

CASE 2738: Application of BCO, INC  
for a no-flare exception for its  
CAMPOS WELL NO. 1-10.

Case No.  
2738

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petition, Transcript,  
and Exhibits, Etc.

GOVERNOR  
JACK M. CAMPBELL  
CHAIRMAN

State of New Mexico  
**Oil Conservation Commission**



LAND COMMISSIONER  
E. S. JOHNNY WALKER  
MEMBER

P. O. BOX 871  
SANTA FE

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

January 30, 1963

Mr. Harry L. Bigbee, President  
BCO, Inc.  
Post Office Box 669  
Santa Fe, New Mexico

Re: Case No. 2738  
Order No. R-2411  
Applicant:  
BCO, Inc.

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

ix/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC       

Antec OCC x

OTHER Mr. James Sperling

DRAFT

JMD/esr  
January 24, 1963

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. 2738

Order No. R- 3411

APPLICATION OF BCO, INC., FOR  
A NO-FLARE EXCEPTION, 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 January 23, 1963, 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 \_\_\_\_\_ day of January, 1963, 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 by oral motion during the hearing of this case, the applicant moved that the case be dismissed.

IT IS THEREFORE ORDERED:

That Case No. 2738 is hereby dismissed.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

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

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. 2575  
Order No. R-2267

APPLICATION OF VAL R. REESE &  
ASSOCIATES, INC., FOR THE CREA-  
TION OF A NEW OIL POOL AND FOR  
SPECIAL POOL RULES, 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 June 7, 1962, 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 21st day of June, 1962, 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, Val R. Reese & Associates, Inc., seeks the creation of a new oil pool for Gallup production in Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico. The discovery well for said pool is the Dunn Well No. 1, located in Unit M, Section 10, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico. Said well was completed November 14, 1956. The top of the perforations is at 5597 feet.

(3) That the applicant further seeks the adoption of special rules and regulations for said pool similar to the special rules presently governing the Escrito-Gallup Oil Pool which provide for 320-acre gas proration units and 80-acre oil proration units (Order No. R-1793-A).

(4) That the evidence presented concerning the reservoir characteristics of the subject pool indicates that the gas area

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CASE No. 2575  
Order No. R-2267

can be efficiently and economically drained and developed on 320-acre proration units, and that the oil area can be efficiently and economically drained and developed on 80-acre proration units.

(5) That the reservoir characteristics of the subject pool are similar to those in the Escrito-Gallup Oil Pool and justify the definition of a gas well as a well producing with a gas-oil ratio of 30,000 : 1 or greater.

(6) That the subject application should be granted and temporary rules established for a period of one year, during which time further information should be gathered and presented to the Commission at an examiner hearing during the month of July, 1963.

IT IS THEREFORE ORDERED:

(1) That a new oil pool for Gallup production is hereby created and designated the Lybrook-Gallup Oil Pool. The horizontal limits of said pool shall be as follows:

Section 2: S/2  
Section 4: SW/4  
Section 9: N/2 and SE/4  
Section 10: All  
Section 11: All  
Section 14: W/2 NE/4  
Section 15: N/2 NW/4

all in Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

(2) That Temporary Special Rules and Regulations for the Lybrook-Gallup Oil Pool are hereby established as follows, effective August 1, 1962.

TEMPORARY SPECIAL RULES AND REGULATIONS FOR THE  
LYBROOK-GALLUP OIL POOL

RULE 1. Each well completed or recompleted in the Gallup formation within the boundary of the Lybrook-Gallup Oil Pool or within one mile thereof, and not nearer to nor within the boundaries of another designated Gallup pool, shall be drilled, spaced, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. (a) Each gas well completed or recompleted in the Lybrook-Gallup Oil Pool shall be located on a tract consisting of approximately 320 acres which may reasonably be presumed to be productive of gas from said pool, and which shall comprise any two contiguous quarter sections of a single governmental section,

being a legal subdivision (half section) of the United States Public Lands Survey. For purposes of these Rules, a unit consisting of between 316 and 324 surface contiguous acres shall be considered a standard gas unit. Nothing contained herein shall be construed as prohibiting the drilling of a gas well on each quarter section in the 320-acre unit.

RULE 2. (b) For good cause shown, the Secretary-Director may grant an exception to the requirements of Rule 2(a) without notice and hearing where an application has been filed in due form, and where the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey, or where the following facts exist and the following provisions are complied with:

- (1) The non-standard unit consists of contiguous quarter-quarter sections or lots.
- (2) The non-standard unit consists of not more than 324 acres and lies wholly within a single governmental section.
- (3) The entire non-standard unit may reasonably be presumed to be productive of gas from said pool.
- (4) The applicant presents written consent in the form of waivers from all offset operators, and from all operators owning interests in the section in which any part of the non-standard unit is situated and which acreage is not included in the non-standard unit.
- (5) In lieu of Paragraph 4 of this Rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if, after a period of 30 days, no such operator has entered an objection to the formation of the non-standard unit.

RULE 2. (c) The District Supervisor shall have authority to approve non-standard gas proration units without notice and hearing and without administrative approval by the Secretary-Director if such unit consists of less than 316 surface contiguous acres and the non-standard unit is necessitated by a variation in the United States Public Lands Survey.

RULE 2. (d) The allowable assigned to any such non-standard gas proration unit shall bear the same ratio to a standard allowable in said pool as the acreage in the unit bears to 320 acres.

RULE 3. (a) Each oil well completed or recompleted in the Lybrook-Gallup Oil Pool shall be located on a unit containing approximately 80 acres, which may reasonably be presumed to be productive of oil from said pool, and which consists of the N/2, S/2, E/2 or W/2 of a single governmental quarter section. For

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CASE No. 2575

Order No. R-2267

purposes of these Rules, a unit consisting of between 79 and 81 surface contiguous acres shall be considered a standard unit. Nothing contained herein shall be construed as prohibiting the drilling of an oil well on each of the quarter-quarter sections in the 80-acre unit.

RULE 3. (b) For good cause shown, the Secretary-Director may grant an exception to the requirements of Rule 3(a) without notice and hearing where an application has been filed in due form, and where the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey, or where the following facts exist and the following provisions are complied with:

(1) The non-standard unit is to consist of a single quarter-quarter section or lot.

(2) The non-standard unit consists of not more than 81 acres.

(3) The entire non-standard unit may reasonably be presumed to be productive of oil from said pool.

(4) The applicant presents written consent in the form of waivers from all offset operators.

(5) In lieu of Paragraph 4 of this Rule, the applicant may furnish proof of the fact that all of the offset operators were notified by registered mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if, after a period of 30 days, no operator has entered an objection to the formation of such non-standard unit.

RULE 3. (c) The District Supervisor shall have authority to approve non-standard oil proration units without notice and hearing and without administrative approval by the Secretary-Director if such unit consists of two contiguous quarter-quarter sections or lots comprising less than 79 acres lying within a single governmental quarter section and the non-standard unit is necessitated by a variation in the United States Public Lands Survey.

RULE 3. (d) The allowable assigned to any such non-standard oil proration unit shall bear the same ratio to a standard allowable in said pool as the acreage in the unit bears to 80 acres.

RULE 4. (a) Each well, oil or gas, completed or recompleted in the Lybrook-Gallup Oil Pool shall be located no nearer than 790 feet to any quarter section line and each such well shall be located no nearer than 330 feet to a governmental quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Lybrook-Gallup Oil Pool prior to the



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effective date of this order at a location conforming to the well location requirements in effect at the time the well was drilled shall be considered to be located in conformance with this Rule.

RULE 4. (b) The Secretary-Director shall have authority to grant an exception to Rule 4(a) without notice and hearing when the application has been filed in due form and the Secretary-Director determines that good cause exists for granting such exception. However, such an unorthodox location, if approved, may necessitate an allowable adjustment.

Applicants shall furnish all offset operators and all operators within the section in which the subject well is located, a copy of the application to the Commission, and the applicant shall include with his application a list of the names and addresses of all such operators together with a stipulation that proper notice has been given said operators at the addresses listed. The Secretary-Director of the Commission shall wait at least 20 days before approving any such unorthodox location, and only in the absence of objection from an offset operator may such application be approved.

RULE 5. A well in the Lybrook-Gallup Oil Pool shall be classified as a gas well if it has a gas-liquid ratio of 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more. A well in said pool shall be classified as an oil well if it has a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons. The simultaneous dedication of any acreage to both an oil well and a gas well is strictly prohibited.

RULE 6. The gas-liquid ratio limitation for the Lybrook-Gallup Oil Pool shall be 2,000 cubic feet of gas per barrel of liquid hydrocarbons produced.

RULE 7. Any oil well in the Lybrook-Gallup Oil Pool which has 80 acres dedicated to it shall be permitted to produce an amount of gas determined by multiplying the top unit oil allowable for said pool by the limiting gas-liquid ratio for the pool, (2,000). In the event there is more than one oil well on an 80-acre oil proration unit, the operator may produce the allowable assigned to the 80-acre unit from said wells in any proportion.

Any gas well in the Lybrook-Gallup Oil Pool shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by 2,000 by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is 80. In the event there is more than one gas well on a 320-acre gas proration unit, the operator may produce the amount of gas assigned to the unit from said wells in any proportion.

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RULE 8. The operator of each newly completed well in the Lybrook-Gallup Oil Pool shall cause a gas-liquid ratio test to be taken on said well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 11. Provided further, that any well which is shut-in shall be exempted from the aforesaid gas-liquid ratio test requirement so long as it remains shut-in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

No gas shall be flared or vented from any well classified as an oil well more than 60 days after the well begins to produce. Any operator that desires to obtain an exception to the foregoing provisions for a well classified as an oil well shall submit to the Secretary-Director of the Commission an application for such exception with a statement setting forth the facts and circumstances justifying it. The Secretary-Director is hereby authorized to grant such an exception if he determines that the granting of it is reasonably necessary. If the Secretary-Director declines to grant administrative approval of the requested exception, the matter shall be set for hearing if the operator so requests.

RULE 9. Gas-liquid ratio tests shall be taken on all wells in the Lybrook-Gallup Oil Pool, and on all wells producing from the Gallup formation within one mile of the boundaries of the Lybrook-Gallup Oil Pool which are not within another designated Gallup oil pool, during the months of January, April, July, and October of each year. The initial gas-liquid ratio test shall suffice as the first quarterly test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the Aztec Office of the Commission a test schedule for its wells, specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

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Order No. R-2267

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

RULE 11. Any well completed in the Lybrook-Gallup Oil Pool after the effective date of this order shall receive an allowable only upon receipt by the Commission's Aztec Office of Commission Forms C-104, C-110, and C-116, all properly executed. The District Supervisor of the Commission's Aztec Office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the Lybrook-Gallup Oil Pool by 2,000.

RULE 12. The dates 7 o'clock a.m. February the first and 7 o'clock a.m. August the first shall be known as balancing dates, and the periods of time bounded by these dates shall be known as the gas proration periods for the Lybrook-Gallup Oil Pool.

RULE 13. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 15. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction carried into a gas proration period by the end of such proration period shall be shut-in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut-in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 16. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

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RULE 17. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut-in upon a showing after notice and hearing that complete shut-in of the well would result in material damage to the well and/or reservoir.

RULE 18. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

RULE 19. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the oil proration schedule.

RULE 20. Failure to comply with any provision of this order or the rules contained herein shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The District Supervisor shall notify the operator of the well and the purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 21. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

RULE 22. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-128) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage have been filed.

(3) That all operators in the Lybrook-Gallup Oil Pool shall, prior to July 15, 1962, file with the Commission Form C-128, Well Location and Acreage Dedication Plat, for each well in said pool, showing thereon the acreage being dedicated to said well. Operators shall also take new gas-oil ratio tests on all wells and file the results thereof with the Commission on Commission Form C-116 prior to July 20, 1962. For purposes of testing wells at the allowable rate authorized by these rules, the daily tolerance provision of Commission Rule 502 I is hereby waived.

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CASE No. 2575  
Order No. R-2267

(4) That this case shall be reopened at an examiner hearing in July, 1963, at which time the applicant and all interested parties shall present information concerning the reservoir characteristics of the subject pool and the effectiveness of the temporary rules and regulations established by this order.

(5) 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

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

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

S E A L

esr/

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 23, 1963

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

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, as alternate examiner:

CASE 2729: (Continued)

Application of Scanlon-Shepard for a waterflood project, Chaco Wash Oil Pool, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to inject water into the Mesaverde formation through certain wells in Sections 21, 22, 27 and 28, Township 20 North, Range 9 West, McKinley County, New Mexico.

CASE 2731: Application of Texaco, Inc., for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its State of New Mexico "O" NCT-1 Well No. 12, located in Unit J of Section 36, Township 17 South, Range 34 East, as a dual completion (tubingless) to produce oil from the Glorieta and Blinberry formations, Lea County, New Mexico.

CASE 2732: Application of Sinclair Oil & Gas Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion (conventional) of its Mahaffey-Federal (ARC) Well No. 1 located in Unit C of Section 14, Township 20 South, Range 33 East, Lea County, New Mexico, to produce Bone Springs oil and Pennsylvanian gas through parallel strings of tubing.

CASE 2733: Application of Charles B. Read for a non-standard oil proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 48.99-acre non-standard oil proration unit in an undesignated Delaware pool consisting of Lots 4 and 5 of Section 31, Township 26 South, Range 32 East, Lea County, New Mexico.

CASE 2734: Application of Aztec Oil & Gas Company for approval of a unit agreement, Lea and Eddy Counties, New Mexico. Applicant, in the above-styled cause, seeks approval of the Aztec-Robinson Waterflood Unit, comprising approximately 682 acres of State and Federal Lands in the E/2 SE/4 and SW/4 SE/4 of Section 36, Township 16 South, Range 31 East, the SW/4 SE/4 of Section 30, the W/2, W/2 E/2 and SE/4 SE/4 of Section 31, Township 16 South, Range 32 East Lea and Eddy Counties, New Mexico.

CASE 2735: Application of Amerada Petroleum Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its State BT "G" Well No. 2 located in Unit P, Section 27, Township 12 South, Range 33 East, Hightower Field, Lea County, New Mexico, in such a manner as to dispose of produced salt water into the Pennsylvanian formation.

- CASE 2736: Application of Gulf Oil Corporation for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 120-acre non-standard gas proration unit in the Blinebry Gas Pool, comprising the N/2 SW/4 and SE/4 NW/4 of Section 31, Township 22 South, Range 38 East, Lea County, New Mexico, said unit to be dedicated to the Scarborough Estate Well No. 4 located in Unit F of Section 31.
- CASE 2737: Application of Gulf Oil Corporation for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of special pool rules for the White City-Pennsylvanian Gas Pool, Eddy County, New Mexico, including provisions for 640-acre spacing therein.
- CASE 2738: Application of BCO, Inc. for a no-flare exception, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the no-flare provisions of Order No. R-2267 for its Campos Well No. 1-10 located in Unit J of Section 10, Township 23 North, Range 7 West, Lybrook-Gallup Pool, Rio Arriba County, New Mexico.
- CASE 2739: Application of Socony Mobil Oil Company, Inc., to create a new pool for Abo production, and for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for Abo production in Section 26, Township 17 South, Range 34 East, Lea County, New Mexico, and the establishment of temporary special pool rules therefor, including a provision for 80-acre spacing units.
- CASE 2740: Application of Socony Mobil Oil Company, Inc., for temporary special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of temporary special pool rules for the Vacuum-Wolfcamp Pool in Section 26, Township 17 South, Range 34 East, Lea County, New Mexico, including a provision for 80-acre spacing units.
- CASE 2741: Application of Socony Mobil Oil Company, Inc., for temporary special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of temporary special pool rules for the Vacuum-Devonian Pool in Section 26, Township 17 South, Range 34 East, Lea County, New Mexico, including a provision for 80-acre spacing units.
- CASE 2742: Application of Pan American Petroleum Corporation for special temporary pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of temporary special pool rules for the Fowler-Blinebry Oil Pool, Lea County, New Mexico, including a provision for 80-acre proration units.
- CASE 2743: Application of Pan American Petroleum Corporation for the creation of a Tubb Gas Pool, for approval of a non-standard gas unit, and for special temporary pool rules. Applicant, in the above-styled cause, seeks the creation of a new Tubb gas pool, and the establishment of temporary special pool rules therefor, Lea County, New Mexico, including a provision for 320-acre spacing units. Applicant further seeks establishment of a non-standard unit in said pool, comprising the NE/4, E/2 NW/4, and the N/2 SE/4 of Section 22, Township 24 South, Range 37 East.

CASE 2744: Application of Pan American Petroleum Corporation for special pool rules and approval of a non-standard gas unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of temporary special pool rules for the Fowler-Paddock Gas Pool, Lea County, New Mexico, including a provision for 320-acre spacing units. Applicant further seeks establishment of a non-standard unit in said pool, comprising the NE/4, E/2 NW/4, and the N/2 SE/4 of Section 22, Township 24 South, Range 37 East.

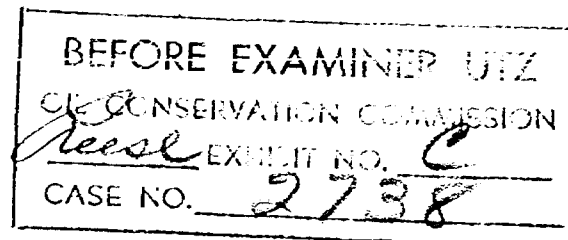


Tabulation Of Production And Net Gas Income  
Campos 1-10 Well  
Section 10, T-23N, R-7W

Month	Oil Prod. Bbls.	Gas Production (MCF)				Gas Inc. To W. I.	Compression Charge	Net Inc. Gas Sales
		Total	Vented	Used On Lease	Sold			
April, '61	2,708	4,641	----	----	4,641	\$ 426.84	\$327.82	\$ 99.02
May, '61	2,014	2,913	----	----	2,913	267.92	293.26	(25.34)
June, '61	1,180	2,157	----	85	2,072	190.57	276.44	(85.87)
July, '61	1,632	2,423	1,836	23	564	51.87	246.28	(194.41)
August, '61	1,051	3,901	599	130	3,172	291.73	298.44	(6.71)
Sept., '61	1,188	4,526	1,245	129	3,152	290.20	298.04	(7.84)
Oct., '61	1,207	5,608	331	208	5,069	466.76	336.38	130.38
Nov., '61	520	5,291	----	209	5,082	467.90	336.64	131.26
Dec., '61	868	4,376	----	172	4,204	387.05	319.08	67.97
Jan., '62	635	4,324	----	171	4,153	382.36	318.06	64.30
Feb., '62	722	4,631	----	182	4,449	409.61	323.98	85.63
March, '62	859	5,331	335	197	4,799	441.84	330.98	110.86
April, '62	688	14,239	----	561	13,678	1,252.31	508.56	750.75
May, '62	702	8,999	5,339	144	3,516	323.71	305.32	18.39
June, '62	651	4,364	420	156	3,788	348.75	310.76	37.99
July, '62	696	2,970	365	103	2,502	230.35	230.35	-0-
August, '62	729	5,050	1,474	141	3,435	316.26	303.70	12.56
Sept., '62	523	6,281	606	224	5,451	500.22	344.02	156.20
Oct., '62	626	5,938	115	230	5,593	513.26	346.86	166.40
Nov., '62	535	5,494	1,220	169	4,105	376.71	317.10	59.61

Total

\$1,571.15



CASE 2738  
REESE EXHIBIT NO. 3

Gas Production  
Lybrook Gallup Oil Pool  
June, 1962 - November, 1962

	<u>Sold</u>	<u>Vented</u>	<u>Used On Lease</u>	<u>Total</u>
<u>Bco 1-15 Betty B</u>				
June				
July		1,200		1,200
August		165		165
Sept.		330		330
Oct.		---		TSTM
Nov.		---		TSTM
		---		<u>TSTM</u>
				1,695
<u>Bco 1-10 Campos</u>				
June	3,788	420	156	4,364
July	2,502	365	103	2,970
August	3,435	1,474	141	5,050
Sept.	5,451	606	224	6,281
Oct.	5,593	115	230	5,938
Nov.	4,105	1,220	169	<u>5,494</u>
				30,097
<u>Bco 2-4 Campos</u>				
June		2,500		2,500
Jul.		3,813		3,813
August		4,216		4,216
Sept.		3,472		3,472
Oct.		3,844		3,844
Nov.		3,720		<u>3,720</u>
				21,565
<u>Bco 1-14 Nancy B</u>				
June		---		TSTM
July		310		310
August		310		310
Sept.		---		TSTM
Oct.		279		279
Nov.		---		<u>TSTM</u>
				899

Note: All gas volumes are in Mcf.

CASE 2738  
REESE EXHIBIT NO. 2

Lybrook Gallup Oil Pool Gas Production Continued

<u>Dunn #1 Federal</u>	<u>Sold</u>	<u>Vented</u>	<u>Used On Lease</u>	<u>Total</u>
June	2,004			2,004
July	641			641
August	243			243
Sept.	1,304			1,304
Oct.	650			650
Nov.	752			752
				<u>5,594</u>
<u>Reese 1-9 Penn</u>				
June	27,194	3,019	1,116	31,329
July	23,301	4,281	956	28,538
August	18,210	5,792	748	24,750
Sept.	21,697	---	891	22,588
Oct.	17,443	400	716	18,559
Nov.	12,463	121	511	13,095
				<u>138,859</u>
<u>Reese 1-11 VanDenburgh</u>				
June	2,329	1,241	96	3,666
July	3,024	869	124	4,017
August	2,530	911	104	3,545
Sept.	3,153	---	129	3,282
Oct.	3,512	15	144	3,671
Nov.	1,845	258	76	2,179
				<u>20,360</u>
<u>Smith #1 State</u>				
June	----			----
July	----			----
August	344			344
Sept.	1,438			1,438
Oct.	1,677			1,677
Nov.	No report			
				<u>3,459</u>
<u>Smith #2 State</u>				
June	----			----
July	----			----

Note: All gas volumes are in Mcf

Lybrook Gallup Oil Pool Gas Production Continued

<u>Smith #2 State Cont.</u>	<u>Sold</u>	<u>Vented</u>	<u>Used On Lease</u>	<u>Total</u>
August	270			270
Sept.	1,130			1,130
Oct.	1,318			1,318
Nov.	No report			
				<u>2,718</u>
<u>S.U. Dunn #1 Federal</u>				
June				----
July				----
August				----
Sept.				----
Oct.				----
Nov.				----

(Gas production not shown on Monthly  
Statistical Report)

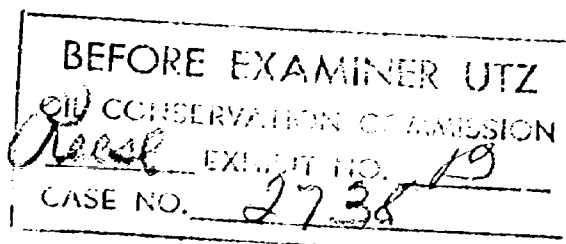
Note: All gas volumes are in Mcf

Gas Production  
Lybrook Gallup Oil Pool  
June, 1962 - November, 1962

	<u>Sold</u>	<u>Vented</u>	<u>Used On Lease</u>	<u>Total</u>
<u>Bco 1-15 Betty B</u>				
June		1,200		1,200
July		165		165
August		330		330
Sept.		---		TSTM
Oct.		---		TSTM
Nov.		---		TSTM
				<u>1,695</u>
<u>Bco 1-10 Campos</u>				
June	3,788	420	156	4,364
July	2,502	365	103	2,970
August	3,435	1,474	141	5,050
Sept.	5,451	606	224	6,281
Oct.	5,593	115	230	5,938
Nov.	4,105	1,220	169	<u>5,494</u>
				30,097
<u>Bco 2-4 Campos</u>				
June		2,500		2,500
July		3,813		3,813
August		4,216		4,216
Sept.		3,472		3,472
Oct.		3,844		3,844
Nov.		3,720		<u>3,720</u>
				21,565
<u>Bco 1-14 Nancy B</u>				
June		---		TSTM
July		310		310
August		310		310
Sept.		---		TSTM
Oct.		279		279
Nov.		---		<u>TSTM</u>
				899

Note: All gas volumes are in Mcf.

CASE 2738  
REESE EXHIBIT NO. 2



Lybrook Gallup Oil Pool Gas Production Continued

	<u>Sold</u>	<u>Vented</u>	<u>Used On Lease</u>	<u>Total</u>
<u>Dunn #1 Federal</u>				
June	2,004			2,004
July	641			641
August	243			243
Sept.	1,304			1,304
Oct.	650			650
Nov.	752			752
				<u>5,594</u>
<u>Reese 1-9 Benn</u>				
June	27,194	3,019	1,116	31,329
July	23,301	4,281	956	28,538
August	18,210	5,792	748	24,750
Sept.	21,697	---	891	22,588
Oct.	17,443	400	716	18,559
Nov.	12,463	121	511	13,095
				<u>138,859</u>
<u>Reese 1-11 VanDenburgh</u>				
June	2,329	1,241	96	3,666
July	3,024	869	124	4,017
August	2,530	911	104	3,545
Sept.	3,153	---	129	3,282
Oct.	3,512	15	144	3,671
Nov.	1,845	258	76	2,179
				<u>20,360</u>
<u>Smith #1 State</u>				
June	----			----
July	----			----
August	344			344
Sept.	1,438			1,438
Oct.	1,677			1,677
Nov.	No report			
				<u>3,459</u>
<u>Smith #2 State</u>				
June	----			----
July	----			----

Note: All gas volumes are in Mcf.

Lybrook Gallup Oil Pool Gas Production Continued

	<u>Sold</u>	<u>Vented</u>	<u>Used On Lease</u>	<u>Total</u>
<u>Smith #2 State Cont.</u>				
August	270			270
Sept.	1,130			1,130
Oct.	1,318			1,318
Nov.	No report			
				<u>2,718</u>
<u>S.U. Dunn #1 Federal</u>				
June				----
July				----
August				----
Sept.				----
Oct.				----
Nov.				----

(Gas production not shown on Monthly  
Statistical Report)

Note: All gas volumes are in Mcf

Tabulation Of Production And Net Gas Income  
Campos 1-10 Well  
Section 10, T-23N, R-7W

Month	Oil Prod. Bbls.	Gas Production (MCF)				Gas Inc. To W. I.	Compression Charge	Net Inc. Gas Sales
		Total	Vented	Used On Lease	Sold			
April, '61	2,708	4,641	-----	-----	4,641	\$ 426.84	\$327.82	\$ 99.02
May, '61	2,014	2,913	-----	-----	2,913	267.92	293.26	(25.34)
June, '61	1,180	2,157	-----	85	2,072	190.57	276.44	(85.87)
July, '61	1,632	2,423	1,836	23	564	51.87	246.28	(194.41)
August, '61	1,051	3,901	599	130	3,172	291.73	298.44	(6.71)
Sept., '61	1,188	4,526	1,245	129	3,152	290.20	298.04	(7.84)
Oct., '61	1,207	5,608	331	208	5,069	466.76	336.38	130.38
Nov., '61	520	5,291	-----	209	5,082	467.90	336.64	131.26
Dec., '61	868	4,376	-----	172	4,204	387.05	319.08	67.97
Jan., '62	635	4,324	-----	171	4,153	382.36	318.06	64.30
Feb., '62	722	4,631	-----	182	4,449	409.61	323.98	85.63
March, '62	859	5,331	338	197	4,799	441.84	330.98	110.86
April, '62	688	14,239	-----	561	13,678	1,259.31	508.56	750.75
May, '62	702	8,999	5,339	144	3,516	323.71	305.32	18.39
June, '62	651	4,364	420	156	3,788	348.75	310.76	37.99
July, '62	696	2,970	365	103	2,502	230.35	230.35	-0-
August, '62	729	5,050	1,474	141	3,435	316.26	303.70	12.56
Sept., '62	523	6,281	606	224	5,451	500.22	344.02	156.20
Oct., '62	626	5,938	115	230	5,593	513.26	346.86	166.40
Nov., '62	535	5,494	1,220	169	4,105	376.71	317.10	59.61
Total								\$1,571.15

CASE 2738  
REESE EXHIBIT NO. 3



**VAL R. REESE & ASSOCIATES, Inc.**

OIL & GAS

PHONE CHAPEL 3-3559

ALBUQUERQUE, NEW MEXICO

LOBBY OF SIMMS BUILDING

April 24, 1962

Mr. Harry L. Bigbee  
Bco, Inc.  
P. O. Box 669  
Santa Fe, New Mexico

Dear Mr. Bigbee:

Upon your acceptance hereof, it is agreed by you and your associates and Val R. Reese & Associates, Inc., (hereinafter referred to as "Reese"), as follows:

1. You will purchase, for the sum of \$20,000.00 cash, the casinghead gas compressor identified as the Kenney Compressor located in Section 23, Township 24 North, Range 7 West, NMPM, presently owned and operated by Reese. The purchase includes all facilities located in the immediate vicinity of the Kenney Compressor and which are used in connection with the operation thereof.
2. It is understood that you or your agent and employees will operate the compressor facility and will continue to process gas through the compressor from wells presently connected thereto and that the charge made to that portion of the gas from the wells connected to the compressor which is attributable to the interest of Reese will be compressed on the basis of charges presently being made. It is further understood that in the event that the working interest value of casinghead gas from any well is not equal to the minimum charge for compressing, which is now being made, that the minimum charge on the present basis will be waived and you will retain the proceeds of the sale of such casinghead gas for application against compression costs.
3. Meters are to be installed on all wells which do not presently have meters and the cost thereof shall be born by the well whose gas is being measured by the meter. All meters presently installed and all pipe and fittings by which any well in which you have an interest is connected to the compressor will be considered as owned by the well being served through the use of such equipment.

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	2138
CASE NO.	

Mr. Harry L. Bigbee  
April 24, 1962  
Page No. 2

4. Reese will continue to own and operate the compressors designated as the VanDenburgh, Sperling and the Connie compressors and will continue to make charges as presently made for compression of casinghead gas, provided however that in the event a well connected to any of these compressors is unable to return to the working interest an amount sufficient to meet the minimum compression charge as presently imposed, the minimum charge will be waived and Reese will retain the proceeds of sale of such casinghead gas from any such well or wells for application against compression costs and maintenance. It is again understood that meters will be installed on each well in which you have an interest and that the cost of such installation will be assessed against the well being served by the meter and that meters presently installed and lines presently in place connecting these wells to the compressor system will be owned by the well being served by such equipment. The operator of the respective compressors will assume responsibility for and shall have the control of the meters and the lines measuring and transporting gas to the respective compressors, provided however that the operator of any of the above named compressors shall cause a periodic inspection to be made of meters by independent qualified persons and the results of such inspection shall be communicated to the non-operating party to this agreement. This inspection may be witnessed by the non-operator. The cost of such inspection to be born by the compressor system upon which the inspection is conducted. The interval of time between inspections shall be as mutually agreed upon.

As a further consideration for the foregoing agreement, it is understood and agreed that subject to final balancing of well accounts for expenditures made or expenses incurred, which balancing shall occur on or about May 3, 1962, that the parties hereto agree that all claims and demands arising prior to said date and relating to expenditures, accounting for production and all other matters in connection with the operation by Reese of the compressors heretofore mentioned, are fully settled and accounting made and the parties mutually release each other from any further claims or demands arising therefrom prior to said date of May 3, 1962.

Mr. Harry L. Bigbee  
April 24, 1962  
Page No. 3

If the foregoing constitutes your understanding of our agreement,  
please indicate your acceptance thereof at the place indicated.

Respectfully submitted,

Val R. Reese & Associates, Inc.

By Val R. Reese  
Val R. Reese, President

Attest:

James E. Sperry  
Secretary

ACCEPTED AND AGREED TO THIS  
25<sup>th</sup> day of April, 1962.

Harry L. Bigbee  
Harry L. Bigbee

BIGBEE & STEPHENSON

HARRY L. BIGBEE  
DONNAN STEPHENSON  
HARL D. BYRD  
SANTIAGO E. CAMPOS  
MATIAS A. ZAMORA  
CHARLES D. OLMSTED

ATTORNEYS AT LAW  
BOKUM BUILDING  
P. O. BOX 669  
SANTA FE, NEW MEXICO

TELEPHONE YUCCA 2-1847  
ASSOCIATE IN ALBUQUERQUE, NEW MEXICO  
QUINCY D. ADAMS

April 25, 1962

Mr. Val R. Reese  
Val R. Reese & Associates, Inc.  
Lobby of Simms Building  
Albuquerque, New Mexico

Re: Compressor

Dear Val:

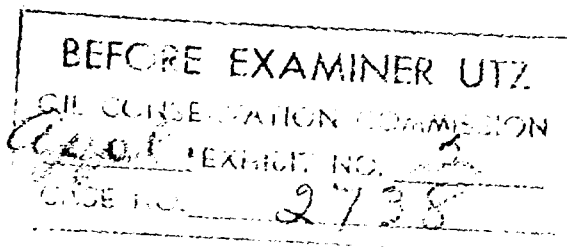
Enclosed find letter agreement of April 24, 1962 executed by your company and also accepted and agreed to and executed by myself, subject to comments and construction of certain items referred to in this letter.

I will have my son deliver this letter, together with a fully executed copy of the letter agreement of April 24, 1962 relating to the compressor, and also a check from Pco, Inc. in the sum of \$20,000.00.

It is my understanding that you will obtain a release of mortgage on the compressor and will make a bill of sale generally describing the equipment. I would appreciate the bill of sale being made to Pco, Inc., which is the entity which is purchasing the compressor and which will operate it.

We have orally discussed a take-over date of the compressor of May 1, 1962. I would appreciate your advising my son of the matters which you will attend to in this connection and the matters that we should attend to.

I am also having a motor ordered immediately for the 1-10 Canyon well. I would appreciate your advising my son as to the procedure



Mr. Val R. Reese  
Page 2

April 25, 1962

for installing the meter which should be followed, since this is a cost to be borne by the 1-10 Campos well and owned by the well but, when installed, is to be under your direction and control, since this well is delivering to the Vandenberg compressor.

It is my understanding of the construction and intent of paragraph 2 that the reference to "gas from the wells connected to the compressor which is attributable to the interest of Reese" includes a 100% interest of the gas from the Blakely, Love and Kenney wells, even though your company does not own a 100% working interest in the Love and Blakely wells, but is the operator of the three wells and does have a working interest therein.

I also note that there is a slightly different wording used in relation to paragraphs 2 and 4 as to the compressor operator's obligation. In paragraph 2 it states in part: ". . . will operate the compressor facility and will continue to process gas." Paragraph 4, relating to the Vandenberg, Sperling and Connie compressors, spells out the obligation of the operator in part as follows: ". . . own and operate the compressors . . . and will continue to make charges, etc." This language does not include the language of paragraph 2 of continuing to process gas through the compressor, etc. I am assuming that even though the language is slightly different that the obligation of both compressor owners is identical, and I have executed the agreement based upon this construction.

A literal reading of the letter might indicate that a separate meter would have to be put upon each of the three Lybrook wells now being metered by one meter and producing into a common battery. It is my understanding, however, that this is not the intent and that these three wells may be metered through one meter. I have advised you, however, that if you desire, we would have the wells purchase a separate separator so that the production of the 4-22 and 6-22 could be measured both as to gas and oil separately from the 2-22. You have indicated that you do not believe this to be advisable, since it would merely increase the well cost by an additional separator and meter, and that the present methods of allocating production will continue until such time, if it should ever arrive, that one or both of us should feel that the wells should be separately produced and

Mr. Val R. Reese  
Page 3

April 25, 1962

measured, in which event, however, there would be no purpose for a meter except one for the 2-22 and one for the two remaining Lybrook wells.

The letter agreement does not spell out that drip accumulated at the respective compressors in the 100-barrel compressor tanks belongs to the compressor. We will make the same filing as you have in this regard. I merely mention this in order that this understanding be a matter of record.

Assuming you are in agreement with the remarks and clarifications referred to in this letter, you may immediately accept delivery of the \$20,000 Bco, Inc. check and the signed letter agreement. If you are not in agreement, kindly advise me in order that we will be in complete agreement before the check is cashed.

Very truly yours,

*Harry L. Bigbee*  
Harry L. Bigbee

HLB:mes  
Encls

cc:  
Mr. James E. Sperling  
Harry R. Bigbee

APPROVED:

VAL R. REESE & ASSOCIATES, INC.

By *Val R. Reese*  
Val R. Reese, President

VAL R. REESE & ASSOCIATES, Inc.

CONSULTING GEOLOGISTS

ALBUQUERQUE, NEW MEXICO

December 18, 1962

PHONE 243-3569

*Case*  
*2738*  
2820 CENTRAL AVE., S.E.

Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Attention: Mr. Dan Nutter

Gentlemen:

We respectfully ask that very careful consideration be given before the granting of any additional flare orders in the Escrito-Gallup, Devils Fork-Gallup or Lybrook-Gallup Pools. Since it is necessary that gas from some of these wells be compressed through two-stage compressors, the compression costs are high. Wells such as the 1-10 Campos operated by Bco, Inc. and compressed by our VanDenburgh compressor do return a profit to the operator, however.

Our compression charges are based on a flat rate charge for hooking a well up which covers installation of lines and metering facilities, a monthly rental charge of \$235.00 per well and 2¢ per Mcf compression charge for two-stage compression. Rental for a single stage compressor is \$95.00 per month per well and 1¢ per Mcf of gas compressed. In both cases the rental charge drops after the wells have been connected 36 months. In no case does the rental charge exceed the net value of the gas compressed. Wells, such as the Bco 2-31 Bobby B, which produce a relatively small amount of gas therefore return no revenue to the working interest during the first 3 years from the sale of gas. After that time, however, when the charge is simply 2¢ per Mcf a profit will be shown.

It should be mentioned that Val R. Reese & Associates, Inc. are the owners of 40% working interest in both of the above-mentioned wells operated by Bco, Inc. We would be opposed to the granting of flare orders on either of these wells.

Very truly yours,

*Lewis C. Jameson*

Lewis C. Jameson

LCJ:hk

DOCKET MAILED

Date 1-16-63

SUITE 200, BOKUM PLAZA  
POST OFFICE BOX 669  
SANTA FE, NEW MEXICO  
PHONE 982-1347  
AREA CODE 505

BCO, INC.

December 28, 1962

*OK*  
*9738*  
2905 EDGECLIFF PLACE  
FARMINGTON, NEW MEXICO  
PHONE 825-1515

*OK for next  
examining  
[signature]*

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

Re: Flare Order on 1-10 Campos J-10-23-7

Dear Sir:

Operating experience and statistics of both this well and wells located in the same pool similarly situated, being the VanDenburgh, Benn and 2-4 Campos wells, establish that the gas from this well cannot be compressed at this time and properly produce the oil from the 1-10 Campos. This well has been on a compressor since April of 1961. The arrangement at this time was such that there were no excessive back pressures.

In November, 1961, the Benn well in Section 9 of this township was connected to the compressor. Due to the volume of gas and it being a gas well, it created excessive back pressures, resulting in a very substantial decline of production of oil. Gas production has barely paid compressor charges. Specific information establishing the foregoing will be available for submission to you at the time of delivering this letter.

I respectfully request that a flare order be granted for a reasonable period of time, subject to further study and subject to the right of revocation of the Oil Commission upon reasonable notice, said flare order to be effective January 1, 1963. For your information, the last gas/oil ratio taken on this well October 1, 1962, showed that the well made 25 barrels of oil, 224 MCF and the cubic feet per barrel was 8.960.

If this flare order does not meet with the Commission's approval, we would appreciate having a hearing at the first convenient time.

Respectfully submitted,

BCO, INC.

By

*Harry L. Bigbee*  
Harry L. Bigbee  
President

/dmc

DOCKET MAILED

Date

*1-11-63*  
*R*



Case 2738

Heard 1-23-63

Rec. 1-24-63

1. Dismiss Case as requested at  
hearing by applicant.

Thos. A. W.

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. 2738  
Order No. R-2411

APPLICATION OF ECO, INC.,  
FOR A NO-FLARE EXCEPTION,  
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 January 23, 1963, 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 30th day of January, 1963, the Commission, a quorum being present, having considered the application and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

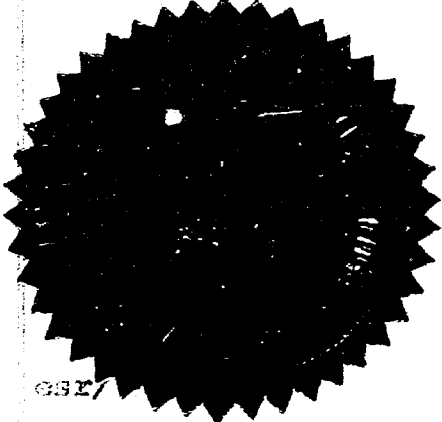
(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That by oral motion during the hearing of this case, the applicant moved that the case be dismissed.

IT IS THEREFORE ORDERED:

That Case No. 2738 is hereby dismissed.

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



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Jack M. Campbell*  
JACK M. CAMPBELL, Chairman

*E. S. Walker*  
E. S. WALKER, Member

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

GSR/

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
January 23, 1963

EXAMINER HEARING

IN THE MATTER OF:

Application of BCO, Inc. for a no-flare )  
exception, Rio Arriba County, New Mexico. )  
Applicant, in the above-styled cause, seeks )  
an exception to the no-flare provisions of ) Case 2738  
Order No. R-2267 for its Campos Well No. 1-10 )  
located in Unit J of Section 10, Township 23 )  
North, Range 7 West, Lybrook-Gallop Pool, Rio )  
Arriba County, New Mexico. )

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: The hearing will come to order. Case 2738

MR. DURRETT: Application of BCO, Inc. for a no-flare  
exception, Rio Arriba County, New Mexico.

MR. BIGBEE: The applicant is ready. If I may proceed  
I would like to call Lewis Jameson as my first witness.

MR. UTZ: Will you have more than one witness, Mr.  
Bigbee?

MR. BIGBEE: I may have to testify myself.

(Witness sworn.)

MR. UTZ: Are there other appearances?

MR. SPERLING: Jim Sperling, appearing on behalf of

Val R. Reese and Associates.

MR. BIRD: Harold Bird, appearing on behalf of applicant.

MR. UTZ: Are there other appearances? You may proceed Mr. Bigbee.

LEWIS C. JAMESON,

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

DIRECT EXAMINATION

BY MR. BIGBEE:

Q Will you state your name, please?

A Lewis C. Jameson.

Q What is your occupation?

A I am a geologist employed by Val R. Reese and Associates, in Albuquerque, New Mexico.

Q How long have you been so employed?

A Since the company was formed in 1957.

Q Are you the same Mr. Jameson that wrote a letter to the Oil Conservation Commission, dated December 18, 1962?

A Yes, I am.

Q Which had the general purpose of stating your objection in the event an exception to flare order should be applied for?

A Yes, that is correct.

Q Now, Mr. Jameson, I notice in that letter of December 18, 1962 that you state in part: "Our compression charges are based

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.  
PHONE 325-1182

SANTA FE, N. M.  
PHONE 983-3971

ALBUQUERQUE, N. M.  
PHONE 243-6691

on a flat rate charge for hooking a well up, which covers installation of lines and metering facilities; a monthly rental charge of \$235.00 per well and two cents per MCF compression charge from two-stage compression; rental for a single stage", which I'll omit. Then, after referring to the single stage, you then continue: "In both cases rental charge drops after the wells have been connected 36 months."

A That's correct.

Q Where is there any contract or agreement providing for the dropping of the \$235.00 per month after a three-year period?

A A letter was sent to the participant, and in all the wells in which Val R. Reese and Associates, Inc. drilled in conjunction with the various individuals, explaining the revision of the compression charges as explained in that letter that you quote from.

Q Isn't it true that after that time an additional agreement was entered into by and between the Val R. Reese and Associates, Inc. and myself with the contemplation that it was for the best of BCO, Inc.?

A Yes.

Q Dated April 24th?

A There was an additional agreement.

Q Yes. And all this agreement said was to the affect that "Compression charges shall remain according to the present schedule", correct?

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A I'll take your word for the terminology used in the letter. The present schedule, my interpretation of that would be the present schedule being 36 months of charges and then a reversion to simply two cents per MCF in the case of two-stage compression.

Q Isn't it true that that agreement further provided that upon purchase, by myself, acting for BCO, and with a Bill of Sale going to BCO that BCO would compress from the Kinney Compressors wells that neither Harry L. Bigbee nor BCO had any interest in that is the Kinney-Love and Blakely.

A Our compressor on our Kinney Lease was sold to you with the provision that you would compress the gas from these wells, at your desire, since we could not afford to sell you the compressor at that price and still build the lines some, oh, two miles or so, to the west to where we had additional compressor facilities.

MR. BIGBEE: So there will be no question in the record, other than your interpretation, what these are, I will ask the reporter to mark for identification a letter dated April 24, 1962, and a second one of April 25th, 1962, as exhibits.

(Whereupon, Applicant's Exhibits Nos. 1 and 2 were marked for identification.)

Q I'll hand you what has been marked Exhibits 1 and 2 in this cause, and ask you if those are the two letter agreements we referred to relating to the charges on the 1-10 Campos Well as well as other matters?

A The letter marked for Exhibit Number 1 is a letter addressed to Mr. Harry Bigbee, signed by Val R. Reese, who was then president of our company, attested by the company secretary, at that time, Mr. James E. Sperling.

Q Who actually drew the instrument, had it presented for signature and mailed it to me?

A You say, who did?

Q He, Mr. Sperling did?

A Yes, I believe that's probably correct.

Q Isn't the second exhibit, 2, pertaining to the same matter and maybe in the nature of a clarification?

A Yes, this was your letter of April the 25th, clarifying several points which you had pertaining to the previous letter.

Q And the letters refer to the compression charges to the general affect that it will be the charges previously in effect, and also provide, generally, that BCO, using my name, will compress the gas from the Love, Kinney and Blakely, right?

A I don't remember the exact wording. However, I can say that was one of the stipulations, since we could not sell you any compressor and other facilities for \$20,000.00 and still buy the necessary pipe and build the line to where we had compressor facilities which we owned.

Q Now, under that language, that merely said, without time limitation that BCO, or myself, would compress from the Love, Kinney and Blakely. Your company has taken the position that since

no definite time schedule was stated that you could discontinue at any time you wanted to, isn't that correct?

A We made the agreement with you to compress this gas because we could not at that time, comply with the Commission's no-flare provision in this pool, which is, for the Commission's behalf, the Escrito-Gallup Oil Pool and not the Lybrook-Gallup Oil Pool before the Commission today. In order to comply with the no-flare provision and keep us from having to buy, at that time, the additional three-inch line that would be necessary to transport this gas down to our Kinney compressor... That Kinney compressor is located in 23 of 24, 7. We did agree that you should start compressing our gas at the same charge that we were making.

Q Now, would you please answer my question?

MR. BIGBEE: Would you read the question to him? Thank you for the explanation which I did not ask for, as to why you entered the agreement.

(Question read by the Reporter.)

A Well, I believe to answer your question --

Q I think you can answer it yes or no and then explain it if you wish.

A Yes. We had no intention whatsoever of entering into an agreement for compression of gas forever. No one can recommend for that matter how long the wells will even produce.

Q And similarly, you had no contemplation, or if you did you didn't express it any differently as to time, as to the period



of time in which the charges would remain in effect?

A Our --

Q Answer the question.

A -- letter of agreement should have gone into a great deal more detail to satisfy this question which you have. Our agreement to compress the gas for the various individuals was the same with you as with all the other individuals that we compress gas for, and we will stand by that agreement, and certainly expect to.

Q You stand by that agreement, but you will flagrantly violate and discontinue on the other, when the same language is used, when compressing through the Kinney compressor, right?

A Well, I don't agree that the interpretation of the letter of agreement which Mr. Sperling wrote means that the gas has to be compressed forever on those three wells.

Q By the same token, you would have to contend to be consistent that there was no agreement as to the charges, except subject to change at will? I hand you the letter, Paragraph 2, since neither the Kinney, Love or Blakely is the paragraph that calls for those three wells to be connected to the compressor, although not named by name, isn't that correct? It pertains to that compressor.

A Yes, that is correct.

Q So there's nothing that you can point to in this letter

that shows that the compression charges were to remain in effect without change any different than the provision you have construed that would permit you to discontinue your three wells at will, and merely notify BCO, isn't that correct?

A This letter was not intended to be a catch-all agreement between our company and your organization on all of the wells. No, it is not all conclusive.

Q Will you now answer my question rather than your interpretation.

(Whereupon, question was read by the reporter.)

A That's right. It's not in the letter and it wasn't needed.

Q At this time the Val R. Reese Company is in no financial condition to assure what it can do 30 days or six months from now, isn't that correct?

A We do have bank notes that our production is dedicated to.

Q And those notes are in default?

A Yes.

Q And all of your income from the wells that BCO operates where the Reese Company has an interest varying from 30 to 40 percent together, were those, where it is a strict royalty interest, is assigned and sent directly to the First National Bank, Fort Worth, right?

A That is correct.

MR. BIGBEE: I believe at this time I would move the introduction in evidence of Exhibits 1 and 2, with leave to withdraw the same and substitute verifax copies.

MR. UTZ: Is there any objection to the introduction of Exhibits 1 and 2?

MR. SPERLING: No.

MR. UTZ: They will be entered into the record in this case.

(Whereupon, Applicant's Exhibits 1 & 2 were admitted in evidence.)

Q (By Mr. Bigbee) Mr. Jameson, I'm going to hand you an exhibit that was apparently prepared for a different case, and ask you if you can identify what I have handed you and tell me who prepared it, whether you participated in the preparation?

A This is my Exhibit Number 2 of Case 2575, which was the application of Val R. Reese and Associates for field rules in the Lybrook-Gallup Oil Pool.

MR. BIGBEE: I ask that it be marked for identification as an exhibit in this cause.

(Whereupon, Applicant's Exhibit No. 3 was marked for identification.)

MR. BIGBEE: I move the introduction in evidence of Applicant's Exhibit Number 3.

MR. UTZ: Without objection it will be entered into the record.

(Whereupon, Applicant's Exhibit No. 3 was admitted in evidence.)

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Q Mr. Jameson, isn't it a fact by comparing the logs that you have compared here of three wells in the Lybrook-Gallup Pool, that is the 1-10 Campos, the 1-9 Benn and the 2-4 Campos, that by far the best log of those three is the 1-10 Campos?

A I don't believe that the evaluation of the logging industry has evolved to the point where you can look at one log and say that that is the best. I believe that other things come into consideration, for instance sonic logs, and these are induction electrical logs. The induction curve is influenced by various factors, and you cannot look at two log tracings such as these, and make the estimate that you are requesting.

Q Isn't it a fact that you and your company made representations that you could, and induced me to invest about \$800,000.00 in drilling of wells, based upon interpretations you made of these logs, which were the logs your company obtained, as being the type of logs that should have been obtained in connection with the drilling?

A Let me assure you that we were not using simply one tool of the industry. We were using everything at the geologist's command.

Q Haven't you, yourself, and in the presence of Mr. Reese numerous times represented to me that the showings on these logs and the experience that you had demonstrated, the reasonable conclusions which you then proceeded to set forth could be obtained?

A Possibly I can help you by saying that the 1-10 Campos log does show to be a good log, and in saying that I'm not using simply this exhibit before me. I'm using other tools that geologists command.

Q Haven't you represented to me that it was the best log in the area, including the Vandenburg, which is not on this exhibit?

A It is a better log, and it is probably a slightly better well than the Vandenburg. It produces a little more gas than the Vandenburg and I believe it probably produces more oil than the Vandenburg.

Q Isn't it a fact that your company had all four of these wells drilled under your supervision, you, in the sole discretion, hiring the contractors, the logging, the completion methods of both the two Campos Wells, the Benn Well and the Vandenburg Well?

A Yes, the wells were drilled under the supervision of Val R. Reese and Associates, Inc., not just my supervision. The drilling contracts were let and the wells were completed while Val R. Reese and Associates was operating the wells.

Q Isn't it a fact that the highest production obtained from the Vandenburg Well was in April, 1960, of some 1,476 barrels. To assist you in your recollection, I'll hand you a report that your company charged me for the preparation .

A Let me contradict you. You were not charged for this report. This report was prepared at the sole expense of Val R.

Reese and Associates, Inc. stockholders, not well participants, and was for the sale of Val R. Reese and Associates properties to outside interests.

Q I think that company is for sale right now, isn't it?

A The properties are, yes, sir.

Q Yes, and is it your position that if you sell these properties the purchaser must undertake the obligation to compress the gas at 1-10 Campos as long as I wanted it connected, at the price you stated to the Oil Commission, and that you cannot sell it except burdened by that obligation?

A I believe that would be for other than me to say.

Q You know, in the preparation of the exhibit for the sale you didn't mention any such commitment, although it could have been prepared before.

A This brochure was prepared at that time when not just the Val R. Reese and Associates properties were to be looked at by a prospective purchaser, but the individual well participants also.

Q Yes. Now look at April, 1960 and tell me, if from reviewing the history of production, down through the year '62, if the highest production ever obtained was 1,476 barrels.

A Yes, that's correct.

MR. BIGBEE: I might mark this exhibit for identification here.

(Whereupon, Applicant's Exhibit No. 4 was marked for identification.)

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Q I will hand you what has been marked Applicant's Exhibit Number 4 and ask you to examine the column of oil production from the 1-11 Vandenburg. Tell me if the figures there are not exactly as taken from your record?

A I didn't look at each individual number, but --

Q Will you accept them as substantially correct?

A Yes, I accept them. You have added 1962 to these figures, and I am sure you got this information from information that we had furnished to you.

Q Yes.

A And I am sure it's valid information.

Q The same is true on all the other wells in production there. Will you check it so I won't have to put on another witness?

A It would be rather difficult to check all the figures. However, if you got it from the information we furnished you, I'm sure it would be correct.

Q The testimony will be, if I have to put on a separate witness rather than taking you through your own records, that this was all taken from your records, and also those of BCO - Form --What's the number?

A The C-115 that's filed with the Commission monthly.

Q And a copy furnished to you?

A Yes, that's correct.

Q It does not include the last months, of November and

December, on your wells, which I believe you have since furnished by telephone to BCO?

A Yes, that is correct.

MR. BIGBEE: I move the introduction in evidence of Applicant's Exhibit Number 4.

MR. UTZ: Without objection it will be entered into the record.

(Whereupon, Applicant's Exhibit No. 4 was admitted in evidence.)

MR. BIGBEE: I will hand one to the Commission and one to the witness.

Q (By Mr. Bigbee) Mr. Jameson, sort of summarizing the 1960 production of the Vandenburg, we find that it hit a high of 1,476 during its third full month of production?

A Yes.

Q And then it held about the same the next month and by the end of the year was down to about a thousand barrels and continued at about a thousand barrels through July of '61?

A Yes, that's correct.

Q And then it dropped generally in the eight and nine hundred bracket, and continued on the low side of that, of some 700 barrels to the present time.

A Yes, that is correct.

Q Let's look at the 1-10 Campos Well. Its high production was 2,708 barrels, nearly twice as much as the Vandenburg Well,



correct?

A Yes.

Q And then it held 2,000 the month after that, and varied between 1,180 and some 1,600 barrels through November, '61.

A Yes, most of the fluctuation is due to various down times.

Q I'll see what it's due to. Now, in November of 1961 the production from the 1-10 Campos dropped from 1,207 barrels to 520, didn't it?

A Yes.

Q Having questioned about this, you can check your other records. That was just by coincidence the same month that you connected it to the same compressor gas line that you connected up the Benn Well, too, isn't it?

A Yes, that's probably correct.

Q Right here (indicating).

A Here's the Benn Gas.

Q During that month you connected, about the 7th or 9th of the month, I believe your records show, the Benn Well to your Vandenburg compressor and compressed and sold some 13,754 MCF, and likewise connected the Campos 2-4 Well and compressed and sold some 2,676 MCF, right?

A Yes, that is correct.

Q And the production of the 1-10 Campos goes to 520 barrels, less than 50 percent, doesn't it?

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A Yes, it does that. The days produced show to be 29. However, I do not have any information showing me that those are full producing days, nor do I have any information before me showing the condition of the well. It could have easily been that the pump was cut out; it could be that there was a paraffin accumulation; there could be numerous things.

Q You reported to myself, as an investor, when you were an operator that it operated 29 full days. Will you please refer to your records?

A You have it included on your exhibit here, and I'm sure that that is right. They don't necessarily mean 24 hours.

Q All right, but according to your records the month before it operated 31 days, two days more and produced 1,207 barrels.

A Yes, that is correct.

Q Now, let's see what happened to our 2-4 Campos when you connected it. Did the production go from 645 barrels down to 514 barrels the very first month you connected it to your Vandenburg compressor?

A The months that you are referring to in October of '61, the production was 645 barrels, and in November, 514; however, I would like to point out that the same number of days, let me check. No, I'm in error, the production in September from the 2-4 Campos was only 424 barrels, however it produced 23 days that month.

Q I have your records here where you represented to me the number of days, which is all we've got.

A Yes.

Q So, in other words, the very lowest production, based upon the number of days that had been obtained on the 2-4 Campos arose the very first month that you put it on your compressors?

A Before I would be satisfied that that wasn't a mere coincidence, I would check the pressures that were being held against this well in the previous month this well was, the gas from this well was being compressed. We did not have our compressor located in Section 11 of 23, 7 at that time, and the gas was being transmitted through a two-inch line, and a three-inch line, to Section 32 of 24, 7. The pressure against the well prior to installing the Vandenburg was probably in excess of the pressure against the well after connection of the 1-9 Benn Well.

Q You are referring to the 2-4 Campos?

A I'm referring to the 1-10 Campos.

Q I was asking you about the 2-4 Campos. Are you telling me that you compressed gas from the 2-4 Campos prior to November, 1961 and didn't report it to this Commission or to me?

A I'm sorry, I was talking about the 1-10 Campos.

Q We find that 2-4 just happened to drop, by coincidence that you don't understand, the first month it was connected to your compressor, didn't it?

A Yes, it did. The 2-4 is in an entirely situation, as I explained to the Commission in the Case 2575, I believe it was, where the field rules for the Lybrook-Gallup were proposed. The 2-4 is in a more remote location from the compressor facilities, and it is, or at the time it was connected was approximately a mile further from the compressor than the 1-9 Benn Well and the 1-9 Benn Well came into the same line.

Q Now, I would like to help you a little bit on your suggestion as to why these drastic drops occurred. Isn't it true that an oil well such as we are talking about, and what you are familiar with, when it first encounters a pressure requires quite a time to build up, and then after it builds up against that pressure, the production will increase. And look at both the next months, to see if that isn't exactly what happened. Looking at the month of December, the 1-10 Campos goes back to 868, still 350 barrels below what it was; and the 2-4 Campos, after pressuring up against this line, comes back to 601 barrels, just a little under what it had been doing?

A Yes, that is true. There is one day more production shown on the 1-10 Campos, and two days additional production shown on the 2-4 Campos.

Q Let's just trace those wells and see what happened. In the month of January you produced in the Benn Well and sold some 27,000 MCF, using round figures.

A Yes.

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Q This is merely sold, in addition there would be some gas flared and some deducted for compressor use?

A Yes, that is true.

Q Yes. That's true of all the gas shown on this exhibit?

A Yes.

Q Once again we find, after a temporary spurt against this pressure in January, in January the production is again half of what it was in October in the 1-10, and the 2-4 is down to some 473 barrels in a 31 day month, for both.

A You say it's a 31 day month for both?

Q 31 for the 1-10 --

A 31 for the 1-10 and 24 for 2-4.

Q Now, the next month there was some 28,000 MCF on the Benn and we get just a little bit of increase on the 1-10, up to 722 barrels, still some 500 under what it did when you connected, and the 2-4 Campos dropped down to 411. Correct?

A Yes, that is correct.

Q Now, the 2-4 Campos at this time has lost some 25 percent from its high production of a little over some 666 barrels, hasn't it?

A Yes. That's in the space of what, about six months? I believe that the production information throughout Escrito will show the same type drop, and there has been an abrupt drop such as you show in your 1-10 Campos production, experienced in every well in the Escrito Pool. I refer to the Escrito Pool because we

do have more history on it, and it is the pool which we expect will eventually be in some communication with this pool.

Q So, at this time you were being paid, receiving a fee for operating this well, weren't you?

A Yes.

Q Based upon your best knowledge, at this time, it dropped down to 411 barrels by March, 2-4 Campos, just normal reduction that one would expect from this type of Gallup formation?

A Partly. I will be the first to say that if you release any pressure that you are holding against any oil well, the production will increase. You did discontinue this well after you took over the operations, and it did increase its oil production, and it has continued to hold that increase more than I would probably have expected it to. However, I do not think that is a basis for the granting of a flare exception, an exception to a no-flare order on a pool in the State of New Mexico.

Q That's for the Commission to decide. And you anticipated where I was going; and in your anticipatory answer I believe you implied the reduction in the 2-4 Campos from November, '61 consistent through March of '62 was due to pressure, at least to a large extent?

A A portion of the drop was, yes, when that pressure was released and the gas was vented to the atmosphere the well again produced the 644 barrels, which is about what it had been doing initially. The only way to account for that is that it is drain-

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ing a rather large area, because one year later there is not another well in the Escrito-Gallup or Lybrook-Gallup that has such a production characteristic.

Q Actually, your 1-11 Vandenburg, which is the only one in this area, shows a quite similar production curve, doesn't it, and decline curve?

A Well, I would say that that's a little different situation in that the Vandenburg was the discovery well. I say it was the discovery well, actually it's not considered by the Commission as being the dsiccovery well. It was the discovery well of the Reese and Associates portion of the pool. At that time there was no other drainage over a several mile radius to influence it, and its productive curve is, as I would expect, on an isolated well in an area such as the Lybrook Pool.

Q But let's see if there isn't one other factor, Val R. Reese Company installed the Vandenburg compressor, didn't it?

A Yes, it was installed after that discussion with you and your agreement that we should try to conserve the gas in the area.

Q Yes, but there was no discussion as to where your engineering, which was left entirely to you, for the best interest of the Vandenburg and the two Campos wells should be located, was there?

A It wasn't up to the Val R. Reese and Associates engineering, it was a simple matter of the purchaser having a point to

which gas had to be delivered. The normal procedure is to put your compressor fairly close to the delivery point to the purchaser.

Q Now, this 1-10 Campos is just a short distance behind Lybrook, I know.

A That's true.

Q And the Southern Union Gas line runs in front of Lybrook Inn on the other side of the highway a very short distance, doesn't it?

A That's true. I will present an exhibit to show the compressor gathering system.

Q So for those reasons, you found it best to put your compressor right next to the Vandenburg where it wouldn't have to combat any line pressure from other wells, didn't you?

A Yes, sir. And then continued to transport the Vandenburg gas some five miles to the north, because we didn't have enough capacity to handle it in that location.

A So your Vandenburg has been allowed to produce by virtue of the fact that you found that the most convenient place to put a compressor without any line back pressure, hasn't it?

A Since we had enough capacity in our Vandenburg compressor to compress all of the gas in the area, the Vandenburg gas has been compressed at the Vandenburg compressor. Prior to that time it had just more pressure against it for a much longer period of time than, for instance, your 2-4 Campos Well.

Q You just collected money from me and never connected the



2-4 Campos, isn't that right, for about six months?

A No, sir, that is certainly incorrect.

Q I think the checks will so speak.

A Excuse me. I would like to clarify that point. When we installed this compressor facility the wells which were to compress through the compressor facility were initially to own their portion of the entire facilities. In other words, if a cost of \$10,000.00 had occurred, it was divided amongst the number of wells that were connected to that facility. This was assessed against the wells for a period of several months. It became evident that it was not a good method of handling compressor systems, so we revised our compressor charges to a method suggested by the accounting firm of Peat, Marwick and Mitchell in Albuquerque, whereby all charges would be expense items and the compressor charge would be a monthly rental fee which would drop after 36 months, and a two cent per MCF charge was, for two-stage compression, to cover the cost of maintaining the compressor facilities, buying necessary oil filters and anti-freeze. The charges which you are referring to were refunded to you. I have the amount and the date.

Q I can get it approximately.

A And at that time the compression charges were completely revised so that there was no charge, regardless of how much money we spent during that particular month for any month during which compression was not made on any of the wells.

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Q Isn't it a fact there was never an agreement, Val R. Reese and Associates just sent a notice and said this is what it is?

A Yes, that's true.

Q And you came up to the office with Mr. Reese and I complained and wrote letters, and you said, "That's still the way it's going to be?"

A We offered you the rather intriguing challenge to come up with a better proposal.

MR. SPERLING: Mr. Examiner, I hate to interrupt Mr. Bigbee, but I would suggest this is not the proper form for a dispute between operators and owner. I understood the call of the hearing to be a consideration for an exception to the flare.

MR. BIGBEE: They have injected the question that they want this revenue for the Vandenburg compressor, and I would like to show the only reason for their objection is to try to take all the gas revenue and hold back the oil production.

MR. UTZ: Mr. Bigbee, while it's true that Mr. Jameson did raise the question of rentals and so forth in his objection to your no-flare request, the call of the case is for a no-flare order on your 1-10 Campos.

MR. BIGBEE: With that ruling their protest of the ruling would be disregarded. I don't care to question on that matter. I assumed they had put it in their letter on the pressure rentals, and were injecting that as a base notwithstanding the

oil. As long as it will not be considered a base and be under understood, I won't need to cross examine.

MR. UTZ: I would appreciate it if you would confine your cross examination to the no-flare order.

MR. BIGBEE: All right.

Q (By Mr. Bigbee) Let's look at the no-flare order on the Vandenburg Well and compare it to October '61, and compare it to ten months later, which is the last figure you had presented us at the preparation of this exhibit. It appears that the Vandenburg Well had decreased about 20 percent.

A This was from October, 1961 when the production was 5,389 MCF.

Q No, I mean the oil production, 925 barrels.

A Excuse me. Yes, that would be correct.

Q Down to 737?

A Yes.

Q Now, during the same time the Campos 1-10, which doesn't happen to be located where there's no line pressure for compression, reduced its production from October, '61, of 1,207 to 626 barrels in October, '62, or about 50%, didn't it?

A Yes, that is correct, and again I would like to point out that in October of 1961, the Vandenburg Well was being compressed, gas from the Vandenburg Well was being compressed at the Sperling compressor approximately five miles to the north. There was approximately two miles of two-inch line and approxi-

mately three miles of three-inch line.

Q But your October production was within 23 barrels of the high production you had had for six months?

A Yes, we were producing against a restricted pressure.

Q That's right. So the representative month of October, 588 is just about the average of what you had been doing during that period?

A I didn't follow you there, Mr. Bigbee.

Q Excuse me, I have the wrong column. I'm sorry, too. The representative period, of 731 barrels, of October '62 was just pretty close to the average of what it had been for the last several months.

MR. UTZ: That's the September figure that you quoted.

MR. BIGBEE: Yes, it should be, October, 737.

MR. UTZ: 737?

MR. BIGBEE: Yes.

A Yes, that is correct.

Q (By Mr. Bigbee) And during many of those preceding months it had no back pressure at all, being gas compressed right through the Vandenburg compressor situated right there.

A I believe I have that in my records if it's needed. When the change was made in our compressor system, the United States Geological Survey was notified. The revised plats were sent to them, and there was quite a lot of correspondence about it, so we can get the date if it will help matters any.

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Q I want you to answer this question for the Commission. Taking the 1-10 Campos even through December of '62, which is shown here being a little higher than the month before, and a little less than the month before that, still being about 50 percent of what it was in October, if it isn't a fact that one of the primary reasons that there was a 50 percent decline in the 1-10 Campos against only a 20 percent decline in the 1-11 Vandenburg is on account of the pressure differential between those wells and is further shown by the fact that you have a 50 percent increase in the 2-4 Campos production as soon as you take it off the same line?

A Again let me say that there was much more pressure against the 2-4 Campos than has ever been against the 1-10 Campos. There was an increase in the 2-4 Campos when its restriction was removed. By restriction I mean the extra pressure of the gas line. However, I would like to point out to the Commission, since Mr. Bigbee has brought up the financial position of Val R. Reese and Associates, Inc., that Val R. Reese and Associates, Inc. owns 40 percent interest in the 1-10 Campos Well and six percent interest in the 1-11 Vandenburg Well, and if we were so involved in making the various shufflings that Mr. Bigbee is indicating, I assure you that it would have to have gone the other way for our financial position.

Q Now, let's look at July, just on the Benn and 1-10; the Benn, gas, the 1-10, oil.

MR. UTZ: July of which year?

MR. BIGBEE: 1962.

Q (By Mr. Bigbee) At that time there were 23,000 MCF marketed through the Benn, correct?

A Yes.

Q And at that time the production on the 1-10 is 696 barrels?

A Yes.

Q The next month the gas on the Benn drops and the oil in the 1-10 Campos goes up, right?

A Yes. Again, you don't know the exact number of hours that either were produced in either month. Your reports are not accurate except to within a day. And neither do you know how much time the Benn Well was shut in, due to the compressor being dead. In other words, for the Commission's benefit, at any time when the compressor is down for long enough for us to run to the Benn and turn it off it's done, since we have no desire to flare gas from the Benn. However, the oil wells would continue producing until such time as the compressor went back in operation after being serviced, or repaired, whatever the case might be. In other words, Mr. Bigbee, I don't think that the slight increase shown, which you refer to, is significant, nor do I think the following month from those --

Q Would you please not anticipate my questions. I'm going to take you through the months. Isn't it a fact, in

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September when the gas from the Benn Well again goes up, there's a substantial decrease in the Campos Well?

A The oil production does show as being increased.

Q And without asking you in detail, your answer would be generally, you don't know if that was the reason, or part of it, or whether it was something else, isn't that correct?

A Well, in September the Benn production increased 18,000 the previous month to 21,000. The oil dropped from 729 barrels on the Campos in August to 523. However, there were three days during the month of September, in other words, there were 27 days during which the 1-10 Campos put some oil into the tanks. You do not know whether they were full days or not.

Q Actually, to show what you are doing is killing off the 1-10 Campos deliberately for your own purpose of taking revenue that the banks don't take. The October gas and the August gas from the 1-10 is about right. By that time, even under the same pressure you have a hundred barrel drop.

A To first contradict your insinuation, we have sent the bank money in excess of production out of monthly income not obtained from the compressor system.

Q I gather, without taking you through these figures, it's your general testimony that you are trying to establish that in your opinion, notwithstanding the production history, that the production from the 1-10 is not appreciably effected so far as oil is concerned, by being on your compressor line?

A I'm sure that it is effected to some extent by your removing the 2-4 Campos from the line, as I stated before, you did have some increase. However, so is our Love Well over in the Escrito being restricted by the Commission's no-flare order. However, I do not expect to ask for a flare order on the Love Well; neither do I expect to ask for a flare order from the 1-10 Campos well, which is producing the largest gas volume of any oil well in the Lybrook-Gallup Pool.

Q The reason for that on your Love is that your company takes every penny of gas that goes through its compressor, and it wouldn't save a dime in maintenance or capital expense if you obtained a flare order, isn't that right?

A No. The Love Well is compressed through a single stage compressor and the compression charges are rather low. It's \$95.00 per month, as pointed out in my letter to the Commission, for the rental and one cent per MCF for the maintenance on the compressor, and is much lower than, for instance, Standard of Texas is compressing gas from the 426 Well located in Section 26 of 24 North, 7 West, in which the company owns a 50 percent working interest, which is undedicated to the bank which you referred to.

Q Isn't it a fact, that based upon your experience, if this Commission would even allow the 1-10 to be opened for 30 days to determine the effect on the production, that you would expect that production to go, in a 30-day period, to the eight



to nine hundred barrel range?

A No, sir, that certianly is not correct. For instance, ten days during the month of December was all that the 1-9 Benn Well produced, and this is rather significant because your well produced only a slight increase during the month of December, and, in fact, was less than the previous production in October, and I believe that your increase in December was due to your hot-oiling of the well, which removed all the paraffin; and I understand you are continuing to hot-oil twice a month to keep that paraffin out. This was not being done in previous production. In other words, I do not believe that during the 20 days that the Benn Well was off production you had any increase.

Q Well, I'd just like to know this, Since you are one of those that induced me to put a million dollars, more or less, out here, told me what the wells would do and gave me numerous projections that they didn't meet within 50 percent of it, would you put your position on the line and consent to a 30-day test and see what the well would do, and let's see what kind of expert you are?

A Mr. Bigbee, such a test is ridiculous, since when you reduce the pressure, which, for the Commission's benefit again, is 80 pounds against Mr. Bigbee's well, when you do not produce the Benn Well for 20 days and do not get an increase, such a test is completely uncalled for, and I do not think any operator would request such a test.

Q Just a second. You said 80 pounds; isn't it a fact, like in December, your compressor wasn't running a lot of the time?

A I have got --

Q Well, isn't it a fact, without giving me the date?

A Yes, it's a fact. We had line freeze, like everybody else, including El Paso and Southern Union.

Q Isn't it a fact when you have your compressor down that the pressures go up substantially in the line because you have no way of venting them at the well, and when it's down and not frozen your minimum pressure is 150 pounds?

A I have before me the gas chart for December 14th through 18th; on the second day the static seems to have been reading about four, which squared is 16, add a zero, 160 divided by two is 80 pounds.

Q Then have you looked at the metering devices at the well that show that the pressure never goes below 110 pounds, and between then and 150?

A Mr. Bigbee, the metering devices at the well do not show that. I have got them with me here. Your explanation on that is completely in error.

Q Then your testimony is that there's only 80 pounds pressure; taking it off would not effect production substantially, would it?

A That's true. I believe that's already shown in December.

Q And therefore, a 30-day test, if it did go up to some 800 barrels would show that your testimony was completely in error, wouldn't it?

A Not necessarily. If you reduce to atmospheric, it will have a surge of production, and we incurred just such a thing in the Love, which I previously referred to as a good example where the line pressure was reduced from 140 pounds to 70 pounds by the changing of compressor systems, and for one month the production nearly doubled. However, it didn't maintain that level.

Q If you made that test 60 days then and the production was still above 800 barrels at the end of 60 days, making a somewhat comparable affect to what was supported by the Campos well over a long period of months, then that would show that your testimony was in error, wouldn't it, on the longer test required?

A Yes, it could conceivably. However, I don't believe that the prime consideration before the Commission here today is how much oil you can make out of your well. Instead, it's to prevent waste and protect correlative rights of the various operators in the field.

Q Isn't it just as important to protect the waste against oil as against the gas, and if the method of operating is being conducted that will cause waste, make the well marginal you leave a lot of oil neglected too, wouldn't it?

A That's certainly true. However, the 1-10 Campos Well

is far from marginal As I said before, it's the second largest gas producer, and the largest oil well, the largest gas producer for the oil wells in the pool.

Q Now, actually you know that if it was taken off of this pressure it would be the largest oil well in the pool, too, don't you?

A I don't doubt that it already is.

Q Although you just happened to be getting between seven and eight hundred barrels from the Vandenburg, which isn't as good a well, and has been produced over a year longer, as compared to some five to maybe six to seven hundred barrels on the 1-10, which is a better well, is that right?

A Yes, sir, and I have seen your pump dead numerous times when I was running it.

Q I have seen all of yours, too.

A I'm sure you have.

Q And I have seen them when you were running them, too, as well as every other well in the field. That will be all.

MR. UTZ: Any other questions of the witness? The witness may be excused.

(Witness excused.)

MR. SPERLING: I will call Mr. Jameson after Mr. Bigbee has finished his case.

MR. UTZ: Do you have another witness?

MR. BIGBEE: It is not necessary. He identified his

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his records I believe I moved for introduction of the exhibit which I put in front of you, which I believe is Exhibit 4. If I didn't may the record show that it's in the second time, or at least in.

MR. UTZ: I believe it was admitted, however Exhibit 4 will be admitted.

(Whereupon Val R. Reese & Associates, Exhibits A, B & C were marked for identification.)

MR. DURRETT: Let the record show that Mr. Sperling has called Mr. Jameson as his witness, and that Mr. Jameson is still under oath.

MR. UTZ: I would also like to advise attorneys for both parties that we'll have to close this hearing at almost five o'clock.

MR. SPERLING: If it's the Examiner's suggestion that in view of the shortness of time, we may as well postpone my examination of this witness until tomorrow.

MR. UTZ: Unless you wish to put on your direct.

MR. SPERLING: We will offer the exhibits marked A, B and C.

MR. UTZ: Exhibits A, B and C, Val Reese and Associates in this case will be admitted to the record.

(Whereupon Val R. Reese & Associates Exhibits A, B and C were admitted in evidence.)

MR. MCGRATH: F. T. McGrath... We are not going to permit

this gas to be flared, regardless of what you decide. This is a Federal lease and there's too much gas abandoned when you, if you vent this to the air the atmospheric pressure reduces the solution and you are going to lose oil. So, if they can make some agreement to produce the well and sell the gas with no other pressure, other than what the compressor will take, we will go along with it, but we are not going to permit it, as far as I am concerned. Now they have a right of appeal.

MR. BIGBEE: If that's correct, Your Honor, I will withdraw my application. I'm not going to appeal from Mr. McGrath, and I will purchase a compressor; and I am not going to stay on their compressor, that's for sure, for one thing.

MR. SPERLING: Fine.

MR. BIGBEE: If Mr. McGrath feels that is the way it's going to be --

MR. UTZ: You would feel that way, even for a 30-day period?

MR. MCGRATH: Yes, don't you?

MR. UTZ: Well, I don't know.

MR. BIGBEE: Will you go along with a 30-day test and see what it was?

MR. MCGRATH: We want you to sell the gas, can't you do that with the compressor?

MR. BIGBEE: Not the way they run it.

MR. MCGRATH: If you come out there --

MR. SPERLING: On the basis of Mr. McGrath's suggestion and direction, I don't think that it is necessary that we present any testimony.

MR. BIGBEE: We'll say this, I think Mr. McGrath may be overlooking that we have, I believe, a heated pressure separator here; that we never run it at under 35 pounds proper running of the well.

MR. MCGRATH: The only thing I object to, even 35 pounds your gas-oil ratio will increase.

MR. BIGBEE: We can run that at the pressure --

MR. MCGRATH: So you could sell the gas and not vent it. You can shut -- If it's necessary we will shut the Benn Well in and give you a chance to produce it, but sell your gas, and not pull your solution gas out of your oil.

MR. BIGBEE: The question that I want to find out, Mr. McGrath, is, if we may be a little informal, I want to know if this well is operated to obtain the maximum amount of oil and gas, I don't care when, and I don't think whether it's fast or slow, I don't care whether it's fast or slow, but I want to know whether it's being operated as it should, and I don't think it is.

MR. MCGRATH: You are the operator.

MR. BIGBEE: Because you have got us tied into an unfeasible condition and are forcing it down our throat.

MR. JAMESON: I believe my testimony shows only 80 pounds of pressure against your line.

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MR. MCGRATH: Another thing I don't question is, you don't question you took the 2-4 off, you didn't discuss or tell us anything about it. We granted Val Reese and Associates permission to sell this gas to comingle it, and you just take it off and you put a compressor at the 2-4 and then you can eliminate a lot of this, because you can compress the gas, and then the other compressor, put a single stage pressure there.

MR. JAMESON: The pressure against the 2-4, when it was connected was about 280 pounds, but it would certainly go through a single stage compression and then to the compressor.

MR. MCGRATH: Then you can sell the gas from the 2-4.

MR. BIGBEE: But that is going to build up pressure on the 1-10 which is on the same line.

MR. MCGRATH: It will give your end up pressure on the other compressor at a higher pressure.

MR. BIGBEE: But if you use a single phase compressor at the 2-4, that's going to put a pressure beyond the single phase on the Benn and 1-10.

MR. MCGRATH: I don't want to lengthen this hearing. I just want to make this suggestion, if it will shorten it any.

MR. UTZ: Of course, the balance of the hearing is up to you, however I don't think you have made any formal proposal as to what your intentions are, after a 30-day period.

MR. BIGBEE: Here is what my intentions were. My intentions were to try to operate this well under different condi-



tions, and see what it will do; that if I could see that it would operate properly at particular pressures and produce more, that I intend to, as I advised the Commission, purchase, and we have already gotten a proposal on a compressor that will work, and install a compressor to compress both the gas of the 1-10 Campos and the 2-4 Campos, as we mentioned when we filed this application. Now, our question is whether we should stay on this compressor basis or whether, in order to properly operate, we have to obtain a second compressor and put both of these wells on it, which I don't like the 2-4 flaring any more than Mr. McGrath does.

MR. MCGRATH: I didn't know it until today.

MR. BIGBEE: I thought you did. I'am sorry, I thought it had been mentioned to you. And that's as I told the Commission, and their compressor is so that we can't handle the 2-4. We feel like we should be able to compress it. We don't know what the well would do under proper circumstances, and we believe that production history shows that the production is being hurt, over and above what it would be if you had a compressor set up like they do at their Vandenburg Well. Now, that is what we're up against, and basically it is, to a large extent, in applying for this flare order, as we mentioned at the time, was to find out if the additional investment of a second compressor was essential to properly operate the two wells. That is our problem. We think that they're hurting our well with their compressor.

MR. UTZ: If you install your own compressor then you

would pick up the gas from the 2-4?

MR. BIGBEE: Yes, we certainly would.

MR. UTZ: Would that have any bearing on your decision in the matter?

MR. MCGRATH: I don't think that 30 days is going to prove anything. It's going to take longer than that, and there's going to be too much gas wasted, and it is waste.

MR. BIGBEE: But isn't there oil wasted when it's held back like this?

MR. MCGRATH: No, sir. That oil is there, and it's recoverable, though it takes a little bit longer, and also --

MR. BIGBEE: The history of the Gallup field is that once you start losing your basic pressure that's being pulled out by the 1-10, Benn and the Vandenburg, on both sides, that all of a sudden your primary production is sort of shot. In other words you could drill a well in two years where the 1-10 is and never obtain very much production without secondary methods. That is the problem, that is your problem, you are draining the pressure by the Benn Well.

MR. MCGRATH: Our primary job is conservation of our natural resources, and to me you are not doing this, and also you are going to reduce your solution gas because you'll let more gas out of there.

MR. BIGBEE: That depends on the pressure you hold on the wellhead. And that we are in a position to do, as you know, from

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our equipment to hold it at any pressure you suggest, or is agreeable to you.

MR. MCGRATH: All right, then why not just put it through their compressor and sell it?

MR. BIGBEE: Because they have a completely different type of pressure than what they're going to testify to.

MR. JAMESON: Mr. Bigbee, the gas is metered and the meters are calibrated, and you can read pressures from the meters.

MR. BIGBEE: All I know about your meters, they haven't worked for the last ten days at all and we have been putting gas in there, and if Mr. McGrath was out there he would see that the 1-10 meter was not working, had not worked for quite a number of days; you are taking all our gas and not metering it and not obtaining a meter, and all you need is a quart of menthenol in it to make it work.

MR. JAMESON: You are putting ten gallons of menthenol in the line?

MR. BIGBEE: Not in the line, in the meter.

MR. JAMESON: You are not supposed to.

MR. BIGBEE: You had a frozen up meter taking up --

MR. MCGRATH: The differential pin was working? You didn't check the static?

MR. JAMESON: There has been a freeze and the differential pin, for a period of time was frozen and off scale. During that time the integrator from Squire in Dallas will give average

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flow to the well, the same as we hope to get on our 1-30 Sperling which has been frozen for a long period of time.

MR. UTZ: Mr. Bigbee, what is your desire?

MR. BIGBEE: Could I talk to Mr. McGrath a minute?

MR. MCGRATH: Off the record.

(Whereupon, an off the record discussion was held.)

MR. BIGBEE: Mr. McGrath, if I understand the short conversation, you would go along with testing this in order that plans can be made for the most economical method and best method, and proper method of producing, by shutting in the Benn Well for a period of time, and testing it by the Vandenburg compressor through that line with nothing else on that line. As I understand, the Vandenburg Well is now on that line, but it has a different inlet to where that would not effect any back pressure, and I believe that under the rules that they would not lose any revenue from their Benn Well by pressure.

MR. MCGRATH: They could make it up, they have a six month period to make that up if they lose allowable for a month. If the well will make it, it will make it up.

MR. UTZ: The allowable is in the Lybrook.

MR. BIGBEE: It's 160 acres.

MR. UTZ: You have six months balancing period in the Lybrook.

MR. BIGBEE: Your well is capable --

MR. JAMESON: The allowable is 127 MCF, it's not a 160,

it's an odd-ball section.

MR. MCGRATH: That would be agreeable; that way we are not losing anything, no one is, and they're not jeopardizing the reservoir.

MR. BIGBEE: We would be willing to go along on that test and from that test we could determine whether the second compressor should be obtained. We'll cooperate with Mr. McGrath and Mr. Jameson in keeping accurate records of when the compressor is running and when it isn't.

MR. UTZ: This agreement is not up to me as an Examiner or the Commission as a Commission. This agreement is up to you people here, so that you can make up your mind whether you can continue with the hearing or not.

MR. BIGBEE: If there can be a test for a reasonable representative period of time with only the 1-10 Campos on it, I'll withdraw the application.

MR. SPERLING: We don't have any authority to stipulate that the Benn Well can be shut in.

MR. MCGRATH: We do.

MR. SPERLING: Well, I assume we can protect our allowable.

MR. MCGRATH: But you can make it up if it will make it at all.

MR. UTZ: You are aware of the rules on the Lybrook where you have six months balancing period on your GOR allowable?

MR. JAMESON: We could probably make it up, however the well capacity has decreased. We were at the time these rules were put into effect, barely able to operate the well, due to freezing at the wellhead. We put a restricted choke on it at the surface and we were getting some freezing, and we were receiving the allowable, however that situation has decreased and it's not near as easy to exceed the allowable as it has been in the past. I do believe we could make the allowable up within a six-month period.

MR. UTZ: I might advise you that we are now in the process of balancing those pools, while I don't know for sure yet, it may be that your well is also overproduced.

MR. JAMESON: It may have been slightly overproduced, and I'm sure was, as of November, however, it was shut in, as I testified, 20 days during December and it should be back to about the line then.

MR. UTZ: What is your desire, Mr. Bigbee?

MR. BIGBEE: We'd leave the well on voluntarily for the month of January and February and begin the test in March. Mr. McGrath suggested a better test could be obtained in warmer weather is the reason I made that statement. Is that agreeable?

MR. JAMESON: Like we say, we don't really have the authority to say for the working interest people we'll shut the well in.

MR. BIGBEE: I move that the Commission order an appropriate

test and continue this hearing until additional information can be obtained, pursuant to a test to be prescribed by the Commission.

MR. DURRETT: Would you clarify that again?

MR. BIGBEE: What I, in effect, did was to make the motion that the Commission at this time continue the hearing, subject to it being called up at a later time to be designated by the Commission, and in that connection to have an order entered by the Commission requiring the appropriate testing of the well, in order that specific information on the issues can be produced, by virtue of a test to be ordered and prescribed by the Commission.

MR. DURRETT: It's an administrative order that you are requesting, Mr. Bigbee.

MR. BIGBEE: That's right.

MR. DURRETT: That can possibly be done, and if so, it wouldn't be done now. It would have to be upon application for an administrative order, and issued by the Secretary-Director. The Examiner, as such, could not issue that order right now, and it's not within the call of this hearing. We don't feel --

MR. BIGBEE: Is there objection to my motion?

MR. SPERLING: I don't think, as Mr. Durrett points out, it's not within the call of the hearing. You have people who would be entitled to be heard on such a matter.

MR. DURRETT: We could continue the case, if there's no objection to continuing the no-flare case, but the case has

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not been docketed and advertised, and actually there is no jurisdiction to enter any order for anybody to shut in any well. Now, if an application was made through administrative approval it can be handled through those channels.

MR. BIGBEE: What I'll do then is proceed with my hearing and try to work out the test, and we are going to obtain our own compressor.

MR. UTZ: The Examiner will rule that the case is dismissed as requested by the applicant. The hearing is adjourned.

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I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing 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 7th day of March, 1963.

*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 examination hearing of Case No. 273-E heard before on Jan. 23, 1963  
*Thos. A. Mc...* Examiner  
 New Mexico Oil Conservation Commission

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