of four  
24 hundred and seventy-one thousand, three hundred and six MCF.

25 The non-marginal wells at that time were the Catclaw

sid morrish reporting service

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 Draw No. 2 Well, the Catclaw Draw No. 4 Well, the Catclaw Draw  
2 No. 9 Well, the Texaco No. 1 Levers and everyone of those  
3 wells, the Levers, of course, shows a little difference because  
4 it doesn't have a full allowable, it has a point nine nine  
5 allowable. And then the total allocation for the field was  
6 in the amount of two million, two hundred and seventy-six  
7 thousand, four hundred and eighty-five MCF.

8 So referring back then to Exhibit Number Four,  
9 according to the proration schedule, again the top allowable  
10 wells were assigned four hundred and seventy-one thousand, three  
11 hundred and six MCF. According to the Commission's figures for  
12 that month the well was assigned, and this was from calculations,  
13 the well was assigned two hundred and twenty thousand, six  
14 hundred and seventy-nine. I don't know where that figure  
15 came from but that was the amount credited under the accumulative  
16 column as to the Commission's records, so we contend that  
17 instead of the well being overproduced in the amount of seven  
18 hundred and fifty-nine thousand, nine hundred and two MCF,  
19 that the underage at this point was five hundred and nine  
20 thousand, two hundred and seventy-five MCF.

21 Now, referring back to Exhibit Number Four, the one  
22 labeled production versus allowable balance.

23 At the bottom of the second page there I have  
24 labeled, calculations, and under calculations I have listed  
25 Case Number One. Now, Case Number One was based on the twelve-

**sid morrish reporting service**  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 month period from August of 1975 through July of 1976. The  
2 figures there are exactly as the Commission calculated. In  
3 other words, the well was overproduced eight point four one  
4 times.

5 Now, by using our figures, Hanagan Petroleum's  
6 figures, instead of the seven hundred and fifty-nine thousand,  
7 nine oh two overproduced, use the figure five hundred and  
8 nine thousand, two seventy-five MCF overproduced for the  
9 same period, we come up with a five point six four times  
10 overproduced.

11 So, if you would use our figures then at the time  
12 it was shut in, it really wasn't six times overproduced but  
13 it was approaching it.

14 Now, I have gone ahead and presented three more  
15 cases which are on page three of this same exhibit and in  
16 Case Number Two is using the twelve-month period. In other  
17 words, what I wanted to do is bring it up-to-date, the twelve-  
18 month period up-to-date, so this twelve-month period would be  
19 from February of 1976 through January of 1977, which would  
20 bring it right up through this month, and over that twelve-  
21 month period, using the Commission's figures, the overproduction,  
22 the total overproduction or the total allowable for the  
23 twelve-month period would be six hundred and seventy-four  
24 thousand, four hundred and seventy MCF and you can see the  
25 calculations there of average MCF per month but based on this

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

**sid morrison reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 figure the overproduction would be ten point six five times.  
2 Now, the explanation of why that accelerates so much is  
3 during this last twelve-month period the allowables assigned  
4 to these wells have been dropped over fifty percent. On the  
5 top allowable wells in the field, all of them, the allowables  
6 have been reduced at a rate greater than fifty percent, while  
7 at the same time all of the non-marginal or top allowable wells  
8 have produced in excess of their allowables, again, almost  
9 twice their allowables, which to me indicates that the  
10 allowables assigned to the Catclaw Field at the present time  
11 are a way too low but that is merely a comment right now.

12 Based in that same case, based upon our figures, the  
13 total allowable assigned or the total over production at the  
14 end of that twelve-month period is three hundred and forty-  
15 eight thousand, two hundred and fifty-seven MCF and using  
16 again the average monthly allowable, our figures show six point  
17 one nine six times overproduced. That would be based on our  
18 figures up through January of 1977 which is, of course, enough  
19 to keep the well shut in at this point.

20 Now, Case Number Three is based on the same period  
21 as Case Number Two, from February 1976 through January of  
22 1977. I'll correct that. That's not true. Case Number Three  
23 is assuming that the Catclaw Draw No. 9 Well is shut in for  
24 the next two months, February and March, which would bring it  
25 down to the end of the proration year and so the twelve-month

1 period calculated there would be from April of 1976 through  
2 March of 1977. This assumes that the Catclaw Draw would not  
3 produce any production up through March of 1977 and at that  
4 point if that was right, if we are not allowed to produce  
5 the well up through March of 1977 then the calculations would  
6 show under the Commission's accumulative figures, would show  
7 that the well would be overproduced eleven point four three  
8 times more, whereas under our figures it would show a five  
9 point nine one times overproduced.

10 You see that the allowables are so low and the error  
11 of two hundred and fifty thousand makes a tremendous difference  
12 in the calculations made, whether the calculations are based  
13 on the Commission's figures or on our figures, because the top  
14 allowable the last several months is just forty thousand each  
15 month and here you have an error of two hundred and fifty  
16 thousand, so you see there is where you are getting almost a  
17 double ratio or double figure of overproduction.

18 MR. STAMETS: It appears though that the longer you  
19 shut it in the more months you are over produced?

20 A. Yeah, because the allowable each month is being  
21 reduced. The allowable each month is being reduced so you are  
22 making up that back allowable at a much lower rate than what  
23 it was produced at, see, that's what happening.

24 Now, under Case Number Four, I am using the same  
25 period as Case Number Three, which would be up through March of

**sid morriss reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212



1 1977 and this is based on the assumption that the Commission  
2 would allow us to produce that well at half its current  
3 allowable which is forty thousand MCF a month. So this would  
4 be based on a maximum of twenty thousand MCF per month during  
5 the months of February and March.

6 The reason that we are questioning a figure in this  
7 neighborhood is we would like to be able to produce this well,  
8 not more than twenty thousand total though, and it could be  
9 less than that. I don't mean half of whatever the allowable,  
10 the next two months' allowable assigned to it, I mean a  
11 maximum of twenty thousand. Do you see what I mean? If the  
12 next month's allowable is fifty or sixty thousand we're not  
13 requesting to be able to produce half of that amount, we are  
14 requesting to produce up to a maximum of twenty thousand MCF  
15 for the next two months, February and March.

16 The reason that we are requesting that type of  
17 production is that the well is a high volume well, it produces  
18 at a high rate and if you just allowed us, say, to open it up  
19 twice a month at five hundred MCF it wouldn't do us any good  
20 whatsoever, you wouldn't even clear the wellbore of the fluid  
21 that we are trying to get off the formation.

22 What we would like to do roughly is about three  
23 times a month, flow that well at about a three million rate  
24 each three-day period. I don't mean -- a two-day period, two  
25 days at three million a day rate, three times a month, that

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 would be eighteen thousand MCF.

2 Now, the reason that we think that the well could  
3 be damaged, we can't absolutely prove this, but we do know that  
4 Catclaw Draw No. 9 Well and the Nan-Bet Well, those two  
5 wells are producing at a higher rate of condensate versus gas.  
6 In other words, they are richer than any of the other wells  
7 in the field. The Catclaw Draw No. 9 Well is not making  
8 much water, none of the wells are making any appreciable amount  
9 of water but they make enough condensate, particularly this  
10 well and the Nan-Bet Well, where when you shut them in you  
11 trap that fluid in the tubing and around the borehole and that's  
12 what we are concerned about is leaving that fluid around the  
13 face of the borehole for any big length of time and this No. 9  
14 Catclaw has been shut in now for four and a half months and it  
15 is the most prolific, the best well in the whole field and  
16 we don't want to see it damaged. We think it could be.

17 Now, another observation of why we think it has  
18 loaded up with some fluid is when we shut the well in, within  
19 two hours after we shut it in we reached the maximum shut-in  
20 tubing pressure of twenty-three hundred pounds and during a  
21 period of three weeks after we shut that well in and it reached  
22 its maximum shut-in tubing pressure of twenty-three hundred  
23 pounds, at the end of that three-weeks period that shut-in  
24 tubing pressure was nineteen hundred and eighty pounds, there-  
25 fore, instead of either gaining shut-in tubing pressure, getting

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 higher over that period of time or at least stabilize at the  
2 normal twenty-three hundred. It actually decreased three  
3 hundred and twenty pounds during the three-weeks period. Since  
4 that three-weeks period it has sat right there, it stabilized  
5 right at nineteen hundred and eighty pounds. So we are  
6 fairly sure, it has been our experience that that is what  
7 happens, you shut a well in and the fluid that is being  
8 produced with the gas at the top settles back down on you and  
9 as that reservoir stabilizes it has a tendency to trap fluid  
10 in your tubing and around your borehole and we feel like we  
11 have got to move that fluid off from around that borehole and  
12 if we don't, the longer it is shut in it could be the more  
13 damage occurs.

14 So we are getting quite concerned, in fact, we would  
15 request the Commission to allow us to do this just as soon as  
16 possible to flow this well because we are getting, like I  
17 say, we are getting very concerned about this well. It's a  
18 valuable well, it has produced in excess of five billion cubic  
19 feet of gas and we think it is capable of producing at least  
20 that much more.

21 Q (Mr. Lopez continuing.) Were Exhibits One  
22 through Five prepared by you?

23 A Yes, they were.

24 MR. LOPEZ: We would like to offer them into  
25 evidence.

1 MR. STAMETS: These exhibits will be admitted.

2 (THEREUPON, Applicant's Exhibits One through  
3 Five were admitted into evidence.)

4 Q (Mr. Lopez continuing.) Is it your opinion that the  
5 granting of your application is in the interest of the  
6 prevention of waste and protection of correlative rights?

7 A Yes, it is. I would reiterate or maybe make a  
8 statement which probably, I would say, comes under that  
9 category.

10 If you would review the last twelve months,  
11 particularly the last seven months of the production in the  
12 field you would see that not only was the Catclaw Draw No. 9  
13 Well producing in excess, at an excess of its allowable but all  
14 of the wells in the field were producing at that rate or in  
15 excess of their set allowables. I don't want the Commission to  
16 think that we were sitting there trying to gut the field with  
17 the No. 9 Well, it wasn't the case at all because all the  
18 other top allowable wells were doing the same thing during  
19 that period of time. We regret that we did produce or get  
20 that much overproduced but we really failed to see how  
21 drastically those allowables had been reduced over the last  
22 several months which we hope to get with the Commission and  
23 see if we can't get the allowables adjusted upward, if not  
24 in the past at least in the future, in the next several months.

25 So what I'm trying to say, we weren't trying to

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 drain the field with that one well and you can see on Exhibit  
2 Number One the way that the top allowable wells are spread  
3 out. They are spread out quite evenly over the field. They  
4 are not all bunched together. In other words, the north end  
5 of the field has an allowable well, the center of the field  
6 has top allowable wells and the south end has got top  
7 allowables.

8 Another thing I wish to point out is on the offset  
9 wells of the No. 9, the northeast offset, which would be the  
10 No. 5 Catclaw Draw in Section 25, of 21, 25, it's a marginal well,  
11 as you can see. It's not really producing at all from the  
12 same zone as the Catclaw Draw No. 9 Well, so we're not  
13 draining any gas from that well.

14 The well in 36, the east offset, is a poor well,  
15 it's producing all it can produce but it is a poor well and  
16 the north offset well is again a marginal well, so here we  
17 have marginal wells offsetting the top allowable wells, but  
18 they are producing, so to speak, as much as they can produce.

19 Q Does that end your testimony, anything else?

20 A I think that's all, unless Dick has a question.

21

22

CROSS EXAMINATION

23 BY MR. STAMETS:

24 Q Mr. Hanagan, from looking at your exhibits and your  
25 calculations it would appear that you are in need of relief

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

1 even if you succeed in convincing the Commission that they  
2 have an error in their calculation back in January of '75  
3 allowable column?

4 A. Yes, that's correct.

5 Q. Has it been your experience or have you observed in  
6 the field that occasionally there will be a Morrow well or  
7 Morrow pool that if it is shut in it never comes back with  
8 quite as high a rate as it had before it was shut in?

9 A. Yes, particularly over a long period of time. I  
10 would say that the general operators in the field, I don't  
11 mean in the field, but in the area, in Eddy County, such as  
12 Monsanto, Fasken and so forth, all share that opinion that you  
13 do damage those wells by shutting them in, particularly over  
14 a long period of time.

15 MR. STAMETS: Any questions of the witness? He may  
16 be excused.

17 (THEREUPON, the witness was excused.)

18 MR. STAMETS: Anything further in this case? We  
19 will take the case under advisement and the hearing is adjourned.

20 (THEREUPON, the hearing was adjourned.)  
21  
22  
23  
24  
25

**sid morrish reporting service**

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand 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.

*Sidney F. Morrish*  
Sidney F. Morrish, C.S.R.

**sid morrish reporting service**  
General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 5842  
heard by me on 1-19-1977.  
*Richard F. [Signature]* Examiner  
New Mexico Oil Conservation Commission

CASE 5836: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit James W. Strawn, American Employers Insurance Company, and all other interested parties to appear and show cause why the Horton Well No. 1 located in Unit A of Section 32, Township 11 North, Range 7 East, Santa Fe County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5810: Continued from November 23, 1976, Examiner Hearing

Application of Yates Petroleum Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Stonewall "EP" Com Well No. 1, located in Unit F of Section 30, Township 20 South, Range 28 East, Eddy County, New Mexico, to produce gas from the North Burton Flat-Wolfcamp Gas Pool and an undesignated Morrow gas pool.

CASE 5837: Application of TransOcean Oil, Inc., for a unit agreement, Catron County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Omega Unit Area comprising 35,196 acres, more or less, of State, Federal, and fee lands in Townships 2, 3, and 4 North, Range 14 West, Catron County, New Mexico.

CASE 5838: Application of TransOcean Oil, Inc. for a unit agreement, Catron County, New Mexico. Applicant, in the above-styled cause, seeks approval of the French Unit Area comprising 34,542 acres, more or less, of State, Federal, and fee lands in Townships 1 and 2 North, Ranges 16, 17, and 18 West, Catron County, New Mexico.

CASE 5839: Application of TransOcean Oil, Inc. for a unit agreement, Catron County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Remuda Unit Area comprising 34,504 acres, more or less, of State, Federal, and fee lands in Townships 2 and 3 North, Ranges 9 and 10 West, Catron County, New Mexico.

CASE 5840: Application of Dome Petroleum Corporation for pool creation and assignment of a discovery allowable, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Entrada production and the assignment of approximately 25,800 barrels of oil discovery allowable to the discovery well, being applicant's Federal 15 Well No. 1 located in Unit F of Section 15, Township 19 North, Range 5 West, McKinley County, New Mexico.

CASE 5048: (Reopened)

In the matter of Case 5048 being reopened pursuant to the provisions of Order No. R-4637-A, which order extended the temporary special pool rules for the South Dagger Draw-Upper Pennsylvanian Associated Pool, Eddy County, New Mexico. All interested parties may appear and show cause why said temporary special pool rules should not be rescinded.

CASE 5599: (Reopened)

In the matter of Case 5599 being reopened pursuant to the provisions of Order No. R-5142 which order established temporary special pool rules for the Twin Lakes-Devonian Pool, Chaves County, New Mexico. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units and why the limiting gas-oil ratio should not revert to 2,000 to 1.

CASE 5841: Application of Bettis, Boyle & Stovall for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian formation underlying the E/2 NE/4 of Section 34, Township 12 South, Range 37 East, Southwest Gladiola-Devonian Pool, Lea County, New Mexico, to be dedicated to the Lowe Well No. 1 located in Unit A of said Section 34. Also to be considered will be the cost of recompleting said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in recompletion of said well.

CASE 5842: Application of Hanagan Petroleum Corporation for an exception to the provisions of Order No. R-1670, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 15(B) of the Southeast Gas Proration Rules contained in Order No. R-1670, as amended, to permit its Catclaw Draw Unit Well No. 9, located in Unit F of Section 35, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, to make up its overproduction at a rate less than complete shut-in.





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. 5842  
Order No. R-5358

APPLICATION OF HANAGAN PETROLEUM  
CORPORATION FOR AN EXCEPTION TO THE  
PROVISIONS OF COMMISSION ORDER  
NO. R-1670, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 19, 1977,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 25th day of January, 1977, 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, Hanagan Petroleum Corporation, is  
the owner-operator of the Catclaw Draw Unit Well No. 9 located  
in Unit F of Section 35, Township 21 South, Range 25 East, NMPM,  
Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico.

(3) That by Gas Supplement No. SF-4499 dated August 27, 1976,  
the Commission ordered said Catclaw Draw Unit Well No. 9 to be  
shut-in pursuant to the provisions of Rule 15(B) of the  
Southeast Gas Proration Rules contained in Commission Order  
No. R-1670, as amended, said well being more than six times  
overproduced.

(4) That said well was shut-in on August 31, 1976, and  
has remained shut-in since that time.

-2-

Case No. 5842  
Order No. R-5358

(5) That a 320 pound drop in surface pressure on said well since shut-in is indicative of the build-up of reservoir liquids in the wellbore of said well opposite to and in contact with the productive interval.

(6) That if such liquids are permitted to stand against the face of the productive zone in said well for an extended period of time, the formation may be damaged around the well bore.

(7) That such damage could result in the loss of productivity and ultimate recovery from said well.

(8) That to prevent reservoir damage, applicant seeks an exception to Rule 15(B) of the Southeast Gas Proration Rules contained in Order No. R-1670, as amended, to permit said Catclaw Draw Unit Well No. 9, located in Unit F of Section 35, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, to make up its overproduction at a rate less than complete shut-in.

(9) That by periodically producing said well at volumes not to exceed a cumulative total of 20,000 MCF in any month, the well bore may be effectively kept clear of such potentially damaging liquids.

(10) That approval of the subject application will prevent waste and will not violate correlative rights.

(11) That the application should be approved.

IT IS THEREFORE ORDERED:

(1) That the applicant, Managan Petroleum Corporation, is hereby authorized to make up gas overproduction on its Catclaw Draw Unit Well No. 9, located in Unit F of Section 35, Township 21 South, Range 25 East, NMPM, Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, at a rate less than complete shut-in.

PROVIDED HOWEVER, that during the period that said well remains subject to the shut-in provisions of Commission Gas Supplement No. SF-4499 and Rule 15(B) of the Southeast Gas Proration Rules contained in Commission Order No. R-1670, as amended, it shall not be produced in excess of a cumulative volume of 20,000 MCF during any calendar month.

-3-  
Case No. 5842  
Order No. R-5358

(2) 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

PHIL R. LUCERO, Chairman

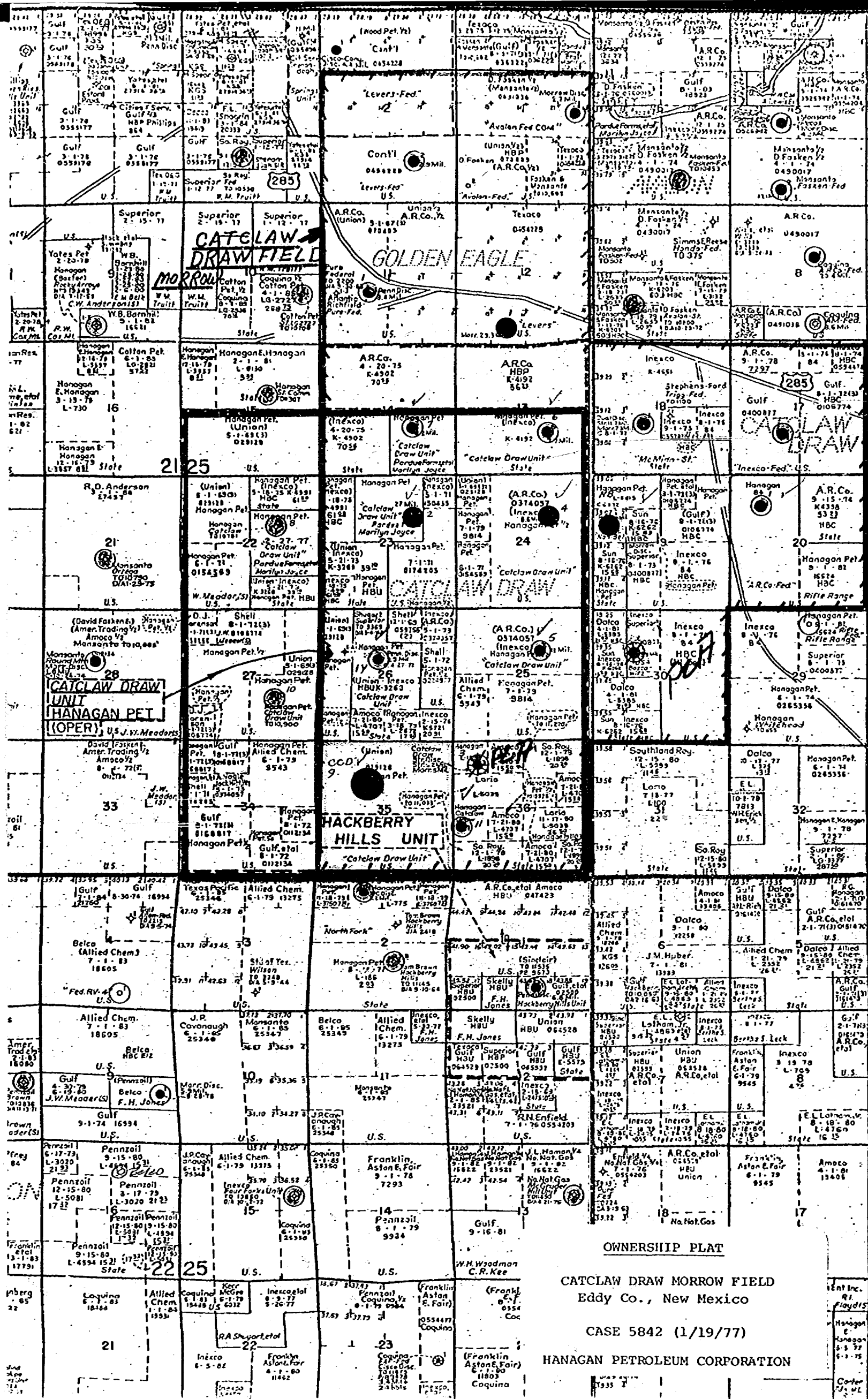


*Emery C. Arnold*  
EMERY C. ARNOLD, Member

*Joe D. Ramey*  
JOE D. RAMEY, Member & Secretary

S E A L

dr/



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501

Gas Supplement No. SF- 4499

Hanagan Petroleum Corporation  
P. O. Box 1737  
Roswell, New Mexico 88201

Date August 27, 1976

NOTICE OF SHUT-IN

As shown by the attached data sheet your

Lease: Catclaw Draw Unit

Well No. 9

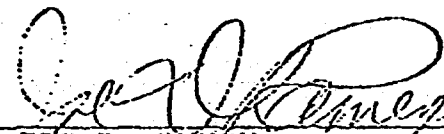
Location: Unit F, Sec. 35 Twp. 21S Rge. 25E

Pool: Catclaw Draw-Morrow Gas

is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months.

Accordingly, pursuant to the provisions of Rule 15(B) of Order No. R-1670, General Rules for Prorated Gas Pools, as amended by Order No. R-4569, July 1, 1973, you are hereby directed to immediately cause to be shut-in said well until it is overproduced in an amount six times or less its average monthly allowable.

By copy of this supplement, the gas transporter connected to the subject well is hereby requested to notify the Gas Proration Department of the Santa Fe Office of the Commission of the exact hour and date that the well is shut in so that allowable credit may immediately begin accruing against the well's overproduction.

  
JOE D. REEDY,  
Secretary-Director

cc: Llano Incorporated  
P. O. Box 1320  
Hobbs, New Mexico 88240  
OCC Artesia

NMOCC SHUT-IN NOTICE

CATCLAW DRAW MORROW FIELD  
Eddy Co., New Mexico

CASE 5842 (1/19/77)

HANAGAN PETROLEUM CORPORATION

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
<u>Hanagan</u>	<u>2</u>
CASE NO.	<u>5842</u>
Submitted by	<u>H. Hanagan</u>
Hearing Date	<u>1-19-77</u>

SHUT-IN DATA SHEET

EFFECTIVE DATE OF SHUT-IN \_\_\_\_\_  
 SHUT-IN NOTICE NO. (NW) (SE) \_\_\_\_\_

PURCHASER Llano Incorporated  
 OPERATOR Hanagan Petroleum Corp.  
 LEASE Calclaw Draw Unit  
 WELL NO. 9  
 UNIT LETTER F  
 S.T.R. 35-215-25E  
 POOL Calclaw Draw - Morrow Gas

YEAR \_\_\_\_\_

BEGINNING SHUT-IN STATUS \_\_\_\_\_

MONTH	CURRENT ALLOWABLE	PRODUCTION	REDISTRIBUTION	STATUS	DATE RELEASED
JANUARY					
FEBRUARY					
MARCH					
APRIL					
MAY					
JUNE					
JULY					
AUGUST	<u>114,358</u>	<u>110,450</u>			
SEPTEMBER	<u>95,078</u>	<u>132,852</u>			
OCTOBER	<u>115,000</u>	<u>117,190</u>			
NOVEMBER	<u>115,000</u>	<u>124,071</u>			
DECEMBER	<u>99,791</u>	<u>124,803</u>			

YEAR 1976

BEGINNING SHUT-IN STATUS 759 902 -

JANUARY	<u>125,000</u>	<u>113,048</u> ✓			
FEBRUARY	<u>109,875</u>	<u>110,697</u>			
MARCH	<u>100,000</u>	<u>133,780</u>			
APRIL	<u>75,000</u>	<u>115,082</u>			
MAY	<u>50,000</u>	<u>95,786</u>			
JUNE	<u>45,000</u>	<u>124,784</u>			
JULY	<u>39,595</u>	<u>126,948</u>	<u>759,902 -</u>		
AUGUST					
SEPTEMBER					
OCTOBER					
NOVEMBER					
DECEMBER					

1,083,697

REMARKS:  $\frac{1,083,697}{12} = 90,308.08$   $\frac{759,902}{90,308.08} = 8.41$

**LLANO, INC.**

PHONE 393-2153

P. O. DRAWER 1320

HOBBS, NEW MEXICO 88240

September 1, 1976

New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

*Well Prod. File*

Attention: Mr. Jim Kapteina

Llano File No. E9.02.76  
Re: Gas Supplement No. SF-4499  
Dated August 27, 1976

Gentlemen:

Reference is made to your Gas Supplement No. SF-4499, dated August 27, 1976, which directed Hanagan Petroleum Corporation to shut-in the Catclaw Draw Unit No. 9 (F-35-21S-25E) due to being overproduced more than six times its average monthly allowable for the preceding twelve months.

This is to advise that the subject well was shut-in at 1:30 P.M. August 31, 1976.

Very truly yours,

LLANO, INC.

*Al Klaar*

Al Klaar

AK:alc

xc: Mr. G. W. Edwards  
Mr. D. L. Garey  
GP-60

xc: Hanagan Petroleum Corporation  
P. O. Box 1737  
Roswell, New Mexico 88201  
Attn: Mr. Hugh Hanagan

xc: TUCO INC.  
P. O. Box 1261  
Amarillo, Texas 79170  
Attn: Mr. Ralph Williams

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	3
Hanagan	5842
CASE NO.	
Submit	H. Hanagan
Hearing	1-19-77

NOTICE TO NMOC WELL SHUT-IN

CATCLAW DRAW MORROW FIELD  
Eddy Co., New Mexico

CASE 5842 (1/19/77)

HANAGAN PETROLEUM CORPORATION



CATCLAW DRAW MORROW FIELD  
EDDY CO., NEW MEXICO

Page 1

"PRODUCTION VERSUS ALLOWABLE BALANCE"

HANAGAN PETROLEUM CORPORATION #9 CATCLAW DRAW UNIT WELL

Month	Current Allowable	Current Production	Allowable Produced Under or Over	Accum. Allowable Under or Over
1974 April	229560N	232303	2743-	2743-
May	218112N	273440	55328-	58071-
June	115036N	232958	117922-	175993-
July	922737N	258619	165882-	341875-
Aug.	113988N	192058	78070-	419945-
Sept.	157376N	170042	12666-	432611-
Oct.	111534N	81417	30117	402494-
Nov.	156795N	205840	49045-	451539-
Dec.	168695N	218108	49413-	500952-
1975 Jan.*	471306N	191224	*280082	*220870-
Feb.	140841N	135010	5831	*471497-
Mar.	137965N	123447	14518	215039-
	2113945N	2314466	200521-	451148-

\* (Used current allowable of 220,679 for Jan. vs. 471,306 - Diff. 250,627 MCF)

1975 April	118188N	101762	16426	16426	184095-	434722-
May	114635N	45764	68871	68871	115224-	365851-
June	106003N	139486	33483-	33483-	148707-	399334-
July	110260N	125034	14774-	14774-	163481-	414108-
Aug.	114358N	110450	3908	3908	159573-	410200-
Sept.	95078N	132852	37774-	37774-	197347-	447974-
Oct.	115000N	117190	2190-	2190-	199537-	450164-
Nov.	115000N	124071	9071-	9071-	208608-	459235-
Dec.	99791N	124803	25012-	25012-	233620-	484247-
1976 Jan.	125000N	113048	11952	11952	221668-	472295-
Feb.	109875N	110697	822-	822-	222490-	473117-
Mar.	100000N	133780	33780-	33780-	256270-	506897-
	1323188N	1378937	55749-	55749-		

PRODUCTION VS. ALLOWABLE BALANCE

CATCLAW DRAW MORROW FIELD  
Eddy Co., New Mexico

CASE 5842 (1/19/77)

HANAGAN PETROLEUM CORPORATION

BEFORE EXHIBIT  
OIL CONSERVATION  
Hanagan EXHIBIT NO. 5842  
CASE NO. 5841  
Signed by H. Hanagan  
Date 1-19-77

CATCAW DRAW MORROW FIELD  
EDDY CO., NEW MEXICO

"PRODUCTION VERSUS ALLOWABLE BALANCE"

HANAGAN PETROLEUM CORPORATION #9 CATCAW DRAW UNIT WELL

Month	Current Allowable	Current Production	Allowable Produced		Accum. Allowable	
			HPC	Under or Over	HPC	Under or Over
1976 April	75000N	115082	40082-		296352-	546979-
May	50000N	95786	45786-		342138-	592765-
June	45000N	124784	79784-		421922-	672549-
Case I July	39595N	126948	87353-		509275-	759902-
Aug. **	45000N	92768	47768-		557043-	**807670-
Sept.	40000N	1214	38786	38786	518257-	768884-
Oct.	45000N	0	45000	45000	473257-	723884-
Nov.	45000N	0	45000	45000	428257-	678884-
Dec.	40000N	0	40000	40000	388257-	638884-
Case II 1977 Jan.	40000N	0	40000	40000	348257-	598884-
	464595N	556582	91987-	91987-		

\*\*Shut-in 1:30 PM, Aug. 31, 1976.

Assume Allowable for Feb. & Mar. @ 40,000/Mon.

Case III	1977 Feb.	40000	0	40000	40000	308257-	558884-
	Mar.	40000	0	40000	40000	263257-	518884-
		544595	556582	11987-	11987-		
Case IV	1977 Feb.	40000	20000	20000	20000	328257-	578884-
	Mar.	40000	20000	20000	20000	303257-	558884-
		544595	596582	51987-	51987-		

CALCULATIONS

CASE I  
12 MONS. (Aug. 1975 thru July 1976: 1,083,697 MCF (Total 12 mons. allowable) ÷ 12 months = 90,308.08 average MCF/Mon. Allowable

759,902 MCF Well Overproduced July 1976 (NMOC Figures) ÷ 90,308.08 Average Mon. Allowable = 8.41

509,275 MCF Well Overproduced July 1976 (HPC Figures) ÷ 90,308.08 Average Mon. Allowable = 5.64

"PRODUCTION VERSUS ALLOWABLE BALANCE"

HANAGAN PETROLEUM CORPORATION #9 CATCLAW DRAW UNIT WELL

CALCULATIONS

CASE II

12 Mons. (Feb. 1976 thru Jan. 1977: 674,470 MCF (Total 12 mons. allowable) ÷ 12 months = 56205.83 Average MCF/Mon. Allowable

598,884 MCF Overproduced Jan. 1977 (NMOCC Figures) ÷ 56205.83 Average Mon. Allowable = 10.65

348,257 MCF Overproduced Jan. 1977 (HPC Figures) ÷ 56205.83 Average Mon. Allowable = 6.196

CASE III

Assume 40,000 MCFPM Allowable Next Two Months

12 Mons. (April 1976 thru Mar. 1977: 544,595 MCF (Total 12 mons. allowable) ÷ 12 months = 45,382.92 Average MCF/Mon. Allowable

518,884 MCF Overproduced March 1977 (NMOCC Figures) ÷ 45,382.92 Average Mon. Allowable = 11.43

268,257 MCF Overproduced March 1977 (HPC Figures) ÷ 45,382.92 Average Mon. Allowable = 5.91

CASE IV

Assume 40,000 MCFPM Allowable Next Two Months

and Allowed Produce 1/2 Allowable During This  
Two Month Period-(April 1976 thru Mar. 1977: 544,595 MCF (Total 12 mons. allowable) ÷ 12 months = 45,382.92 Average MCF/Mon. Allowable

558,884 MCF Overproduced March 1977 (NMOCC Figures) ÷ 45,382.92 Average Mon. Allowable = 12.31

308,257 MCF Overproduced March 1977 (HPC Figures) ÷ 45,382.92 Average Mon. Allowable = 6.79

NEW MEXICO  
OIL CONSERVATION COMMISSION

SOUTHEAST GAS PRORATION SCHEDULE



JANUARY, 1975

ORDER NO. AG-39-10

BEFORE EXAMINER STAMETS  
OIL CONSERVATION CO.  
Hanagan EXHIBIT NO. 5  
CASE NO. 5842  
Submitted by H. Hanagan  
Filing Date 1-19-77

NMOCC SOUTHEAST PRORATION SCHEDULE  
DATED JANUARY, 1975

CATCLAW DRAW MORROW FIELD  
Eddy Co., New Mexico

CASE 5842 (1/19/77)

HANAGAN PETROLEUM CORPORATION

CARLSBAD MORROW SD (GAS) *9/10/01*

DESCRIPTION	STAT	AF	PROD
1F1922S27E	M	.98	15782
STRACKBEIN A			
1E3222S27E	M	1.00	28745

TWP  
NOV.  
JAN  
O/UJan.  
ALLOC ACRE-  
DELIV

CORINE GRACE  
CITY OF CARLSBAD COM  
102522S26E M 1.00  
GO PO GO  
1G2522S26E M 1.00 7299  
2G2422S26E M 1.00 132459  
HUMBLE GRACE COM  
1P 223S26E M .61 33977

\*\*\*\*\*

15782	314
28745	320
	320
7299	320
132459	320
33977	195

J. M. HUBER CORPORATION  
MOORE COM  
1G3523S26E M 1.00

\*\*\*\*\*

320

PENNZOIL COMPANY  
ECHOLS COM  
1J1223S26E M 1.00 80863  
GULF FEDERAL COM  
1K 123S26E M 1.00 39034  
2L 623S27E M .99 6900  
MOBIL 12 FEDERAL  
1B1223S26E M 1.00 55962

\*\*\*\*\*

80863	320
39034	320
6900	315
55962	320

TEXAS OIL AND GAS CORPORATION  
CITY OF CARLSBAD COM  
101322S26E M 1.00

\*\*\*\*\*

320

PIPELINE TOTAL 13.58 404289

404289	4344
--------	------

TRANSWESTERN AND LLANO

CITIES SERVICE OIL COMPANY  
HERLAND A COM  
101922S27E M .98 22720  
HERLAND B COM  
1G3022S27E M .98 32518  
SPENCER A  
103022S27E M .98 55703

\*\*\*\*\*

22720	313
32518	313
55703	313

MOBIL OIL CORPORATION  
FEDERAL LL  
1N1323S26E M 1.00 8421  
FEDERAL PP COM  
1F2423S26E M 1.00 75644

\*\*\*\*\*

8421	320
75644	320

THE SUPERIOR OIL COMPANY  
STEPHENS  
1F 723S27E M 1.00 14760  
STEPHENS A  
1N 723S27E M 1.00 9185

\*\*\*\*\*

14760	318
9185	317

PIPELINE TOTAL 6.94 218951

218951	2214
--------	------

POOL TOTAL 48.49 2373221

250135

2363548	15498
---------	-------

CATCLAW CRAW MORROW (GAS)

LLANO INCORPORATED

HANAGAN PETROLEUM CORPORATION  
CATCLAW CRAW UNIT  
Y 1F2621S25E M 1.00 67430  
2G2321S25E N 1.00 147096  
5G2521S25E M 1.00 22072  
9F3521S25E N 1.00 205840

\*\*\*\*\*

128833-

451539-

580372-

67430	640
471306	640
22072	640
471306	640

1032114	2560
---------	------

PIPELINE TOTAL 4.00 442438

LLANO AND SOUTHERN UNION GAS COMPANY

HANAGAN PETROLEUM CORPORATION  
CATCLAW CRAW UNIT  
4G2421S25E N 1.00 165578  
6J1321S25E M 1.00 83289  
7J1421S25E M 1.00 51061

\*\*\*\*\*

119192-

119192-

471306	640
83289	640
51061	640

605656	1920
--------	------

PIPELINE TOTAL 3.00 299928

SOUTHERN UNION GAS COMPANY

(over)

WELLS DRAW MORROW (GAS) *Nov*  
 DESCRIPTION STAT AF *Nov*  
 US PROD

*S U*  
*Nov*  
*JAN*  
*O/U*

*Jan.* ACRE-  
 ALLOC DEL IV

ATLANTIC RICHFIELD COMPANY  
 PURE FEDERAL  
 1K1121S25E M 1.02 38967

\*\*\*\*\*

38967 651

DAVID FASKEN  
 AVALON FEDERAL COM  
 1P 121S25E M 1.34 784

\*\*\*\*\*

784 854

HANAGAN PETROLEUM CORPORATION  
 NAN-BET COM  
 1E1921S26E M .99 91024

\*\*\*\*\*

91024 ✓ 636

INEXCO OIL COMPANY  
 ARCO FEDERAL COM  
 1D2021S26E M 1.00  
 MCMINN STATE COM  
 1K1821S26E M .99 25892  
 USA-BOSCHWITZ COM  
 1F3021S26E M 1.00 15455

\*\*\*\*\*

640

25892 636

15455 640

TEXACO INCORPORATED  
 E. J. LEVERS FEDERAL NCT-1  
 1N1221S25E N .99 62933

\*\*\*\*\*

545279 466593 632

PIPELINE TOTAL 7.33 235055

545279 638715 4689

POOL TOTAL 14.33 977421

154285- 2276485 9169

CHAVES QUEEN GAS AREA SOUTHEAST

CHALA CRYOGENICS

DALPORT OIL CORPORATION  
 JONES FEDERAL  
 1L221S29E N 8.00 901  
 OWEN  
 1H211S29E N 8.00 18397

\*\*\*\*\*

123257 39680 320

105761 39680 320

PIPELINE TOTAL 16.00 19298

229018 79360 640

POOL TOTAL 16.00 19298

229018 79360 640

CROSBY DEVONIAN (GAS)

EL PASO NATURAL GAS COMPANY

EL PASO NATURAL GAS COMPANY  
 GREGORY FEDERAL  
 Y 2C3325S37E M 1.00

\*\*\*\*\*

160

GULF OIL CORPORATION  
 G W SHAHAN  
 2B3325S37E N 1.00 47377

\*\*\*\*\*

20224- 66519 160

UNION TEXAS PETROLEUM CORPORATION  
 GREGORY EL PASO FEDERAL  
 1G3325S37E M 1.00 6605

\*\*\*\*\*

6605 160

PIPELINE TOTAL 3.00 53982

20224- 73124 480

NORTHERN NATURAL GAS COMPANY

MGP OIL CORPORATION  
 COOK  
 1O2825S37E M 1.00

\*\*\*\*\*

160

PIPELINE TOTAL 1.00

160

POOL TOTAL 4.00 53982

20224- 73124 640

DAGGER DRAW UPPER PENN SO. ASSOC.

ROGER C. HANKS

ROGER C. HANKS  
 PRESTON FEDERAL  
 1L3520S24E N 1.00

\*\*\*\*\*

5143753 66216 320

DRAFT

Exhibit  
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. 5842

Order No. R-                    

Commission

Application of Hanagan Petroleum Corporation for an exception to the provisions of Order No. R-1670,  
Eddy County, New Mexico.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 19,  
19 77, at Santa Fe, New Mexico, before Examiner Richard L. Starnes.

NOW, on this              day of             , 19       , 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, Hameyer Petroleum Corporation, is the owner operator of the Catclaw Draw Unit Well No 9 located in Unit F of Section 35, Township 21 South, Range 25 East, NMPM, Catclaw Draw - Morrow Gas Pool, Cady County, New Mexico.

(3) That by Gas Supplement No. SE-4499 dated August 27, 1976, The Commission ordered said Catclaw Draw Unit Well No. 9 to be shut-in pursuant to the provisions of Rule 15(B) of ~~the Southeast Gas Production Rules contained in Commission Order No. R-1670, General Rules and Regulations for Pooled Gas Pools~~ <sup>the Southeast Gas Production Rules contained in Commission Order No. R-1699.</sup>, as amended, said well being ~~more than six times overproduced more than six times~~ <sup>average monthly allowable</sup> more than six times overproduced.

(4) That said well was shut-in on August 31, 1976, and has remained shut-in since that time.

(5) That a 320 pound drop in surface pressure on said well <sup>since shut-in</sup> is indicative of the build up of reservoir liquids in the well bore of said well opposite and in contact with the productive interval.

(6) That if such liquids are permitted to stand against the face of the productive zone in said well for an extended period of time, the



formation may be damaged around the well bore.

(7) That such damage could result in the loss of productivity and ultimate recovery from said well.

(8) That by periodically producing said well at ~~volumes~~ not to exceed a ~~cumulative~~ cumulative total of 20,000 MCF in any month the well bore may be effectively kept clear of ~~damaging~~ such potentially damaging fluids

(8) That to prevent reservoir damage, applicant

seeks an exception to Rule 15(B) of the Southeast Gas Proration Rules contained in Order No. R-1670, as amended, to permit ~~and~~ Catclaw Draw Unit Well No. 9, located in Unit F of Section 35, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, to make up its overproduction at a rate less than complete shut-in.

~~(10) That approval of the subject~~  
~~to prevent~~

(10) That approval of the subject application will prevent waste and will not violate correlative rights.

(11) That the ~~subject~~ application should be approved.

V & Is Therefore Ordered.

(1) That ~~the~~ ~~application~~ the applicant, Hargan Petroleum Corporation, is hereby authorized to make up gas overproduction on its Catclaw Draw Unit Well No. 9, located in Unit F of Section 35, Township 21 South, Range 25 East <sup>N.M.</sup>, Catclaw Draw - Morrow Gas Pool, Eddy County, New Mexico, at a rate less than a complete shut in.

Provided However, that during the period that said well remains subject to the shut-in provisions of Rule 15(B) of Order ~~1670~~ of the Southeast Gas Production Rules contained in <sup>Commission</sup> Order No. R-1670, as amended, it shall not be ~~permitted to~~ authorized produce a cumulative volume in excess of 20,000 MCF during any calendar month.

(2) ~~Jurisdiction~~

~~ordered by~~ Commission Gas Supplement No. SF-4499 and

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF HANAGAN PETROLEUM  
CORPORATION FOR RELIEF FROM POOL  
ALLOWABLE, CAT CLAW DRAW FIELD,  
EDDY COUNTY, NEW MEXICO.

Case No. 5842

A P P L I C A T I O N

Comes now the applicant, Hanagan Petroleum Corporation, by and through its attorneys, Montgomery, Federici, Andrews & Hannahs, and respectfully states:

1. The applicant is the operator of the Hanagan Petroleum Corporation No. 9 Cat Claw Draw Unit Well located in Unit F, Section 35, Township 21 South, Range 25 East, Eddy County, New Mexico.

2. The Cat Claw Draw Field is a prorated field, and pursuant to Rule 15(b) of the rules and regulations of the Oil Conservation Commission the applicant received notice to shut in the production from the aforesaid well because of over-production. The well was shut in at 1:30 p.m. on August 31, 1976 and has remained shut in since that date.

3. The applicant believes that if the well remains shut in and is not allowed to produce on a temporary basis, material damage will result to the well.

4. The granting of the application is in the interest of the prevention of waste and the protection of correlative rights.

WHEREFORE, the applicant respectfully requests that the Commission, pursuant to its authority under Rule 15(e) of the rules and regulations, as amended by Orders R-3233 and R-4569,

allow the applicant to produce the Hanagan Petroleum Corporation  
No. 9 Well for a minimum of four days a month at a rate of  
3,000 mcf per day to avoid material damage resulting to the well.

Respectfully submitted,

MONTGOMERY, FEDERICI, ANDREWS  
& HANNAHS

By Andrew M. Lopez  
P.O. Box 2307  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF HANAGAN PETROLEUM  
CORPORATION FOR RELIEF FROM POOL  
ALLOWABLE, CAT CLAW DRAW FIELD,  
EDDY COUNTY, NEW MEXICO.

Case No. 5842

A P P L I C A T I O N

Comes now the applicant, Hanagan Petroleum Corporation, by and through its attorneys, Montgomery, Federici, Andrews & Hannahs, and respectfully states:

1. The applicant is the operator of the Hanagan Petroleum Corporation No. 9 Cat Claw Draw Unit Well located in Unit F, Section 35, Township 21 South, Range 25 East, Eddy County, New Mexico.

2. The Cat Claw Draw Field is a prorated field, and pursuant to Rule 15(b) of the rules and regulations of the Oil Conservation Commission the applicant received notice to shut in the production from the aforesaid well because of over-production. The well was shut in at 1:30 p.m. on August 31, 1976 and has remained shut in since that date.

3. The applicant believes that if the well remains shut in and is not allowed to produce on a temporary basis, material damage will result to the well.

4. The granting of the application is in the interest of the prevention of waste and the protection of correlative rights.

WHEREFORE, the applicant respectfully requests that the Commission, pursuant to its authority under Rule 15(e) of the rules and regulations, as amended by Orders R-3233 and R-4569,

allow the applicant to produce the Hanagan Petroleum Corporation  
No. 9 Well for a minimum of four days a month at a rate of  
3,000 mcf per day to avoid material damage resulting to the well.

Respectfully submitted,

MONTGOMERY, FEDERICI, ANDREWS  
& HANNAHS

By Andrew H. Lopez  
P.O. Box 2307  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF HANAGAN PETROLEUM  
CORPORATION FOR RELIEF FROM POOL  
ALLOWABLE, CAT CLAW DRAW FIELD,  
EDDY COUNTY, NEW MEXICO.

Case No. 5842

A P P L I C A T I O N

Comes now the applicant, Hanagan Petroleum Corporation, by and through its attorneys, Montgomery, Federici, Andrews & Hannahs, and respectfully states:

1. The applicant is the operator of the Hanagan Petroleum Corporation No. 9 Cat Claw Draw Unit Well located in Unit F, Section 35, Township 21 South, Range 25 East, Eddy County, New Mexico.

2. The Cat Claw Draw Field is a prorated field, and pursuant to Rule 15(b) of the rules and regulations of the Oil Conservation Commission the applicant received notice to shut in the production from the aforesaid well because of over-production. The well was shut in at 1:30 p.m. on August 31, 1976 and has remained shut in since that date.

3. The applicant believes that if the well remains shut in and is not allowed to produce on a temporary basis, material damage will result to the well.

4. The granting of the application is in the interest of the prevention of waste and the protection of correlative rights.

WHEREFORE, the applicant respectfully requests that the Commission, pursuant to its authority under Rule 15(e) of the rules and regulations, as amended by Orders R-3233 and R-4569,

allow the applicant to produce the Hanagan Petroleum Corporation  
No. 9 Well for a minimum of four days a month at a rate of  
3,000 mcf per day to avoid material damage resulting to the well.

Respectfully submitted,

MONTGOMERY, FEDERICI, ANDREWS  
& HANNAHS

By Andrew H. Lopez  
P.O. Box 2307  
Santa Fe, New Mexico 87501  
Attorneys for Applicant



Application of Hanagan  
Petroleum Corp for  
an exception to Order  
No. R-1670, Eddy  
County, New Mexico

Applicant, in the above styled cause, ~~part~~  
seeks an ~~the~~ exception to the provisions  
of Rule 15(B) of the Southeast Gas Production  
Rules as promulgated by Order No R-1670,  
as amended, to permit its Catclaw Draw  
Unit Well No. 9, located in Unit F of  
Section 35, Township 21 South, Range 25 East,  
Catclaw Draw-Morrow gas Pool, Eddy  
County, New Mexico, ~~to~~ to make  
up its overproduction at a rate  
less than complete shut-in.

DRAFT

dr/

*Expedite*

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. 5842

Order No. R- 5358

APPLICATION OF HANAGAN PETROLEUM  
CORPORATION FOR AN EXCEPTION TO THE  
PROVISIONS OF COMMISSION ORDER  
NO. R-1670, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 19,  
19 77, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this        day of       , 19       , 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, Hanagan Petroleum Corporation, is  
~~the~~ the owner operator of the Catclaw Draw Unit Well No. 9 located in  
Unit F of Section 35, Township 21 South, Range 25 East, NMPM,  
Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico.

(3) That by Gas Supplement No. SF-4499 dated August 27, 1976,  
the Commission ordered said Catclaw Draw Unit Well No. 9 to be  
shut-in pursuant to the provisions of Rule 15(B) of the Southeast  
Gas Proration Rules contained in Commission Order No. R-1670,  
as amended, said well being more than six times overproduced.

--2--

Case No. 5842

Order No. R-

(4) That said well was shut-in on August 31, 1976, and has remained shut-in since that time.

(5) That a 320 pound drop in surface pressure on said well since shut-in is indicative of the build-up of reservoir liquids in the wellbore of said well opposite <sup>to</sup> and ~~in contact~~ in contact with the productive interval.

(6) That if such liquids are permitted to stand against the face of the productive zone in said well for an extended period of time, the formation may be damaged around the well bore.

(7) That such damage could result in the loss of productivity and ultimate recovery from said well.

(8) That to prevent reservoir damage, applicant seeks an exception to Rule 15(B) of the Southeast Gas Proration Rules contained in Order No. R-1670, as amended, to permit said Catclaw Draw Unit Well No. 9, located in Unit F of Section 35, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, to make up its overproduction at a rate less than complete shut-in.

(9) That by periodically producing said well at volumes not to exceed a cumulative total of 20,000 MCF in any month, the well bore may be effectively kept clear of such potentially damaging liquids.

(10) That approval of the subject application will prevent waste and will not violate correlative rights.

(11) That the application should be approved.

IT IS THEREFORE ORDERED:

(1) That the applicant, Hanagan Petroleum Corporation, is hereby authorized to make up gas overproduction on its Catclaw Draw Unit Well No. 9, located in Unit F of Section 35, Township 21 South, Range 25 East, NMPM, Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, at a rate less than ~~at~~ complete shut-in.

-3-

Case No. 5842

Order No. R-

PROVIDED HOWEVER, that during the period that said well remains subject to the shut-in provisions of Commission Gas Supplement No. SF-4499 and Rule 15(B) of the Southeast Gas Proration Rules contained in Commission Order No. R-1670, as amended, it shall not be ~~authorized to produce a cumulative~~ *a cumulative volume of* ~~volume~~ in excess of 20,000 MCF during any calendar month.

(2) 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.