

CASE 2006: Application of Pan American
for an extension of no-flare provision of
rules for Otero-Gallup Oil Pool.

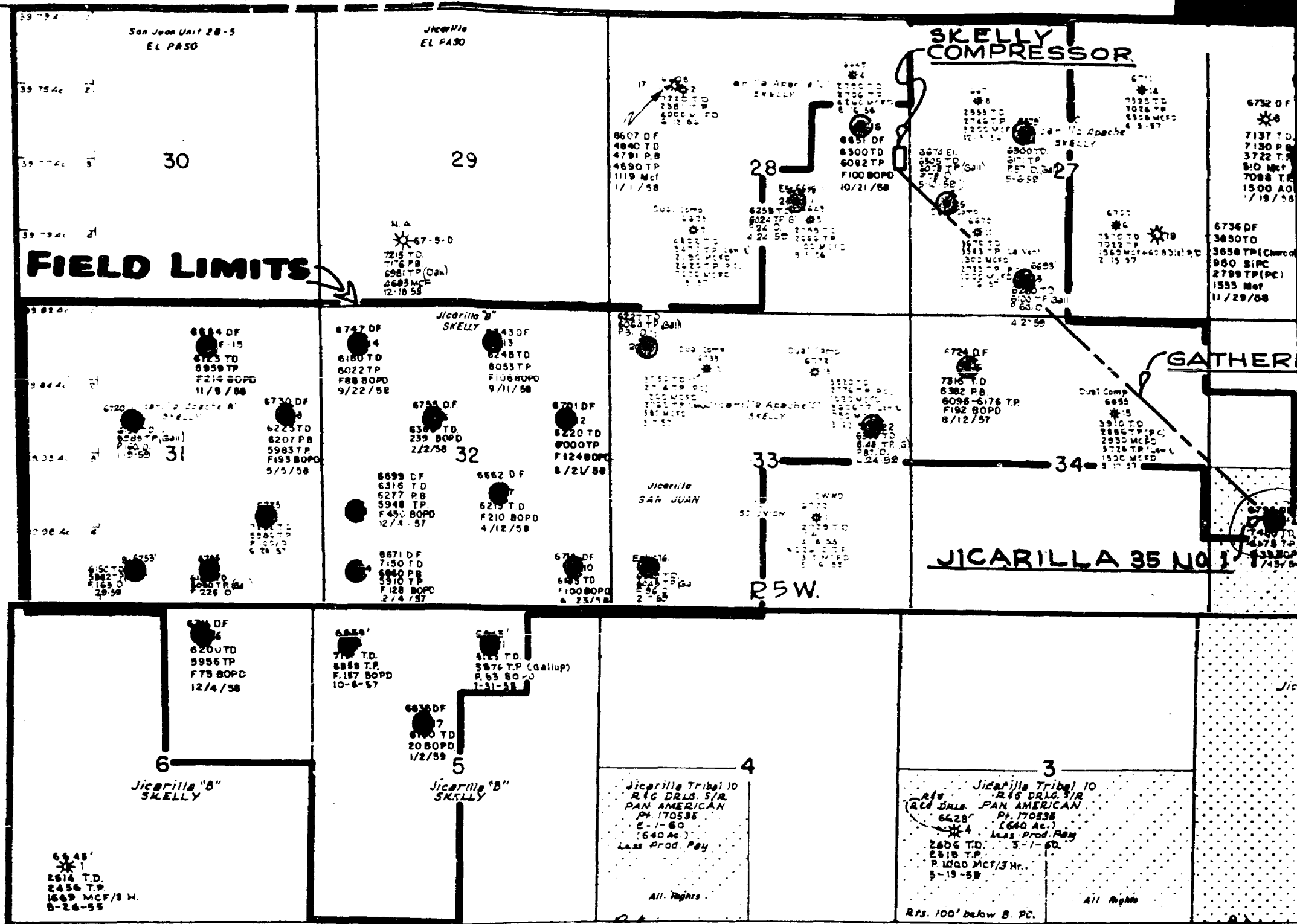
Case No.

2006

Application, Transcript,

Small Exhibits, Etc.

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BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1
CASE NO. 2006

LEGEND
● GALLUP COMPLETIONS

OTERO GALL
RIO ARRIBA CO
JULY 6,

PAN AMERI
EX

Source: *ibid.*

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

August 13, 1965

Pan American Petroleum Corporation
P. O. Box 480
Farmington, New Mexico

Attention: Mr. L. O. Speer

NFO Extension - Order No. R-1451-A

Gentlemen:

Reference is made to your application for extension of time in which to flare or vent low pressure casinghead gas from your Jicarilla Tribal 35 Well No. 1 located in the NW/4 SW/4 of Section 35, Township 25 North, Range 5 West, Rio Arriba County, New Mexico, in the Otero-Gallup Oil Pool.

By authority granted me under the provisions of Order No. R-1451-A, you are hereby authorized to flare gas from the above-described well until September 21, 1966.

Prior to that date, please furnish the Santa Fe office of the Commission with a re-evaluation of the feasibility of eliminating the flaring or venting of gas from the above-described well. Failure to do so will subject the well to cancellation of allowable.

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

ALP/DSH/og

cc: Oil Conservation Commission - Aztec
New Mexico Oil & Gas Engineering Committee - Hobbs

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PAN AMERICAN PETROLEUM CORPORATION

P. O. Box 480, Farmington, New Mexico
July 27, 1965

JUL 29 1965

File: N-493-986.510.1

Subject: Request for Extension to
No-Flare Exception
Administrative Order No.
R-1451-A
Jicarilla 35 No. 1
Otero Gallup Pool
Rio Arriba County, New Mexico

TO: Mr. A. L. Porter, Jr. FLOOR NO.

REMARKS New Mexico Oil Conservation Comm.

P. O. Box 2088

FROM Santa Fe, New Mexico

Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Dear Sir:

Pan American Petroleum Corporation respectfully requests an extension to Order No. R-1451-A, dated July 21, 1960, to permit the continued flaring of gas from Pan American's Jicarilla 35 No. 1 in exception to the no-flare provisions of Rule 4, Order No. R-1237-A, Otero Gallup Pool Rules, dated October 19, 1959. Your letter of August 18, 1964, authorized the flaring of casinghead gas from this well until September 21, 1965.

Attached herewith is a summary of pumping tests for the Jicarilla 35 Well No. 1. Although the gas producing rate slightly exceeds the 1964 test rates, it is less than the rates obtained in 1960 and 1961. The oil producing rate has continued to decline gradually; thus, the well is definitely on decline and probably in the latter stages of depletion.

Jicarilla 35 Well No. 1 produces into a tank battery which serves only the one well as it is our only well in the Otero Gallup Pool and the only well on the lease. To connect Jicarilla 35 Well No. 1 to Skelly Oil Company's Otero Field compressor, requiring 9000 feet of buried pipeline (to prevent freezing), as shown in our letter of August 17, 1961, File: N-352-986.510.1, will cost approximately \$12,500. To connect to El Paso's gas gathering system, it will be necessary to install a two-stage compressor and 3500 feet of buried pipeline, as shown in our letter of June 13, 1961, File: N-174-986.510.1, at a cost of \$14,800. This cost estimate is different than that shown in our letter of June 13, 1961, as two items have been revised. First, the compressor is assumed to have a salvage value of \$3,000. Secondly, the compressor operating cost is increased to \$6,300, based on a remaining life of the lease of 11½ years, as shown by the attached rate-versus-time decline curve.

July 27, 1965
N-493-986.510.1

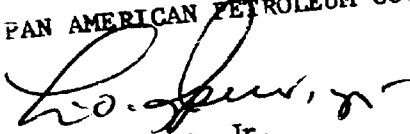
Page 2
Mr. A. L. Porter, Jr.
New Mexico Oil Conservation Commission

Payout of either gas facility at a gas rate of 32 MCFPD for 11½ years, based on an average of the present gas rate of 65 MCFPD and an abandonment gas rate of 27 MCFPD, less 10 MCFPD for separator fuel and 4 MCFPD for the compressor (where applicable), is over 20 years. Since the remaining life of the well is less than 12 years, there would be no payout.

In view of the above, an economic loss would result from the installation of gas gathering facilities for the subject well. Therefore, it is requested that Pan American Petroleum Corporation be granted an extension to Order No. R-1451-A, dated July 21, 1960, to permit the continued flaring of gas from the Jicarilla 35 No. 1 in exception to the no-flare provisions of Rule 4 of Order No. R-1237-A, Otero Gallup Pool Rules, dated October 19, 1959.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION


L. O. Speer, Jr.
Area Superintendent

JRK:en
Attach.

cc w/attach: Mr. E. C. Arnold
New Mexico Oil Conservation Commission
Aztec, New Mexico

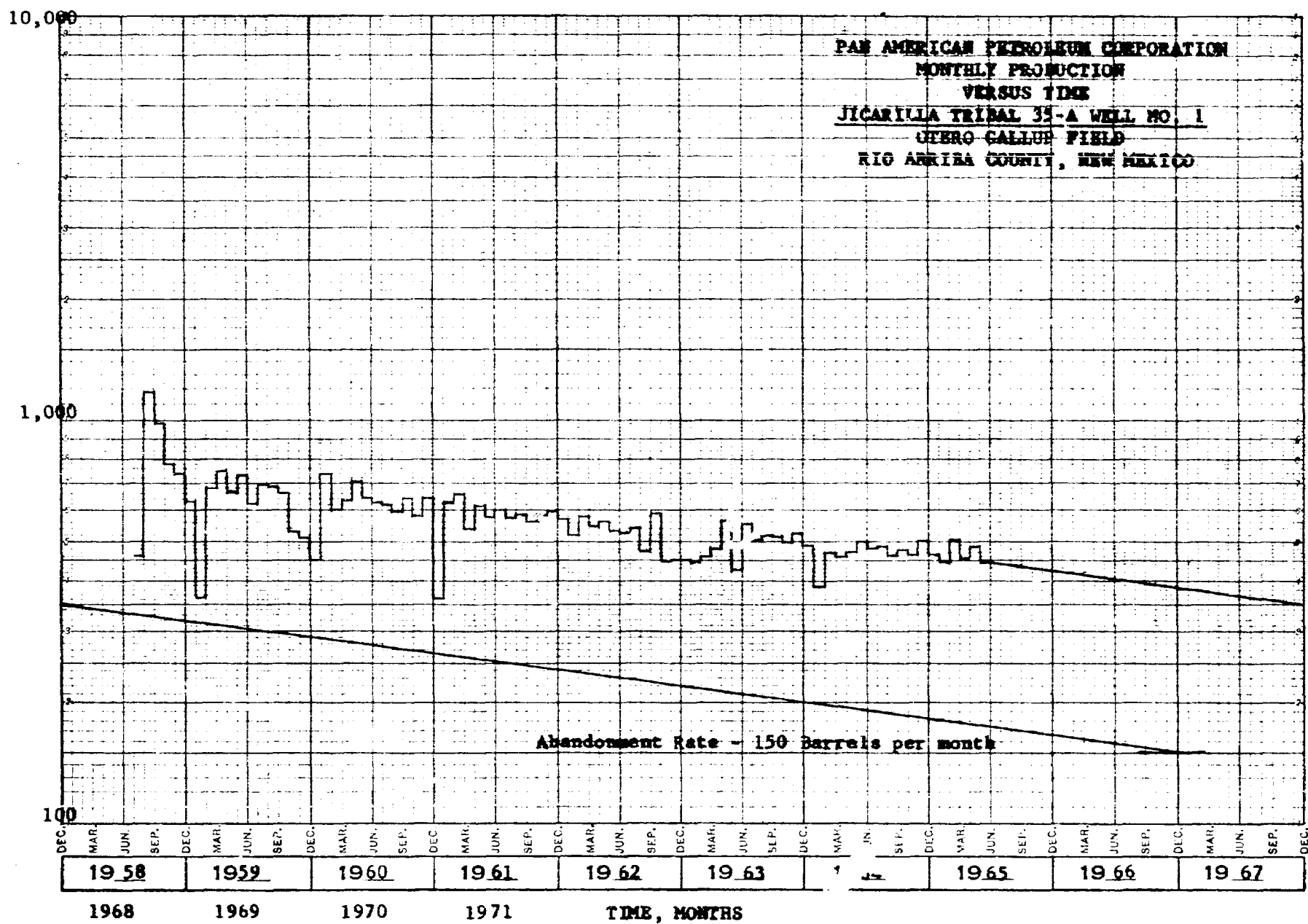
ECONOMICS OF SELLING CASINGHEAD GAS
PAN AMERICAN PETROLEUM CORPORATION
JICARILLA 35 NO. 1
OTERO GALLUP FIELD

SUMMARY OF GAS-OIL RATIO TESTS

<u>Date of Test</u>	<u>BOPD</u>	<u>MCFPD</u>	<u>Gas-Oil Ratio</u>
10-9-58	29	39	1345
3-14-59	26	110	4231
3-22-60	27	88	3259
6-4-60	23	76	3304
9-14-60	21	75	3571
5-27-61	22	74	3364
6-4-62	18	64	3556
7-19-63	18	59	3278
8-6-63	17	58	3410
7-12-64	17	62	3700
7-12-65	15	65	4333



PRODUCTION PER MONTH, BARRELS



Memo

From

D. S. Nutter
Chief Engineer

To

9/17/62

See NFO 546
for further
extension

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

September 27, 1961

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Pan American Petroleum Corporation
P. O. Box 480
Farmington, New Mexico

Attention: Mr. T. M. Curtis

Gentlemen:

Reference is made to your letter of August 17, 1961, requesting an extension of time in which to flare casinghead gas produced from your Jicarilla 35 No. 1 Well in Otero-Gallup Pool, Rio Arriba County, New Mexico.

Authority is hereby granted to flare or vent casinghead gas from the subject well for a period of one year from September 21, 1961, at which time the reserves, GOR's, and economics of which will again be reviewed.

Please furnish the Commission with the necessary data to make such an evaluation prior to September 21, 1962.

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

ALP/DSN/ig

cc: Oil Conservation Commission
Azt/c, New Mexico

PAN AMERICAN PETROLEUM CORPORATION

P. O. Box 480, Farmington, New Mexico
August 17, 1961

File: N-358-986.510.1

Subject: Request for Extension to
No-Flare Exception
Administrative Order No.
R-1451-A (7-21-60)
Jicarilla 35 No. 1
Otero Gallup Pool
Rio Arriba County, New Mexico

Mr. A. L. Porter, Jr.
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Sir:

This refers to previous correspondence on our request for extension to the no-flare exception of Order No. R-1451-A to permit the continued flaring of gas from Pan American's Jicarilla 35 No. 1, Otero Gallup Pool, Rio Arriba County, New Mexico, ending with your letter of July 21, 1961. We have contacted Skelly Oil Company and requested their compliance with your request for certain data concerning the capacity of their Otero Field compressor, and they now inform us that approximately 500 MCF of gas per day excess compressor capacity is available for Pan American's use.

However, we have again reviewed the economics of laying approximately 9000 feet of pipeline to tie the Jicarilla 35 No. 1 to Skelly's Otero Field compressor and find that this is also uneconomical. The estimated cost of labor and materials to construct 9000 feet of two-inch buried pipeline is \$12,500. As discussed in our letter of June 13, 1961, File: N-174-986.510.1, a buried pipeline would be required in order to eliminate freezing problems in view of the low temperatures experienced in this area, and the salvage value of the pipe, after abandonment of the well, does not warrant any recovery efforts. As the estimated value of the 67,500 MCF gas reserves is \$7,050, construction of the above pipeline would result in an economic loss of \$5,450.

Therefore, it is requested that Pan American Petroleum Corporation be granted an extension to Order No. R-1451-A, dated July 21, 1960, in excess of 60 days as granted by your letter of July 21, 1961, to permit the continued flaring of gas from the Jicarilla 35 No. 1, Otero Gallup Pool.

Yours very truly

PAN AMERICAN PETROLEUM CORPORATION

T. M. Curtis

T. M. Curtis
District Superintendent

FHH:en

OIL CONSERVATION COMMISSION

P. O. BOX 871
SANTA FE, NEW MEXICO

July 21, 1961

Pan American Petroleum Corporation
P. O. Box 480
Farmington, New Mexico

Attention: Mr. T. M. Curtis

Gentlemen:

Reference is made to your letter of June 13, 1961, wherein you request permission to continue the flaring of gas produced from your Jicarilla 35, Well No. 1, Otero-Gallup Oil Pool, Rio Arriba County, New Mexico.

It would appear from the economic picture presented that it is infeasible to lay the required gas flow line and install the compressor. The Commission is, therefore, hereby granting a 60-day extension to the provisions of Order No. R-1451-A.

Prior to the expiration of the 60-day period, we will appreciate receiving written evidence of Shelly Oil Company's inability to handle this gas in its field gathering and compression facilities. The data should include the capacity of the Shelly system, the volumes of gas presently handled through it, and the volumes of gas which it is expected that this system will have to handle within the next five years.

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

ALP/DSH/esr

cc: Shelly Oil Company
3701 East Main
Farmington, New Mexico

Oil Conservation Commission - Aztec

PAN AMERICAN PETROLEUM CORPORATION

P. O. Box 480, Farmington, New Mexico
June 13, 1961

File: N-174-986.510.1

Subject: Request for Extension to
No-Flare Exception
Administrative Order No.
R-1451-A (7-21-60)
Jicarilla 35 No. 1
Otero Gallup Pool
Rio Arriba County, New Mexico

Mr. A. L. Porter, Jr.
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Sir:

Pan American Petroleum Corporation respectfully requests extension to Order No. R-1451-A, dated July 21, 1960, to permit the continued flaring of gas from Pan American's Jicarilla 35 No. 1 in exception to the No-Flare Provision of Rule 4 of Order No. R-1237-A, Otero Gallup Pool Rules, dated October 19, 1959.

We have reviewed the economics of connecting the Jicarilla 35 No. 1, located in the SW/4 of Section 35, T-25-N, R-5-W, Rio Arriba County, New Mexico, to the nearest available gas pipeline facility in the area of the well for collection of casinghead gas. Attachment I is a summary of the well's production and all gas-oil ratio tests that have been taken. As can be seen from the summary of gas-oil ratio tests, a total of only about 74 MCF of gas daily is presently being produced from the well. As the well has a fire tube separator installed that is used approximately six months of the year for an estimated 20 MCF of gas daily, an average of 10 MCF of gas daily for the entire year is utilized to operate the separator.

We have been verbally informed by a representative of Skelly Oil Company that they plan to utilize all of their Otero Field compressor capacity in the future so that no additional gas can be handled in their system. Therefore, in order to cease flaring of the casinghead gas from the subject well, it will be necessary to install a two-stage compressor and approximately 3500 feet of connecting pipeline to compress the gas into the nearest pipeline facility. The estimated cost of this compressor is \$6,000, and the cost of labor and material to construct a two-inch buried pipeline is \$4,900, for a total cost of \$10,900. In view of the low temperatures experienced in the area of the Jicarilla 35 No. 1, a buried pipeline would be required in order to eliminate freezing problems; and the salvage value of this pipe, after abandonment of the well, does not warrant any recovery efforts. Attachment II is a summary of the estimated economics for construction and operation of the system.

Mr. A. L. Porter, Jr.

-2-

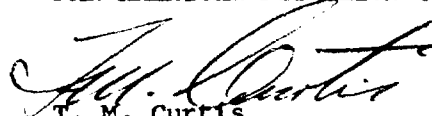
June 14, 1961
N-174-986.510.1

Based on the decline in gas and oil production being experienced, and an estimated remaining five years of economical productive life, the remaining gas reserves for the Jicarilla 35 No. 1 are calculated to be 67,500 MCF as of June 1, 1961, assuming a gas compressor fuel consumption of 4 MCF per day. These gas reserves are estimated to have a value of \$7,050.

Assuming a minimum operating expense of \$50 monthly for the above compressor, a loss of \$6,850 would be incurred in an attempt to compress the gas being flared from the Jicarilla 35 No. 1. Therefore, it is requested that Pan American Petroleum Corporation be granted an extension to Order No. R-1451-A, dated July 21, 1960, to permit the continued flaring of gas from the Jicarilla 35 No. 1 in exception to the No-Flare Provision of Rule 4 of Order No. R-1237-A, Otero Gallup Pool Rules, dated October 19, 1959.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION


T. M. Curtis
District Superintendent

FHH:en
Attach.

ATTACHMENT I
SUMMARY OF PRODUCTION AND TESTS
PAN AMERICAN PETROLEUM CORPORATION
JICARILLA 35 NO. 1
OTERO GALLUP FIELD
RIO ARriba COUNTY, NEW MEXICO

SUMMARY OF MONTHLY PRODUCTION

<u>Month</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
January		627	457	359
February		365	740	626
March		684	605	653
April		752	629	537
May		665	716	
June		729	650	
July		625	643	
August	416	695	625	
September	1194	684	592	
October	985	659	640	
November	778	528	582	
December	739	508	641	

Estimate abandonment in 5 years at 150 barrels of oil per month. FEB 11

SUMMARY OF GAS-OIL RATIO TESTS

<u>Date of Test</u>	<u>BOPD</u>	<u>MCFPD</u>	<u>Gas-Oil Ratio</u>
10-9-58	29.13	38.511	1322
3-14-59	25.83	110.330	4271
3-22-60	26.86	87.549	3259
6-4-60	23.33	76.400	3275
9-14-60	21.24	74.514	3508
5-27-61	21.66	73.843	3409

Present gas production - 74 MCFPD (without separator)

Estimated gas production at abandonment - 27 MCFPD

Average daily gas production for remaining life -

$$\frac{74 \text{ MCFPD} - 27 \text{ MCFPD}}{2} = 51 \text{ MCFPD}$$

Average saleable gas = 51 MCFPD - 10 MCFPD (Separator fuel) -
4 MCFPD (compressor fuel) = 37 MCFPD.

Saleable gas reserves = 37 MCFPD x 365 days/year x 5 years =
67,500 MCF

Estimated value = \$7050

ATTACHMENT II

SUMMARY OF ESTIMATED COSTS
COMPRESSOR AND PIPELINE INSTALLATION
JICARILLA 35 NO. 1
OTERO GALLUP FIELD
RIO ARriba COUNTY, NEW MEXICO

Initial Costs

Compressor Installation - 15 BHP	\$ 6,000
Pipeline to nearest well - 3500'	<u>4,900</u>
Total	\$10,900

Operating Expense

Monthly operating expense - \$50	
For 5 years remaining life - $\$50 \times 12 \times 5 =$	<u>\$ 3,000</u>
Total	\$13,900
Value of remaining gas	<u>7,050</u>
Estimated Net Loss	\$ 6,850

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. 2006
Order No. R-1451-A

APPLICATION OF PAN AMERICAN PETROLEUM
CORPORATION FOR AN EXTENSION OF THE
"NO-FLARE" EXCEPTION GRANTED BY ORDER
NO. R-1451, PERTAINING TO THE OTERO-
GALLUP OIL POOL, RIO ARRIBA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 11, 1960, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 21st day of July, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, 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 Commission, by its Order No. R-1451 duly promulgated on August 1, 1959, granted a one-year exception to the "no-flare" provision contained in the Pool Rules for the Otero-Gallup Oil Pool, Rio Arriba County, New Mexico for Pan American Petroleum Corporation's Jicarilla Tribal 35 Well No. 1, located in the NW/4 SW/4 of Section 35, Township 25 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.

(3) That since the entry of Order No. R-1451, conditions have remained the same and it continues to be uneconomical for the applicant to make beneficial use of the casinghead gas produced from said Jicarilla Tribal 35 Well No. 1.

(4) That the applicant seeks permission to continue flaring or venting the casinghead gas produced from said well.

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CASE No. 2006
Order No. R-1451-A

IT IS THEREFORE ORDERED:

That the applicant, Pan American Petroleum Corporation, is hereby granted an extension of the "no-flare" exception granted by Order No. R-1451, pertaining to its Jicarilla Tribal 35 Well No. 1, located in the NW/4 SW/4 of Section 35, Township 25 North, Range 5 West, NMPM, Otero-Gallup Oil Pool, Rio Arriba County, New Mexico, for a period not to exceed one year from the date of this Order.

PROVIDED HOWEVER, That the "no-flare" exception herein granted may be continued beyond one year from the date of this Order by administrative approval of the Secretary-Director of the Commission upon receipt from the applicant of satisfactory evidence that conditions surrounding said well remain unchanged, and that it continues to be uneconomical to make beneficial use of the casinghead gas produced from said well.

PROVIDED FURTHER, That the applicant shall notify the Commission in the event another well is drilled in the vicinity of the said Jicarilla Tribal 35 Well No. 1, or in the event of changed conditions during the period covered by this Order.

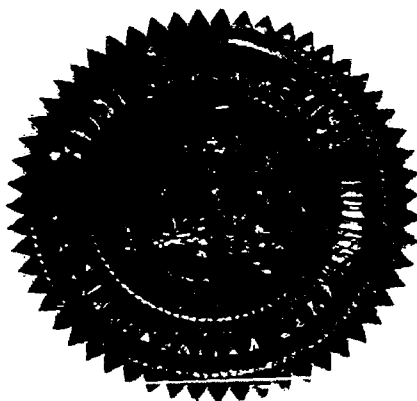
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

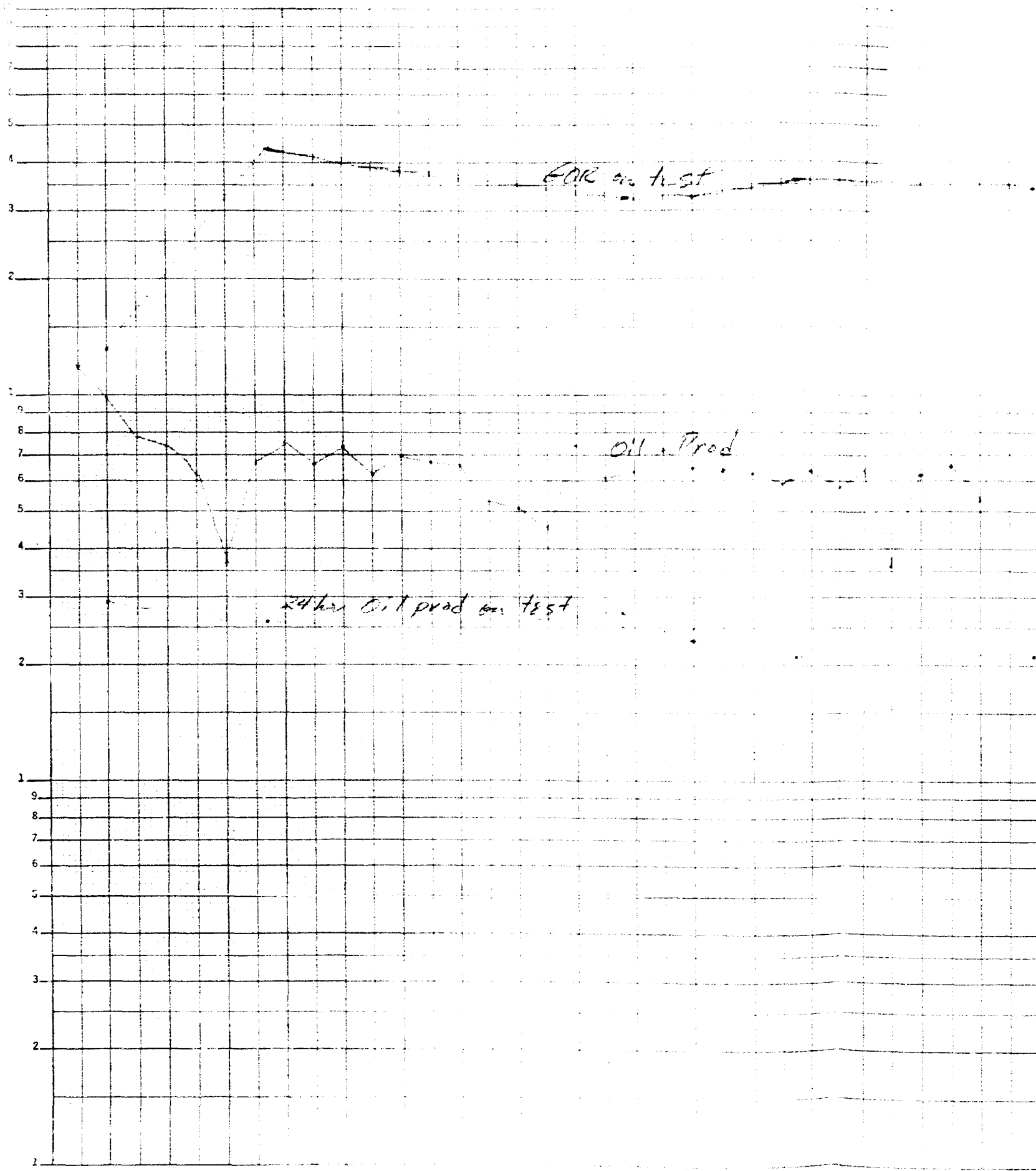

JOHN BURROUGHS, Chairman


MURRAY E. MORGAN, Member


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



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GOVERNOR
JOHN BURROUGHS
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
MURRAY E. MORGAN
MEMBER



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

P. O. BOX 871
SANTA FE

July 21, 1960

Mr. Kirk Newman
P. O. Box 867
Roswell, New Mexico

Re: Case No. 2006
Order No. R-1451-A
Applicant:

Pan American

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

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Carbon copy of order also sent to:

Hobbs OCC ☒
Artesia OCC ☐
Aztec OCC ☒

Other Guy Buell

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. 1440
Order No. R-1237

APPLICATION OF SKELLY OIL COMPANY
FOR AN ORDER ESTABLISHING TEMPORARY
80-ACRE SPACING AND PROMULGATING
SPECIAL RULES AND REGULATIONS FOR
THE OTERO-GALLUP OIL POOL IN RIO
ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 2, 1958, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 13th day of August, 1958, the Commission, a quorum being present, having considered the application, the evidence adduced and the recommendations of the Examiner, Daniel S. Nutter, 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, Skelly Oil Company, seeks the establishment of temporary 80-acre spacing and the promulgation of special rules and regulations for the Otero-Gallup Oil Pool, Rio Arriba County, New Mexico.

(3) That the applicant has failed to prove that the Otero-Gallup Oil Pool can be efficiently drained and developed on an 80-acre spacing pattern.

(4) That the drilling and spacing of wells in the Otero-Gallup Oil Pool should continue to be governed by Rule 104 of the Commission Rules and Regulations.

-2-

Case No. 1440
Order No. R-1237

(5) That in view of the high gas-oil ratios generally encountered in the Otero-Gallup Oil Pool, the gas-oil ratio limitation should be increased from 2000 cubic feet of gas per barrel of oil to 6000 cubic feet of gas per barrel of oil for all wells in said pool, effective September 1, 1958.

(6) That in order to prevent waste, no casinghead gas should be flared nor vented in the Otero-Gallup Oil Pool after August 31, 1958.

(7) That applicant failed to establish any justification or need for authorizing the transfer of allowables from high gas-oil ratio wells to lower gas-oil ratio wells in the Otero-Gallup Oil Pool.

IT IS THEREFORE ORDERED:

(1) That the application of Skelly Oil Company for the establishment of temporary 80-acre spacing and for the transfer of allowables from high gas-oil ratio wells to lower gas-oil ratio wells in the Otero-Gallup Oil Pool in Rio Arriba County, New Mexico, be and the same is hereby denied.

(2) That the drilling and spacing of wells in the Otero-Gallup Oil Pool shall continue to be governed by Rule 104 of the Rules and Regulations of the Oil Conservation Commission of New Mexico.

(3) That effective September 1, 1958, the gas-oil ratio limitation shall be increased from 2000 cubic feet of gas per barrel of oil produced to 6000 cubic feet of gas per barrel of oil produced for all wells within the defined limits of the Otero-Gallup Oil Pool and for all wells within one mile therefrom.

(4) That after August 31, 1958, no casinghead gas shall be flared nor vented from any well within the defined limits of the Otero-Gallup Oil Pool nor from any well within one mile therefrom.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

MURRAY E. MORGAN, Member

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

S E A L
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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. 1717
Order No. R-1451

APPLICATION OF PAN AMERICAN
PETROLEUM CORPORATION FOR A
ONE-WELL EXCEPTION TO THE "NO
FLARE" PROVISION CONTAINED IN
THE POOL RULES FOR THE OTERO-
GALLUP POOL, RIO ARriba COUNTY,
NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 o'clock a.m. on July 8, 1959, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 1st day of August 1959, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, 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 is the owner and operator of an oil well in the Otero-Gallup Oil Pool, known as the Jicarilla Tribal 35 Well No. 1, located in the NW/4 SW/4 of Section 35, Township 25 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.

(3) That at the present time it is uneconomical for the applicant to make beneficial use of the casinghead gas produced from said Jicarilla Tribal 35 Well No. 1.

(4) That approximately 100 MCF of casinghead gas is presently being flared or vented from said well.

(5) That the applicant seeks permission to continue flaring or venting the casinghead gas produced from said well.

-2-

Case No. 1717
Order No. R-1451

(6) That an order authorizing the flaring or venting of casinghead gas from said well should be issued subject to the limitations set forth below.

IT IS THEREFORE ORDERED:

That the applicant, Pan American Petroleum Corporation, be and the same is hereby authorized to flare or vent casinghead gas produced from its Jicarilla Tribal 35 Well No. 1, located in the NW/4 SW/4 of Section 35, Township 25 North, Range 5 West, NMPM, Otero-Gallup Oil Pool, Rio Arriba County, New Mexico, for a period not to exceed one year from the date of this order.

PROVIDED HOWEVER, That the daily volume of casinghead gas in cubic feet, which is produced from said well and is flared or vented, shall not exceed that number derived by multiplying the daily top unit allowable for the Otero-Gallup Oil Pool by 2000.

PROVIDED FURTHER, That the applicant shall notify the Secretary-Director of the Commission if and when any other Gallup wells are completed on the lease on which the subject well is located.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman

MURRAY E. MORGAN, Member

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

S E A L

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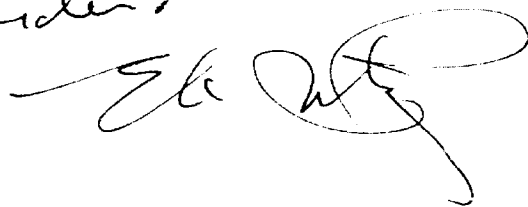
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OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 7-11-60

CASE 2006 Hearing Date 7-6-60

My recommendations for an order in the above numbered cases are as follows:

1. Grant Pease Amis request for an extension to the order R-1451 for a period of 1 year for their Inc. 35 #1.
2. If conditions have not changed at the end of 1 year, less 30 days, the applicant may submit such evidence and receive administrative approval for an other extension.
3. In the event another well is drilled to the Gallup surface Amis acreage in the vicinity of this well they shall report such to the Commission referring to this order.



Staff Member

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. 1783
Order No. R-1237-A

APPLICATION OF SKELLY OIL COM-
PANY FOR AN AMENDMENT OF THE
SPECIAL RULES AND REGULATIONS
FOR THE OTERO-GALLUP OIL POOL
IN RIO ARriba COUNTY AS PRO-
MULGATED BY ORDER NO. R-1237

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 7, 1959, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 19th day of October, 1959, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, 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, Skelly Oil Company, proposes that Order No. R-1237 should be amended to provide that new wells in the Otero-Gallup Oil Pool, Rio Arriba County, New Mexico, be given 60 days after completion in which to make use of the produced casinghead gas.

(3) That the application should be approved.

IT IS THEREFORE ORDERED:

That paragraph 4 of the order portion of Order No. R-1237 be and the same is hereby amended to read in its entirety as follows:

-2-

Case No. 1783

Order No. R-1237-A

(4) That after August 31, 1958, no casinghead gas shall be flared or vented from any well within the defined limits of the Otero-Gallup Oil Pool or from any well within one mile therefrom; provided however, that every newly completed well in said pool or within one mile therefrom and every well subsequently governed by the Otero-Gallup pool rules due to extensions of said pool shall be permitted 60 days from the completion date or 60 days from the date the pool is extended to within one mile of the well to make beneficial use of the produced casinghead gas.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman

MURRAY E. MORGAN, Member

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

S E A L

lcr/

No. 18-60

DOCKET: EXAMINER HEARING JULY 6, 1960

Oil Conservation Commission - 9 a.m., State Corporation Commission Hearing Room, Basement, Capitol Building, Santa Fe, New Mexico.

The following cases will be heard before Elvis A. Utz, Examiner, or Oliver E. Payne, Attorney, as alternate Examiner:

- CASE 2002: Application of Rice Engineering & Operating, Inc. for an order authorizing a salt water disposal well. Applicant, in the above-styled cause, seeks an order authorizing the disposal of produced salt water through its Skelly State "D" Well No. 3, located 2310 feet from the South line and 660 feet from the East line of Section 1, Township 20 South, Range 36 East, Lea County, New Mexico, with injection to be in the lower San Andres formation with the injection interval from 4,450 feet to 4,950 feet.
- CASE 2003: Application of El Paso Natural Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Warren Well No. 1-A (PM) located in Unit K, Section 25, Township 26 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the South Blanco-Pictured Cliffs Pool and the production of gas from the Blanco Mesaverde Pool through the casing-tubing annulus and 2 inch tubing respectively.
- CASE 2004: Application of La Plata Gathering System, Inc., for the establishment of a 345.59 acre non-standard gas proration unit in the Blanco Mesaverde Gas Pool, Rio Arriba County, New Mexico, and for an unorthodox gas well location. Applicant, in the above-styled cause, seeks the establishment of a 345.59 acre non-standard gas proration unit in the Blanco Mesaverde Gas Pool, consisting of all of partial Sections 30 and 31, Township 32 North, Range 5 West, Rio Arriba County, New Mexico. Applicant proposes to dedicate said unit to a well to be drilled on an unorthodox location 990 feet from the North line and 713 feet from the East line of said Section 31.
- CASE 2005: Application of Argo Oil Corporation for an order force-pooling the interests in a 160-acre non-standard gas proration unit in the Jalmat Gas Pool. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests within the vertical limits of the Jalmat Gas Pool in a 160-acre non-standard gas proration unit consisting of the E/2 NE/4 of Section 21 and the W/2 NW/4 of Section 22, both in Township 25 South, Range 37 East, Lea County, New Mexico.

CASE 2006: Application of Pan American Petroleum Corporation for an extension of the no-flare exception granted by Order No. R-1451. Applicant, in the above-styled cause, seeks an extension of the one-year exception to the no-flare provision of the rules for the Otero Gallup Oil Pool, Rio Arriba County, New Mexico, for its Jicarilla 35 Well No. 1, which exception was granted by Order R-1451.

CASE 2007: Application of Otto Reynolds and John R. Yarbrough for the promulgation of special rules governing gas wells drilled in the Bloomfield-Farmington Oil Pool. Applicant, in the above-styled cause, seeks an order promulgating special rules governing, among other things, the definition, spacing and location of gas wells in the Bloomfield-Farmington Oil Pool, San Juan County, New Mexico. Applicant further seeks approval of unorthodox gas well locations for three wells in said pool.

CASE 2008: Application of Gulf Oil Corporation for an order authorizing a salt water disposal well. Applicant, in the above-styled cause, seeks an order authorizing the disposal of produced salt water through its Lea-State "CR" (NCT-A) Well No. 3, located 3300 feet from the South line and 1980 feet from the West line of Section 2, Township 16 South, Range 32 East, Lea County, New Mexico, with injection to be in the lower Wolf-camp formation in the interval from 9,911 feet to 10,200 feet.

CASE 2009: Application of Gulf Oil Corporation for a 200-acre non-standard gas proration unit and for an order force-pooling the interests therein. Applicant, in the above-styled cause, seeks the establishment of a 200-acre non-standard gas proration unit in the Blinebry Gas Pool, consisting of the SW/4 and the SW/4 SE/4 of Section 23, Township 22 South, Range 37 East, Lea County, New Mexico, to be dedicated to the C. I. Boyd Well No. 3, located 1980 feet from the South and West lines of said Section 23. Applicant further seeks an order force-pooling the interests of those in said non-standard gas proration unit who have gas rights within the vertical limits of the Blinebry Gas Pool, including the following named persons or parties who have not consented to the pooling agreement:

W. B. Trammel; Mrs. Carrie Gidwitz; Harry L. Jones and Isabel Jones; Heirs, Devisees and Personal Representatives of William T. Pitt, Deceased; Peter M. Smith; Adam F. Arnold; Cranfill Fowler; George W. Clark; Charles W. Hastings; John E. McConnell, Jr.; Lionel L. Shatford; Ernest O. Knapp, J. Paul Knapp, Gertrude K. Schrecengost, Mildred K. Stoneburner,

extention

-3-

Docket No. 18-60

Evelyn Neel, and Maude S. Knapp, Jointly; Robert R. McKee; and all other persons or parties owning oil and gas interests in the SW/4 and SW/4 SE/4 of Section 23, Township 22 South, Range 37 East, Lea County, New Mexico.

CASE 2010:

Application of Sinclair Oil & Gas Company for permission to commingle production from two separate leases. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the Empire-Abo Pool production from its M. Yates "B" Lease consisting of the S/2, NE/4, S/2 NW/4 and the NE/4 NW/4, with such production from a portion of its State Eddy 32 lease consisting of the NW/4 NW/4 of Section 34 and the SE/4 NW/4 of Section 32, all in Township 17 South, Range 28 East, Eddy County, New Mexico, after separately metering the production from one lease only.

CASE 2011

Application of Socony Mobil Oil Company for a "slim-hole" oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its E. O. Carson Well No. 22, located 1880 feet from the South line and 660 feet from the West line of Section 28, Township 21 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Paddock Pool and the production of oil from the Wantz-Abo Pool using parallel strings of 2 7/8 inch tubing cemented in a common well-bore.

ig/

CASE 2012:

Application of Max Pray for the creation of a new oil pool for Devonian production and for the promulgation of special rules and regulations for said pool. Applicant, in the above-styled cause, seeks an order creating a new oil pool for Devonian production consisting of the W/2 of Section 27, E/2 of Section 28, NE/4 of Section 33 and the NW/4 of Section 34, Township 12 South, Range 37 East, Lea County, New Mexico. Applicant further seeks the promulgation of special rules and regulations governing said pool including a provision for temporary 80-acre oil proration units

PAN AMERICAN PETROLEUM CORPORATION

1960 JUN 14 AM 9:44

Case 2006

TO : Mr. A. L. Porter, Jr.
 New Mexico Oil Conserv. Bd. Conference
 1000 Hill
 Santa Fe, New Mexico

Mr. A. L. Porter, Jr. ()
 New Mexico Oil Conserv. Bd. Conference
 1000 Hill
 Santa Fe, New Mexico

Dear Sir:

Pan American Petroleum Corporation respectfully requests a hearing before the Oil Conserv. Bd. Conference of the State of New Mexico, or before one of its committees, to consider a revision of the exception to the no-flow provisions of Order No. 1-1251, Order No. 1-1251.

Order No. 1-1251 dated August 1, 1951, provides for the no-flow provisions of Order No. 1-1251 for Pan American's Jicarilla 3510. It was filed on August 1, 1951. The purpose of the hearing for which this certificate is being filed is to consider a continuation of the relief provided by Order No. 1-1251.

Sincerely yours,

PA 10000 - 10000 10000

L. O. Porter, Jr.
 L. O. Porter, Jr.

*hooked
 marked
 6-22-60
 Jh*

[Scribbled signature]

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. 1717
Order No. R-1451

APPLICATION OF PAN AMERICAN
PETROLEUM CORPORATION FOR A
ONE-WELL EXCEPTION TO THE "NO
FLARE" PROVISION CONTAINED IN
THE POOL RULES FOR THE OTERO-
GALLUP POOL, RIO ARriba COUNTY,
NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 o'clock a.m. on July 8, 1959, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 1st day of August 1959, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, 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 is the owner and operator of an oil well in the Otero-Gallup Oil Pool, known as the Jicarilla Tribal 35 Well No. 1, located in the NW/4 SW/4 of Section 35, Township 25 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.

(3) That at the present time it is uneconomical for the applicant to make beneficial use of the casinghead gas produced from said Jicarilla Tribal 35 Well No. 1.

(4) That approximately 100 MCF of casinghead gas is presently being flared or vented from said well.

(5) That the applicant seeks permission to continue flaring or venting the casinghead gas produced from said well.

-2-

Case No. 1717
Order No. R-1451

(6) That an order authorizing the flaring or venting of casinghead gas from said well should be issued subject to the limitations set forth below.

IT IS THEREFORE ORDERED:

That the applicant, Pan American Petroleum Corporation, be and the same is hereby authorized to flare or vent casinghead gas produced from its Jicarilla Tribal 35 Well No. 1, located in the NW/4 SW/4 of Section 35, Township 25 North, Range 5 West, NMPM, Otero-Gallup Oil Pool, Rio Arriba County, New Mexico, for a period not to exceed one year from the date of this order.

PROVIDED HOWEVER, That the daily volume of casinghead gas in cubic feet, which is produced from said well and is flared or vented, shall not exceed that number derived by multiplying the daily top unit allowable for the Otero-Gallup Oil Pool by 2000.

PROVIDED FURTHER, That the applicant shall notify the Secretary-Director of the Commission if and when any other Gallup wells are completed on the lease on which the subject well is located.

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman

S E A L

MURRAY E. MORGAN, Member

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

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PHONE CH 3-6691

Inc.

DEARNLEY-MEIER REPORTING SERVICE,

ALBUQUERQUE, NEW MEXICO

PAGE 1

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 2006 Application of Pan American Petroleum Corporation for an extension of the no-flare exception granted by Order No. R-1451. Applicant, in the above-styled cause, seeks an extension of the one-year exception to the no-flare provision of the rules for the Otero Gallup Oil Pool, Rio Arriba County, New Mexico, for its Jicarilla 35 Well No. 1, which exception was granted by Order R-1451.

BEFORE:

Elvis A. Utz, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. UTZ: I want to dispose of one case, if you will just stand at rest. Case 2006.

MR. PAYNE: Mr. Examiner, the Applicant in Case 2006 has requested that it be continued until July the 11th.

MR. UTZ: Is there objection to the continuance of 2006 to July 11th?

The case will be continued to 9:00 a.m. July 11th.



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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

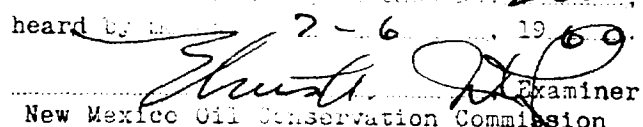
STATE OF NEW MEXICO)
: ss
COUNTY OF BERNALILLO)

I, JERRY MARTINEZ, Notary Public in and for the County of Santa Fe, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript by me, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 7th day of July, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.


Notary Public

My Commission Expires:
January 24, 1962

I do hereby certify that the foregoing is a complete and true transcript of the proceedings in the Examination of the Commission 2006, heard by me 2-6-60, 1960.

Examiner
New Mexico Oil Conservation Commission



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 11, 1960

EXAMINER HEARING

IN THE MATTER OF:

Application of Pan American Petroleum Cor-
poration for an extension of the no-flare
exception granted by Order No. R-1451. Ap-
plicant, in the above-styled cause, seeks
an extension of the one-year exception to
the no-flare provision of the rules for the
Otero Gallup Oil Pool, Rio Arriba County,
New Mexico, for its Jicarilla 35 Well No. 1,
which exception was granted by Order R-1451.

Case 2006

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 2006. Application of Pan American
Petroleum Corporation for an extension of the no-flare exception
granted by Order No. E-1451.

MR. NEWMAN: I'm Kirk Newman of Atwood and Malone,
representing the applicant.

MR. UTZ: Other appearances? Are there none?

(Witness sworn.)

RICHARD B. BANKS

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

DIRECT EXAMINATION



BY MR. NEWMAN:

Q State your name and employment, please.

A My name is Richard B. Banks. I am an intermediate petroleum engineer with Pan American Petroleum Corporation at Farmington, New Mexico.

Q Have you previously testified before the Commission?

A No, I have not.

Q Would you briefly state your educational, professional background?

A I graduated in 1953 from the Colorado School of Mines with the degree of Engineer of Geophysics, and in 1956 I took a year of graduate work at the University of Texas in petroleum engineering.

Q What have you done since that time?

A Since that time I have been employed by Pan American Petroleum Corporation.

Q At Farmington?

A At Odessa, Texas and Farmington, New Mexico.

Q As a petroleum engineer? A That's right.

Q Would you state briefly the nature and purpose of the application?

A This is Pan American's application for an extension to the no-flare exception which was granted by Order No. 1451. That order, dated August 1st, 1959, granted a one-year exception



to the no-flare provisions of the special pool rules for the Otero Gallup Pool, namely for Pan American's Jicarilla 35, No. 1. Today we hope to show that it is still uneconomical to connect the Jicarilla 35, No. 1 to a gas gathering system.

Q Do you have the location of that well shown on the plat that has been marked as Exhibit 1?

A Yes. Exhibit 1 shows Jicarilla 35, No. 1, located in the Southwest Quarter of Section 35, Township 25 North, Range 5 West. It also shows the Gallup completions in the area as circles colored red and shows the field limits by heavy blue line. Also shown is Skelly's compressor located in the East Half of Section 28, Township 25 North, Range 5 West, and a dotted line indicates a gathering line that would be necessary in order to collect gas from the Jicarilla 35, No. 1 and transport it to the Skelly compressor for compression.

Q What's the approximate length of the gathering line that would have to be laid?

A It is approximately 9,000 feet long.

Q Do you have any remarks in connection with that exhibit?

A Yes, I do. The Jicarilla 35, No. 1 was completed on August 13 of 1958, with an initial pumping potential of 39 barrels of oil per day. The thirty to sixty-day GOR test indicated a GOR of 1322; however, by March of 1959 the GOR had risen to 4271; however, the oil rate had declined to 26 barrels of oil per day.



By March of 1960 the GOR was 3259 and the oil producing rate was 27 barrels per day. We took a GOR on the 4th of June, 1960, at which time the producing rate had declined to 23 barrels of oil per day and the GOR had remained relatively constant at 3275. We contacted Skelly Oil Company regarding possible connection of our well to their gathering system. However, they said that they weren't interested because it wouldn't be an economic venture, and they further stated that they would only connect or only collect and buy our gas if we would deliver it to their compressor. As I have stated before, it's about 9,000 feet from Jicarilla 35, No. 1 to the compressor. My Exhibit No. 2 --

Q What does that exhibit show?

A It is a summary of economics pertaining to a gas gathering line to connect Jicarilla 35, No. 1 to Skelly's compressor. I might interject here a minute by saying that since the last hearing, which was in July of 1959, there have been four important new developments. First, Pan American Petroleum Corporation has had experience in building pipelines and consequently we're able to arrive at a more realistic estimate of what it cost to build a pipeline. Secondly, the Jicarilla 35, No. 1 is making less gas today than it was a year ago. Thirdly, we've had an additional year's performance of the well and consequently are better able to predict the ultimate gas reserves. Fourth, we have had to install a fire tube separator on the well to prevent freezing, and this



separator consumes approximately 20 MCF a day when it is operated.

Q How much of the time is it operated?

A Approximately six months of the year during the time when there are freezing conditions.

Q As of June, what was the total gas production per day from the well, approximately?

A 75 MCF of gas a day was produced from the well during June, whereas a year ago the average daily gas production from the well was approximately a hundred MCF, indicating that it's declined about 25 MCF per day.

Q How much of that gas is put to beneficial use with the operation of your pump and other facilities?

A Approximately $3\frac{1}{2}$ MCF of gas per day are used to operate the engine on the pumping unit and, as I said, about 20 MCF a day are used six months out of the year to operate the fire tube separator, giving a net daily gas consumption of approximately 10 MCF plus 3.5 or $13\frac{1}{2}$ MCF per day. The remainder is vented.

Q Would you recap the figures shown on your Exhibit 2 there, please?

A Yes, Exhibit 2 shows the total investment, which would be required to lay a line from Jicarilla 35, No. 1 to the compressor. That total investment is \$9400, total income from the remaining gas sales would be \$3200, giving a net loss of \$6200.

Q Was your income on an optimistic or pessimistic basis?



A We used the most optimistic basis that we can in estimating future gas reserves, namely, that the future gas producing rate from the well would remain constant. However, our calculations indicate that although the GOR will continue to increase throughout the life of the well, the producing rate will decline at such a rate that the net change will be a decrease in average daily gas production. Consequently, by assuming that average daily gas production will remain constant, we are being as optimistic as possible.

Q Is there any way that correlative rights could be affected by the continuance of this order, the granting of the application?

A No.

Q Is there any way that waste could be caused?

A No. One additional point I might make is that as it is the well will never pay out and additional expense would not ameliorate the problem.

Q Do you have any further remarks to make?

A I have none.

Q Were these exhibits prepared by you or under your direction?

A Yes, they were.

MR. NEWMAN: We would like to offer Exhibits 1 and 2.

MR. UTZ: Without objection the Exhibits 1 and 2 will be



entered into the record.

MR. NEWMAN: That's all we have.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Banks, does Pan American own all the leases shown with the dots?

A Yes. The stippled acreage is all Pan American acreage.

Q Do you intend to drill any more wells on this acreage to the Gallup formation?

A No, primarily because of the poor producing characteristics of Jicarilla 35, No. 1.

Q You don't think it gets any better to the Southeast, then?

A No.

Q So your testimony is that the chances are that this is the only well you'll have on this acreage to the Gallup formation?

A Yes, sir. The chances are that will be correct.

Q If you should drill other wells, however, the economics as far as the pipeline would change, would they not?

A Yes, sir, they would require a re-evaluation at that time.

Q On your investment of \$9400, what size line were you figuring and was it to be buried or on the surface?

A We planned to lay a two-inch line and we ~~planned~~ to bury it. However, we did not plan to wrap it. The \$9400 includes the cost of the line plus the cost of installation of that line.



Q How about Skelly's lines in that area, are they all buried?

A I don't know whether they are buried or not.

Q Is it necessary to bury a gathering line for a well such as this?

A Sir, I don't know enough about laying a pipeline to know whether it would have to be buried or not.

Q If you didn't bury it, it wouldn't cost so much, would it?

A There would be a reduction in cost. However, the proportional reduction, I don't know.

Q Do you know how much just the line itself would cost laid in?

A Approximately, just the physical outlay for material?

Q Yes.

A Approximately \$4500.

Q Plus labor?

A Plus labor, yes. The labor saved in not burying the pipeline would be the cost of the ditcher and the backfill, that would be all.

Q Now, on your total income from gas sales, how much acreage did you include in those reserves and are those total reserves?

A No, those are not total reserves, those are remaining reserves as of this Monday for this well alone.

Q How many acres?



A Since we have performance data our acreage didn't enter the picture and we used --

Q Pressure decline?

A Performance data only.

Q And your performance data consisted of your production history?

A Production history of the well, yes.

Q In other words, you didn't even use the pressure decline in estimating these reserves?

A We have no pressures in the area. However, we do have the gas and oil production.

Q How long did you figure the life of the well?

A I'm not at liberty to say. However, it was less than ten years.

MR. UTZ: Any other questions of the witness?

MR. PAYNE: Yes, sir.

BY MR. PAYNE:

Q Mr. Banks, on this line that you determined the economics of laying, is that a permanent line or would that be a temporary gathering line?

A No, that would be a permanent welded line.

Q If you just laid a temporary line, could that be laid cheaper than a permanent line?

A Not appreciably cheaper, no.



Q How much oil did you say this well was making at the present time?

A We have a test taken June 4th to June 5th, 1960 at which time it was making 23 barrels per day.

Q And 75 MCF of gas? A Approximately, yes.

Q Of which approximately $13\frac{1}{2}$ is being put to beneficial use?

A That's right. With regard to the remaining gas, there are some additional considerations. For instance, if the gas were moved to the compressor, five percent would be removed and used as a charge for fuel of the compressor and an additional thirty percent would be used to reimburse Skelly for their compressor operation, leaving us only sixty-five percent of the gross, and from that amount the land owner's royalty would be deducted.

Q Did you take that into consideration in coming up with your \$3200 figure?

A Yes.

Q You deducted those?

A Yes. We based our total income from gas sales on the total amount of gas that would accrue to Pan American, to the working interest I should say.

Q Who owns the Northeast Quarter of Section 34? Is that Skelly's acreage?

A I believe that's Skelly's acreage. However, I'm not sure.

Q You don't know if they have a plan to drill an Otero



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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

Gallup well on that acreage?

A I don't know Skelly's plans or I don't know the plans of the people who own that acreage, no.

Q If they did and decided to connect their own well, then the cost of laying a line to Pan American's 35-1 would be considerably less, wouldn't it?

A No, sir. We have considered that possibility and have approached Skelly about tying our wells, pardon me, about tying our Jicarilla 35, No. 1 into one of their wells which is nearer to the compressor, and they have advised us that they couldn't operate under such a system and the only way that they would accept our gas would be at their compressor.

Q What type order did Pan American have in mind here for any certain length of time for this exception?

A We had no specific time in mind, but the longer the better.

Q Do you feel that certain conditions might arise where the economic picture would change and, rather than granting a permanent exception at this time, that another one-year order might be more in order?

A Yes, that would be in order and the order might contain a provision that in lieu of a hearing we might handle this case by progress reports rather than taking up the additional time of the Commission.

Q In other words, if nothing has transpired within the



one-year period that changes the economic picture, the exception could be continued in effect administratively without a hearing?

A Yes.

MR. PAYNE: Thank you. I believe that's all.

BY MR. UTZ:

Q Does Skelly say why they couldn't handle gas, under conditions that Mr. Payne outlined, by hooking into one of their gathering systems?

A They told us that those lines were operating at capacity and they wouldn't take any additional gas, couldn't take any additional gas.

MR. UTZ: Any other questions?

MR. NEWMAN: I would like to ask one additional question.

REDIRECT EXAMINATION

BY MR. NEWMAN:

Q In your calculation of your cost, have you included any operating or maintenance cost in that cost figure there?

A No, sir, this is the bare cost of labor and materials to construct the line and any operating and maintenance costs would be an additional required investment.

Q Have you considered the possibility of constructing your own compressor to get into the line quicker without going to Skelly's compressor?

A Yes, we've considered installing our own compressor to

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ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691



handle or to compress the gas at our well to a pressure sufficient to put it into the Pictured Cliffs line, which is approximately a half a mile to the Northwest. However, the economics of installing compressors are much more unfavorable than of laying pipelines.

RECROSS EXAMINATION

BY MR. PAYNE:

Q I presume that reinjection economics would also be unfavorable?

A ReInjection of the gas would not accomplish any great beneficial effect.

Q Well, it would save the gas, wouldn't it?

A Yes, but the additional oil that would be recovered would not pay out the cost of reinjection.

Q I see.

MR. UTZ: Any other questions? If not, the witness may be excused.

(Witness excused.)

MR. UTZ: Any other statements? The case will be taken under advisement.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE NEW MEXICO

STATE OF NEW MEXICO)
: SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 15th day of July, 1960.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:

June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2006, heard by me on *July 6*, 1960.
[Signature] Examiner
New Mexico Oil Conservation Commission



