

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
PROCEEDINGS

The following matter came on for consideration before a hearing of the Oil Conservation Commission of the State of New Mexico, pursuant to legal notice, at Santa Fe, New Mexico, on September 21, 1950, at 10:00 A. M.

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the rules and regulations of said Commission promulgated thereunder, of the following public hearing to be held September 21, 1950, beginning at 10:00 o'clock A.M. on that day in the City of Santa Fe, New Mexico, in the Capitol (Hall of Representatives).

STATE OF NEW MEXICO TO:

E. B. Clark and C. B. Christie, d.b.a. Clark & Christie;
El Paso Natural Gas Company;
Nolan & Byron;
Lea County Water Company and
To all other persons who may have an interest in the matters herein set forth:

Case 235

In the matter of the application of E. B. Clark and C. B. Christie, doing business as Clark and Christie, for

1. The designation of a gas pool located in the area of Section 3, Township 20 south, Range 37 east, N.M.P.M., and in Section 34, Township 19 south, Range 37 east, N.M.P.M., for the Queen formation at depths about 3500-3600 feet, located in Lea County, New Mexico, and

2. The allocation of the ratable take of all natural gas produced in said designated area.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on September 8, 1950.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

/s/ R. R. Spurrier
/t/ R. R. SPURRIER, SECRETARY

BEFORE:

Hon. Guy Shepard, Chairman
Hon. R. R. Spurrier, Secretary

REGISTER:

D. R. Teed
Hobbs, New Mexico
For Lea County Water Company

W. K. Byrom
Hobbs, New Mexico
For Nolan & Byrom

E. B. Christie
Wichita Falls, Texas
For himself

E. B. Clark
Wichita Falls, Texas
For Clark & Christie

Dean S. Zinn
Santa Fe, New Mexico
For Clark & Christie

John R. Murray
Hobbs, New Mexico
For Lea County Water Company

J. E. H. Utterback
Monument, New Mexico
For himself

B. R. Carney
Tulsa, Oklahoma
For Warren Petroleum Company

G. T. Hanners
Lovington, New Mexico
For Warren Petroleum Corporation

C. M. Neal
Hobbs, New Mexico
For Lea County Water Company

A. L. Zinn
Santa Fe, New Mexico
For Clark & Christie

Wm. E. Bates
Midland, Texas
For The Texas Company

D. D. Conites
Houston, Texas
For Shell Oil Company

Ed McKellar, Jr.
Dallas, Texas
For Magnolia Petroleum Company

M. T. Smith
Midland, Texas
For Shell Oil Company

L. O. Storm
Hobbs, New Mexico
For Shell Oil Company

H. E. Massey
Hobbs, New Mexico
For Cities Service Oil Company

Thomas Steele
Hobbs, New Mexico
For Ohio Oil Company

Ben R. Howell
For El Paso Natural Gas Company

C. G. Perkins
El Paso, Texas
For El Paso Natural Gas Company

D. H. Tucker
Houston, Texas
For El Paso Natural Gas Company

H. F. Steen
El Paso, Texas
For El Paso Natural Gas Company

Foster Morrell
Roswell, New Mexico
For U. S. Geological Survey

R. E. Canfield
Roswell, New Mexico
For U. S. Geological Survey

Elvis A. Utz
Santa Fe, New Mexico
For the New Mexico Oil Conservation Commission

F. C. Barnes
Santa Fe, New Mexico
For the New Mexico Oil Conservation Commission

P. S. Johnston
Hobbs, New Mexico
For Texas Pacific Coal & Oil Company

Paul N. Colliston
Houston, Texas
For Continental Oil Company

Roy O. Yarbrough
Hobbs, New Mexico
For the New Mexico Oil Conservation Commission

R. L. "Bob" Denton
Midland, Texas
For Magnolia Petroleum Company

H. L. Hensley
Midland, Texas
Humble Oil & Refining Company

Glenn Staley
Hobbs, New Mexico
For New Mexico Oil and Gas Eng. Commission

R. T. Wright
Jal, New Mexico
For El Paso Natural Gas Company

W. L. Taylor
Jal, New Mexico
For El Paso Natural Gas Company

CHAIRMAN SHEPARD: The meeting will please come to order.
The first on the order of business is the proration hearing.

MR. McCORMICK: Mr. Utz, will you come forward and be sworn
please?

ELVIS A. UTZ, having been first duly sworn, testified
as follows:

EXAMINATION BY MR. McCORMICK:

Q State your name, please.

A Elvis Utz.

Q What is your position with the Oil Conservation Commission?

A Engineer.

Q Have you made a study of market demand for oil and gas
in the State of New Mexico in the month of October 1950?

A Yes, I have.

Q You have an estimate of the market demand as furnished by the
Bureau of Mines?

A Yes, I do.

Q What is it?

A 154,000 barrels per day.

Q How does that compare with the estimate for the preceding month?

A It is exactly the same.

Q Have you received--compiled the nominations of purchasers? For the month of October 1950?

A Yes, I have.

Q What are the total nomination of purchasers?

A The total nominations of purchasers for this month, October, is 10,686 barrels per day. This is a decrease of 17,418 barrels per day or 13½% below last month's nominations of 128,104 barrels--that is last month's nominations.

Q Based on your study of the market demand, do you have an opinion as to what the reasonable market demand for oil will be for the entire state for October 1950?

A Yes, I do.

Q What is that?

A 144,950 barrels per day.

Q Will you repeat that?

A 144,950 barrels per day.

Q Of this total amount how many will be produced by the unallocated pools of Northwestern New Mexico?

A 850 barrels per day.

Q And that leaves 144,100 barrels to be produced by the allocated pools of Southeastern New Mexico?

A That is correct, yes, sir.

Q In your opinion can that quantity of oil be met by the allocated pools of Southeastern New Mexico?

A In my opinion it can for the reason that we have no information that would indicate that any pools are being

damaged at the present time.

Q Is the potential producing capacity of all wells in the allocated pools in Southeastern New Mexico in excess of the market demand figure?

A Yes, sir.

Q Is the potential producing capacity of all wells in Southeastern New Mexico in excess of 144,100 barrels per day?

A Yes, sir, I believe it is.

Q In order to prevent waste it is necessary in your opinion that the production from the pools in Southeastern New Mexico be limited and allocated?

A Yes, sir, I believe so.

Q Is it your recommendation that the 144,100 barrels be allocated to Southeastern New Mexico?

A That is correct. That would be 48 barrels.

Q That is two barrels per well per day less than September?

A That is right.

Q In your opinion how should that be distributed?

A It should be allocated according to the present rules and regulations of the Oil Conservation Commission.

Q Will this proration of production as you have recommended prevent waste and protect correlative rights, in your opinion?

A Yes, sir.

MR. McCORMICK: Are there any questions by any person present? Does anyone else have any statement to make regarding proration for the month of October? Any comments about market demand or waste or anything of that nature? That is all.

(Witness excused.)

CHAIRMAN SHEPARD: We will take the next case.

(Mr. Graham read notice of publication of Case No. 235.)

MR. COLLISTON: Paul N. Colliston, Continental Oil Company. Continental Oil Company agrees with the applicant that the reservoir should be defined. In view of the fact that we did not receive actual notice of this hearing until Monday of this week, and that subsurface studies are absolutely necessary if the reservoir is to be properly defined and developed, we believe that this should be continued until the October hearing.

MR. ZINN: A. L. Zinn, representing Clark & Christie. We do believe that a continuance is not necessary at this time on our theory of the law, and that is that our well comes from a common source of supply within the same area, and can be designated as a gas pool and that question can be settled today without jeopardizing the rights of the Continental Oil Company or the rights of anyone else in that particular area. This is costing our clients at the present anywhere from \$50,000.00 to \$80,000.00 a day. We seek to invoke the ratable take rule of the Oil Conservation Law, Section 14. I would like to read that. I would like to have Mr. McCormick go along that particular phase of the law and have it established today. If it cannot be established, which I believe it can, we would like to have an order issued to shut down all wells in that area because of waste.

(Read Section 14, sub-section D.)

That is the provision of the law that we are seeking to invoke at the present time. At the present time in that particular area there are four gas wells: one of which is owned by El Paso Natural Gas Company, two of which are owned by Byrom and Nolan, and one gas well belonging to Clark & Christie, our clients. There are only two common purchasers in that particular locality; that is, Lea County Water Company

and Warren Petroleum Company. Lea County Water Company agreed to take from our client upon order of the Commission or whatever is necessary. They would take a million and a half cubic feet of gas a day. The El Paso Natural Gas Company takes about a half million, which makes a total of two million cubic feet a day. Warren Petroleum Company takes three million cubic feet a day from Byrom & Nolan under contract, which they will continue to do unless this law is invoked whereby they take a pro rata amount from every producer. In that there is only a market for about five million cubic feet of gas a day in that particular area if the Commission would invoke the law, Section 14, subsection D, our client would have a market for 1,666,000 cubic feet of gas a day. The market price is four or five cents a thousand. Unless the Commission invokes this law, our clients are being deprived of their share of the ratable take from common purchasers from a common source of supply. It is not necessary to designate the limits of this pool at this time, although ultimately that may be attempted. Continental Oil Company is not a producer in this area at this time. Clark & Christie and Nolan & Byrom are producers at this time, and Warren Petroleum and Lea County Water Company are common purchasers. We know of no one else who has a right to come in at this time any more than a stranger on the street. We are ready to proceed on the application as read. We resist the motion for continuance.

CHAIRMAN SHEPARD: Does the El Paso Natural Gas Company have anything to say on the motion for continuance.

MR. HOWELL: Ben Howell. We have nothing to say.

MR. A. L. ZINN: If the Commission please, if it is deemed necessary to designate the pool, it is my interpretation that

it may not be necessary to establish the pool but take the four wells now that are producing and establish the pool later in the future if you care to increase the perimeter of that. You can do that in the future. This can be done without damage being done to our client by continuance at this time.

CHAIRMAN SHEPARD: Nolan & Byrom anything to say on the motion.

MR. W. K. BYROM: No.

CHAIRMAN SHEPARD: Lea County Water Company?

MR. NEAL: C. M. Neal. Our position, if the Commission please, is simply that we are common purchasers in that area. We have to purchase a certain amount regularly from wells there. The situation, as I understand it, that Clark & Christie are being deprived of the right to sell to a common purchaser by reason of a contract obligation of a common purchaser. We have no interest individually in the matter except to advise the Commission of the amount of gas we are willing to purchase in the area. We think that Clark & Christie are certainly entitled to protection.

CHAIRMAN SHEPARD: Warren Petroleum Corporation?

MR. HANNERS: Tom Hanners. Our position is largely this. We had a contract with Nolan and Lane prior to the completion of the Clark & Christie well. We are in a little different position from the Lea County Water Company. Primarily, our use of the gas is for our own use at the plant. If the proper procedure is first to define the limits of the gas field and next the ratable take, I believe the motion is well taken. We do not resist the motion. If this is true, the Commission might want more time for considering the limits.

We have no recommendation either way, except that we do not oppose the motion.

CHAIRMAN SHEPARD: We will take a five minute recess.

(Recess)

CHAIRMAN SHEPARD: At this time we will deny the motion of Continental Oil Company for continuance. However at the end of the case if we do not have sufficient information to decide, we will hold the case open. You should all move your chairs a little closer so that you can hear a little better.

MR. A. L. ZINN: May it please the Commission. I believe that we can probably stipulate to all the facts. Mr. Hanners represents Warren Petroleum Corporation. Mr. Neal represents Lea County Water Company. Mr. Byrom is here, and on what we cannot stipulate we believe the Commission's own records will bear us out. We can stipulate as to the facts that we agree upon insofar as the parties who have an ultimate interest in the order of the Commission are concerned.

MR. McCORMICK: Suppose you write them out.

CHAIRMAN SHEPARD: We will take a recess in order to prepare the stipulation.

MR. HANNERS: Can we stipulate on most matters before the Commission in a short time?

MR. ZINN: On some minor matters we might not. The Commission's records will take care of those matters.

CHAIRMAN SHEPARD: You are going to write them out. We will take a short recess to give you time to prepare the stipulations.

(Recess)

CHAIRMAN SHEPARD: We will reconvene at 1:30.

(Noon recess)

CHAIRMAN SHEPARD: The meeting will come to order.

MR. ZINN: The applicant is ready to proceed. May it please the Commission, we have stipulated on all the facts with a few exceptions on which we could not come to any agreement. We believe the burden of proof is upon us, or even if the burden rests somewhere else, we are ready to present a full and complete case.

CHAIRMAN SHEPARD: You may proceed.

MR. HANNERS: As I said in the statement which I made before we prepared the stipulation, which gives in very general terms part of the facts, if there are enough facts for the Commission to proceed in the matter--if it is proper for the Commission to first define the limits and then next to consider the ratable take provisions, we do not feel that there is enough information before the Commission today to proceed. At the present we are under contract with the Warren Petroleum Corporation to purchase three million cubic feet of gas per day. The contract was made prior to the drilling of the Clark & Christie well. As the stipulation discloses the Lea County Water Company now takes one and a half million cubic feet and can take an additional half million. The potential market is five million cubic feet of gas per day. It strikes us that that five million cubic feet of gas market that if we could have negotiations between us--Warren Petroleum Corporation, Nolan & Byrom, Lea County Water Company, and Clark & Christie--that we might be able to work out among ourselves the proper per cent of the five million daily market by taking half of the two million of the Lea County Water Company and half of the million surplus of our contract and assign that to Clark & Christie, making a million and a half for Clark & Christie, and a

million and a half to the well identified as Williams No. 1, and two million under the old contract with Nolan & Byrom and Warren Petroleum Corporation for Williams No. 3. Perhaps a conference could dispose of that contract rather than at this time asking to Commission to act now when we don't have the technical information to submit to you. We admit that in the conference recently some of the parties were unable to agree. We might approach this in such a way that we could agree on this and we could go slow before the introduction of testimony necessary for the definition of the gas pool as was stated in the motion made by the gentleman from the Continental Oil Company recommending at this time that the matter be postponed. We might get together in good faith on the matter of disposing of the five million daily market in such a way as outlined to come within a very small variation of absolute parity of the five million market. If that cannot be done, the Commission should establish first the gas pool and next the rate of take. It will take more time to gather the necessary information. Therefore, I recommend to the Commission that this hearing be postponed now. We are asking for a few days for this conference. The reason we are not willing to make a statement into the record now as to what we are willing to do is that the other members of the partnership--there are three members--are not here, and we cannot bind the absent members. Negotiations in good faith might be fruitful and dispose of this in a way with substantial equity to all, and thus we would avoid an attempt to go ahead without the technical information which we think is necessary.

MR. ZINN: May it please the Commission, the stipulation specifies that this is a common source of supply and by inference this is a gas pool, and the ratable take provision of Section 14 of the Oil Conservation Law of 1949 applies. We are not asking that we be given anything that we are not entitled to, anything less than the law gives us. I cannot agree to a continuance or delay merely on the hope that we might be able to work out an agreement. We are coming before a quasi-judicial body with clean hands asking for what the law says we are entitled to under the law. Now it is not necessary to establish any boundaries beyond those stipulated to be a gas pool. We ask that the ratable take provision be invoked so that our client who has been denied a market for his gas since last May will not now be deprived of a market. We have no assurance that we can agree upon a million and a half cubic feet of gas per day. We believe there is no other way under the law for the Commission to do other than to proceed with the hearing unless a contract can now be offered to conform with the law. We believe that any other course would deprive our client of that which he is rightfully entitled to under the law.

MR. McCORMICK: Does the Lea County Water Company have a statement to make at this time about the suggestion of Continental?

MR. NEAL: Our position is as we have stated. We have well gas tendered to our company. There are transportation facilities available. We have offered our requirements of roughly a million and a half cubic feet a day. We are now purchasing from Williams No. 1, which belongs to Nolan & Byrom. If we hook on to Clark & Christie, it will reduce our

take from the other well. When we start taking two million cubic feet, we will be willing to take from both wells an equal part of the gas. As I understand it, Clark & Christie well and Williams No. 1 well are not producing as much gas as Williams No. 3.

MR. McCORMICK: One Point. Is the contract between Warren Petroleum Corporation and Nolan & Byrom confined to the Williams No. 3 well?

MR. HANNERS: That is right.

MR. McCORMICK: You have no commitment as to No. 1?

MR. HANNERS: No, sir.

MR. McCORMICK: And you are taking no gas from No. 1?

MR. HANNERS: No. That contract specifies that it is subject to the rules and regulations and such orders as the Commission might make. There may have been some uncertainty in the conference at Hobbs. Mr. Neal and all six members of the partnership and Nolan & Byrom were there for the purpose of deciding what was necessary for disposing of the contract. If we took five million cubic feet daily market and divided it absolutely in thirds, it would be 16,000 cubic feet. The difference in the suggestion I made here would be negligible from an absolute division in the rate of take.

MR. NEAL: If the Commission issued such an order there would be no question.

MR. HANNERS: We would assure the Commission that we would try in good faith to dispose of it on the contract part on the ratable take proposition.

MR. NEAL: I was present at that conference in its efforts to work out some arrangement. Some didn't agree. In all

fairness to Mr. Byrom, he has been willing and cognizant of these problems, that Clark & Christie would be entitled to a fair share. He was personally willing at all times that they get their fair share of the market. The trouble was in the four-way partnership. Some of the other partners were not as familiar with the oil business and figured that the contract was there and that they should live up to the requirements of the contract. That was not Byrom's attitude. That is my understanding, and in fairness to him, I would say that with him it would not be difficult to divide the market, but the difficulty was with some of the partners.

MR. McCORMICK: Where is Mr. Byrom? Do you have any statement on the proposed continuance?

MR. BYROM: No, it is all right as far as I am concerned.

MR. McCORMICK: Does El Paso Natural Gas Company have a statement on the proposed continuance?

MR. HOWELL: We are on the sidelines in the matter. We are not involved as a taker, and as a recent owner, which we recently transferred, we are not now producing. We are not asking any relief. We will comply with any instructions which the Commission might give.

MR. NEAL: I would like to call attention to the suggestion for dividing the market as suggested by Mr. Hanners that the El Paso Natural Gas Company has a well, and if they should turn around tomorrow and decide to sell gas and tendered it to us to take part of their gas, I certainly would take it.

MR. HANNERS: In regard to that, Mr. Howell, what statement would you make as to why you didn't want to be included in

the contract? Will you tell us why El Paso Natural Gas is not asking for any relief?

MR. HOWELL: The management of the company, as I understand its position, is not asking for any relief. If any order is entered, they would probably bring in this well. As to any other matter, there is no objection to an order being made that is applicable, but they are staying as far on the sidelines as it is possible to get.

MR. HANNERS: It is your position that if there is a market, you could provide an outlet?

MR. HOWELL: We would be in a position to protect ourselves if it were necessary to do so.

MR. NEAL: If it was tendered to us, it could be taken.

MR. ZINK: I would like to state to the Commission that in fairness to the applicant that if there should be a continuance for the purpose of negotiating an amicable settlement, we believe that gas production in this area should be entirely shut down so that the gas would not be exhausted in any amount during the period of negotiations, if the shut down lasts for an hour or for six months. Otherwise, we suggest another alternative that we take a half hour and see if we can arrive at an agreement which would require an order of this body. The other partners are not here, and Byrom is not in a position to speak for them. There is no certainty that the partners would agree with any agreement we might make with Warren Petroleum Corporation, and it would not be binding upon Warren and Lea County Water Works. We cannot settle this under the contract here, but it would have to be under the authority of the Commission's orders.

MR. NEAL: Could the litigants before the Commission agree as to whether or not there would be an objection to the Commission entering an order directing the two purchasers to take according to ratable take provisions from all? If there weren't any objections, that would be the answer to Warren's and also Byrom's problems.

MR. ZINN: And also to Clark & Christie's.

MR. NEAL: We could enter our objections.

MR. HANNERS: We have a contract. We want it all to follow in logical sequence.

MR. NEAL: What objections?

MR. HANNERS: Merely that it would be an industrial cart before the horse. You would have a ratable take order without a defined pool.

MR. ZINN: Mr. Hanners, in order to establish the pool, would you stipulate to the south half of Section 3¹/₂, township 19S, Range 37 E, and the the north half of Section 3, Township 20 South, Range 37 East. Later on the pool can be extended by application to the Commission on its own motion. At the present it would be a 640 acre ratable take order. That would protect the contractors, and it would protect our clients and everybody before the Commission.

MR. NEAL: No objection.

CHAIRMAN SHEPARD: If you get the relief you want, would you want to leave the case open?

MR. ZINN: May I ask my client one question?

(Recess)

MR. ZINN: May it please the Commission, we feel somewhat afraid of the idea because of the possibility of El Paso

Natural Gas coming in and saying we want in on this, which leaves us exactly where we started.

MR. McCORMICK: You want an order issued for the four wells now producing in that area?

MR. ZINN: If the Commission issues its order, I do not ask Mr. Byrom to concede the facts in this case. As I understand it, a cut back contrary to a contract requires an order of the Commission to save him from his associates.

MR. HANNERS: I think we can do it ourselves.

MR. ZINN: We are sure that it can be done by asking for the ratable take order establishing this as a gas pool, and that Mr. Byrom probably would not object.

MR. McCORMICK: Suppose we proceed with the testimony.

MR. ZINN: Shall we get the stipulation signed--or can we stipulate that that is the stipulation prepared by the parties without signature?

CHAIRMAN SHEPARD: Is that satisfactory to everyone?

(Answer in the affirmative by each one of the parties to the stipulation.)

STATE OF NEW MEXICO

OIL CONSERVATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF E. B. CLARK AND C. B. CHRISTIE
d/b/a CLARK AND CHRISTIE

No. 235

STIPULATION

It is stipulated and agreed that the following facts may be considered by the Commission in connection with their determination of Cause No. 235 in the matter of the application of E. B. Clark and C. B. Christie, d/b/a Clark and Christie, to-wit:

1. That Nolan and Byrom are the owners of two gas wells, their Williams No. 1 is located in the southwest quarter of

the southeast quarter of Section 34, township 19S, range 37E, N.M.P.M., Lea County, New Mexico, and Williams No. 3 is located in the southeast quarter of the southwest quarter of the same section. These two wells were completed as gas producers prior to March 1, 1950. Clark and Christie own a gas well located in the northwest quarter of the northeast quarter of Section 3, Township 20S, Range 37E, N.M.P.M., Lea County, New Mexico. That was completed on or about the 15th day of May 1950. El Paso Natural Gas Company owns a well drilled by Clark and Christie and recently assigned to El Paso Natural Gas Company in the northeast quarter of the northeast quarter of said Section 3, which has never been produced. El Paso Natural Gas Company has not requested and does not request action in connection with this well by the Commission.

All of these wells are producing from the same common source of supply and each of the wells are producing from the same producing horizon.

Lea County Water Company is presently purchasing approximately one and one half million cubic feet of gas per day from the Nolan-Byrom Williams No. 1, and their gas requirements in such field will not exceed two million cubic feet of gas per day. This gas is purchased by the Lea County Water Company for resale for public utility consumption.

The Warren Petroleum Corporation on March 1, 1950, entered into a contract with Nolan and Byrom, by the terms and provisions of which contract they are purchasing from the Nolan-Byrom Williams No. 3 approximately three million cubic feet of gas per day, which amount of gas is their

total requirement. That the Warren Petroleum Corporation under the terms of this contract has a contractual commitment to Nolan and Byrom to purchase or pay for at least three million cubic feet of gas per day. This contract contains the provision:

"This agreement and respective obligations of seller and buyer herein are subject to present and future laws and valid orders, rules, and regulations of duly constituted authorities having jurisdiction in the premises."

That the gas purchased by Warren Petroleum Corporation from Nolan-Byrom Williams No. 3 is used for the following purposes: (1) to operate a gasoline plant of that corporation in the Monument Area. (2) to supply the return gas for lease operations for the production of oil and gas to persons from whom Warren Petroleum Corporation has purchased casinghead gas, and under which contracts for the purchase of casinghead gas the Warren Petroleum Corporation has agreed to supply return gas for lease operations. The information as to the proportion in which the gas is used for the operation of plant and for return gas is not presently available at this time.

El Paso Natural Gas Company has not now and has never purchased gas in the area, and the petition is in error in respect to the allegation.

That conferences were held between representatives of Warren Petroleum Corporation and Clark and Christie, at which conferences Clark and Christie were advised of the contractual obligations of Warren Petroleum Corporation to Byrom and Nolan which provided for their entire requirements.

At such conference and after discussion of all the facts the parties were unable to work out a solution

among themselves, and therefore the matter was submitted to the Commission.

That for the purpose of this hearing it is agreed that the wells have approximately the same potential.

CLARK AND CHRISTIE

NOLAN & BYROM

EL PASO NATURAL GAS COMPANY

WARREN PETROLEUM CORPORATION

LEA COUNTY WATER COMPANY

E. H. UTTERBACK, having been first duly sworn, testified as follows:

EXAMINATION BY MR. ZINN:

Q State your name?

A E. H. Utterback.

Q What is your occupation?

A Superintendent.

Q For what particular company?

A Warren Petroleum Corporation.

Q What are your duties as such superintendent?

A We operate a gasoline plant.

Q Will you state to the Commission the mechanics of the operation of that particular plant?

A Will you state that again?

Q Will you state to the Commission the mechanics of the operation of your particular plant; by that I mean, what do you do with the gas you buy?

A You mean sweet gas?

Q All gas.

A Well, we buy 55 or 60 million feet of gas a day. That is sold to El Paso Natural Gas. We buy 3 million from Williams No. 3 which is used for our engines and for camp use.

MR. ZINN: I think that is all.

MR. McCORMICK: Wait a minute.

CHAIRMAN SHEPARD: Any further questions?

MR. McCORMICK: This sweet gas that you buy from the Nolan & Byrom Williams No. 3 well you say that is used only for camp use?

A Yes, and for the operation of our engines.

MR. McCORMICK: None is used as return gas to operate the oil wells?

A Some goes back to the leases for pumping engines on oil wells.

MR. McCORMICK: How much do you pay for that gas?

A I couldn't answer that.

MR. McCORMICK: You take three million cubic feet a day on the average over the year?

A That is right.

MR. McCORMICK: And that fluctuates from season to season?

A It wouldn't vary much. We use about three million cubic feet every day.

MR. McCORMICK: Is anyone here qualified to say what is paid for that?

A I imagine Mr. Carney is.

MR. McCORMICK: Do you require any particular pressure at the well head for that gas?

A Yes, sir.

MR. McCORMICK: What is that pressure?

A We hold it to a hundred and fifty pounds.

MR. McCORMICK: Some of us are not too well versed in that, does that mean that well has to have a certain pressure before it goes into your lines?

A That is right. Yes, you might state it that way.

MR. McCORMICK: Would the reduction of your take from this particular well be influenced one way or the other by the deliverability of pressure?

A Not as long as it is above one hundred fifty pounds, it wouldn't.

MR. McCORMICK: You are not a petroleum engineer?

A No, sir.

MR. McCORMICK: Do you have knowledge about the formation from which the Williams well is producing?

A I don't know a thing about it.

MR. McCORMICK: When this gas is returned to oil leases to be used for gas lift, etc., it is mixed in with other gas, too, isn't it?

A No, sir. It isn't returned as gas lift.. A certain amount is used in operating the engines to pump on wells that don't flow. Sweet gas is used for that.

MR. McCORMICK: Are you presently blowing any gas to air after it goes through your plant?

A No, sir.

MR. McCORMICK: All the residue gas after it goes through is sold to El Paso Natural Gas Company?

A That is right.

MR. McCORMICK: But that is all residue of sour gas?

A Yes, that is right.

MR. McCORMICK: Is that all the question?

MR. ZINN: I have a couple more questions.

FURTHER EXAMINATION BY MR. ZINN:

Q The return gas after you have extracted the gasoline is what you send back to the operators less that which you

sell to El Paso Natural Gas Company, is that correct?

A No, not all true.

Q Approximately?

A Just so much of the sweet of this to operate the engines.

Q The gas which Warren takes from Byrom and Nolen was used to operate the plant?

A Camp use--a few for pumping engines.

Q How many for pumping?

A I wouldn't know how many.

Q A small part of the three million cubic feet daily purchase?

A Yes, sir.

Q Its primary purpose is for the operation of the plant?

A That is right.

MR. HANNER: You do not sell any gas which is taken from Williams No. 3 to the El Paso Natural Gas Company?

A No, sir, not a foot.

MR. McCORMICK: Do you anticipate that your requirements of sweet gas will change in the foreseeable future?

A No, we operate now 24 hours a day.

MR. McCORMICK: You don't foresee it either going up or down?

A No, sir.

CHAIRMAN SHEPARD: Any further questions?

MR. SPURRIER: I don't know whether the witness is prepared to answer the questions that I have on these stipulations.

MR. ZINN: We have put this witness on to establish one phase of the proposition. Other facts are in the Commission's own records. We presume that the Commission will take judicial notice of its own records, what you have in the files. I didn't think it would be necessary to furnish proof as to those. We have two other material witnesses. It will take a very short time now.

MR. SPURRIER: The point on which I am not clear--you say in No. 1 of your stipulations that the wells have approximately the same potential, is that 25,000,000 to 35,000,000 cubic feet per day.

MR. ZINN: We are all agreed on that. (Read Stipulation.) There is no stipulation as to the amount.

MR. SPURRIER: We are trying to get the facts to avoid going back to our records and not finding proof.

MR. ZINN: Suppose we call on Mr. Clark to prove the potential, and then stipulate that all wells have practically the same potential.

ROY O. YARBROUGH, having been first duly sworn, testified as follows:

EXAMINATION BY MR. ZINN:

Q. Your name?

A Roy Yarbrough.

Q What is your occupation--do you now have a position with the Oil Conservation Commission?

A Oil and gas inspection.

Q As such are you familiar with the Monument and Eunice field?

A I am to a certain extent.

Q Are you acquainted in particular with the south half of Section 34, township 19 South, Range 37 East?

A Yes, sir.

Q And the north half of Section 3, township 20 south, Range 37 East, where there are now four producing gas wells?

A Yes, sir.

Q Those wells come from the Queen Sand?

A That is what is called.

Q The Queen Sand is not an oil producing sand so far as you know and the records show, is that correct?

A Right in that particular area it is not.

Q Solely gas?

A In those four wells.

MR. McCORMICK: The Queen Sand does produce oil in other points in Lea County, does it not?

A Yes, sir.

MR. McCORMICK: Is it sometimes a gas cap on top of an oil pool?

A Most generally, yes.

MR. SPURRIER: This could be a gas cap in an oil pool?

A I think it could.

MR. McCORMICK: Does anyone have any questions?

MR. HANNER: Mr. Yarbrough, the locations Mr. Zinn gave of the south half of 34 and the north half of three with the figures for the townships and ranges are in the Monument Oil Field, aren't they?

A Yes, sir.

MR. HANNER: They are so classified?

A As a part of the proration set up it is in the Monument Field.

MR. NEAL: Mr. Yarbrough, there are no indications at this point that it is a gas cap, there is no indication or geological information on it to indicate that it is a gas cap at this particular time is there?

A I am not a geologist, I wouldn't know.

MR. NEAL: Does Queen Sand produce oil in Lea County?

A It does.

MR. NEAL: How far away?

A I wouldn't know offhand. I couldn't tell.

Q Mr. Yarbrough, there has been no indication of any oil produced in this described area out of the Queen Sand?

A No oil being produced from those two half sections at this time.

Q None whatsoever?

A No.

Q At what depth is the gas produced in this area?

A Around 3500 or 3600 feet, I believe.

Q All four wells are producing from the same depth between 3500 and 3600 feet?

A I would have to look to tell exactly.

Q Would you be able to tell the Commission to the best of your knowledge that all four wells have approximately the same potential and are at approximately the same depth?

A They were completed at approximately the same depth, yes.

MR. COLLISTON: Mr. Yarbrough, are you familiar with "Appendix A, Pools Named and Defined Pursuant to Rule 5" published list of fields?

A I am not offhand.

Q Does it not say that in the Eunice-Monument Field that Queen Sand is an Oil producing sand--to quote "all of Section 34, township 19 S, Range 37 E, and all of Section 3, Township 20 South, and Range 37 East?

A Yes, sir. (Looking at book which was handed to him by Mr. Colliston.)

MR. COLLISTON: Then the Commission has found that section to be within the limits of an oil pool?

A Designated as an oil producing field.

MR. ZINN: Were you present at the time the Commission established and included it in the area it is in now? In the Eunice-Monument Oil Field?

A I believe so. I have been at these meetings since 1939.

Q Was there any question raised at that time whether or not the Queen Sand at that time was merely producing gas, or was it producing oil and gas?

A I don't remember that.

MR. McCORMICK: I don't believe it has been changed from the time the record was made up designating it as an oil field, however, that doesn't mean that it can't be changed. I don't believe we need to pursue that point.

MR. ZINN: There is no doubt about that.

Q Where is the nearest oil well from the area which we are now talking about that comes from the Queen Sand formation?

A I couldn't tell without looking at the record.

Q From what depth is the oil well producing?

A I couldn't say.

Q About how far away?

A It would be--I don't know exactly the number of wells and who they belong to. I could tell if I looked at the record.

Q At what depth would the oil well be?

A You call the well, I might be able to tell.

Q I am not familiar with them there.

A There are too many wells for me to remember.

MR. ZINN: If the Commission please, would you take judicial notice from your own records to show that the oil, if anywhere close to the particular four gas wells, does not come from this particular strata.

MR. McCORMICK: The Commission will consider the location of the nearest oil well from the Queen Sand as reflected by its records.

MR. ZINN: I believe that is all.

CHAIRMAN SHEPARD: Any further questions? If not, you will be excused.

(Witness excused.)

E. B. CLARK, having been first duly sworn, testified as follows:

EXAMINATION BY MR. ZINN:

Q Please state your name.

A E. B. Clark.

Q You are a partner of Mr. Christie?

A Yes, sir.

Q Doing business as Clark & Christie?

A Yes, sir.

Q You are the applicant in this particular proceeding before the Commission?

A Yes, sir.

Q Will you state to the Commission what negotiations you have had with the two common purchasers in that area in an attempt to sell your gas or have them take your gas?

A The last attempt we made with Warren--

Q (Interrupting) Mr. Clark, please state how many times you attempted negotiations with Warren Petroleum Corporation and what the result was?

A Mr. Christie made two trips to Tulsa to talk to Mr. Jackson with Warren Petroleum Corporation, and each time he told him that they did not have a market for our gas and could not take our gas. Then we talked to Mr. Jackson on

the telephone whereby they could purchase our gas if we would help finance the laying of a line from our plant or to some point between our plant and their line. I don't know how far the line would have to go. We would pay for the intangibles. They would pay for the line-- the pipe. They would own the line. We would have no interest in the line. We didn't want to invest any more money. The last attempt we made was in the Lea County Water Company's office about three weeks ago. We gathered with Nolan and Byrom, Mr. Neal, Mr. Murray, Mr. Christie, and myself. Mr. Deets and Mr. Murray tried to work out a plan at that time to divide the market. Warren could not cut back and could not take any more gas. We asked if it were necessary for us to make a formal tender of our gas to them. Mr. Jackson said no, that they would have to turn it down if we did.

Q What reason did they give for their inability to cut back under the contract so that they could take your gas?

A I am not thoroughly clear, but as I remember that they would have to take the gas or pay the contract, they couldn't breach the contract.

Q When your well came in, what was the initial well head pressure?

A I will have to think--1120 pounds, I think was the initial.

Q Were you present when the engineer of the Oil Conservation Commission made a test of that well or any of the wells?

A No.

Q Who was present?

A I don't know.

Q Do you know what the shut-in pressure was?

A No, hearsay, I don't believe I remember.

Q You didn't take that test yourself?

A No, sir.

MR. ZINN: I believe that is all.

MR. McCORMICK: Can you give the exact location of the well you have just spoken of, I mean the quarter, 40 acres?

A It is in--I don't--I can show you on the plat. It is in the north.

MR. HANNERS Northwest of the northeast quarter section 3.

(Off record discussion.)

MR. McCORMICK: Now, do you know the sequence in which these wells were brought in?

A No, I don't except the last two. Shell started the third well and completed it, and our Cooper Well was the fourth well completed.

MR. McCORMICK: Yours was completed in May 1950?

A Yes, sir.

MR. McCORMICK: Do you know about when the Shell State well was completed?

A It was completed some time around the first of the year. Maybe just before the first of the year, I don't remember about that.

(Off the record discussion.)

MR. McCORMICK: What leases do you own contiguous to your well?

A We own the west half of the northeast quarter and the east half of the northwest quarter.

MR. McCORMICK: One hundred sixty acres?

A Yes, sir.

MR. McCORMICK: One basic lease?

A No, three basic leases. The west half of the northeast quarter is one lease. The northeast of the northwest is

is a lease, and the southeast of the northwest is a separate lease.

MR. McCORMICK: And different royalty owners?

A Yes, sir.

MR. McCORMICK: Do you have any information as to what the limits of this proposed gas pool would be?

A There are two producing oil. The east half of the northwest quarter did not have this gas. If it did, it was a very modest amount, just showed gas if it did. I don't think it had any gas at all.

MR. McCORMICK: Was the Queen Sand tested as you went?

A Yes, and capped, and drilled well all the way.

MR. SPURRIER: Is it now cased off at that zone?

A Yes, we struck oil 250 feet below the Queens at least 200 feet below the Queens zone.

MR. McCORMICK: There is no intermingling of the gas from the Queen zone with the oil or gas from the Grayburg or San Andres of those wells?

A No, sir.

MR. McCORMICK: Do you know what price was tentatively offered to you by Warren for your gas?

A Four cents a thousand I believe.

MR. McCORMICK: Any requirements as to minimum pressure?

A As I recall, sufficient pressure to put it in their line, I am not sure about that.

MR. McCORMICK: This line which you state you would have to build, would that run clear to the Warren plant or just run up to the line that is serving Williams No. 3 lease?

A I don't know. I think it would go to the plant.

MR. McCORMICK: Do you have any opinion based upon the

knowledge that you have gathered about how far this proposed pool would extend?

A No, except for one thing. The pressure drop has been excessive. That would indicate that it is a rather small reservoir.

MR. McCORMICK: Are you a geologist or an engineer by training?

A No, sir.

MR. McCORMICK: A practical oil man?

A I hope so.

MR. SPURRIER: For how long?

A For 25 years.

MR. HANNERS: You have a market for a half million cubic feet of gas from the Lea County Water Company?

A Yes, I think so.

MR. HANNERS: What you want is to share in the market now furnished by Warren Petroleum Corporation?

A We want a fair share of the present market.

MR. HANNER: How long have you had the offer from the Lea County Water Company?

A Possibly 30 days, maybe 40 or 50, I don't remember exactly. There isn't any agreement.

MR. NEAL: In order to clarify the record, it is the same as we offered Mr. Nolan--150 million a year.

MR. HOWELL: I might perhaps have misunderstood, but with reference to the meeting in the office of the Lea County Water Company, you testified that no representative of the El Paso Natural Gas Company was there?

A No.

Q Did I understand that El Paso Natural Gas Company has not

offered to take any of your gas, was I incorrect?

A Yes, they have offered to take some gas from this well.

MR. HOWELL: They did offer to take gas if you wanted they would go into that well.

A Yes.

MR. McCORMICK: Could you state what the price is as offered in Lea County?

A Five cents, I believe, five cents a thousand.

MR. NEAL: Five cents.

MR. ZINN: One more question. What is the potential of your Cooper No. 2?

A Cooper No. 2, I think has a potential as established by El Paso of 31 million, I believe.

MR. ZINN: Is that a day?

A Yes, sir, I don't have that test sheet, but it is available.

MR. McCORMICK: Have you any figures as to the life of that well?

A No, I don't have any figures at all.

MR. SPURRIER: Do you have anything to support the contention that these wells are all from the same producing formation and depth?

A That is all I would know, just depth.

CHAIRMAN SHEPARD: Anything further?

MR. ZINN: Nothing further.

May it please the Commission, there have been allegations here relating to the present shut-in pressure in these wells. It is my understanding that the Commission has been asked to make that particular test, and I am not sure whether it has been reported to Mr. Spurrier yet or not.. I believe that the report is coming in from your own engineers, and

that that report is the best evidence in support of the allegations in paragraph number 3, and I ask for the Commission to take judicial notice of that report.

CHAIRMAN SHEPARD: It will be taken, and accepted as evidence.

MR. ZINN: The applicant rest at this time.

MR. McCORMICK: Mr. Hanners, do you have any testimony?

MR. HANNER: Mr. Carney is here of the Warren Petroleum Company? .

B. R. CARNEY, having been first duly sworn, testified as follows:

EXAMINATION BY MR. HANNERS:

Q What is your name?

A B. R. Carney.

Q You are an engineer of the Warren Petroleum Company?

A Well perhaps, my job at the present is manager of the Gas Division, Tulsa, Oklahoma. I have been in the gas business for most of my adult life, gas and refinery business for approximately 26 years.

Q Mr. Carney, in March of this year did your company enter into a contract with . Nolan and Byrom and associates for taking of gas right east of your plant?

A Yes, sir, I have a signed copy of the contract.

Q What was the purpose for which it was to be used?

A The gas was delivered to the line which delivered it to the plant and field fuel system, and part of it was used for operation of machinery in our plant. Part was used for fuel filling obligations to oil producers in the field.

Q Go ahead.

A We have obligations to furnish return fuel gas for whatever

purposes they need it on the leases. Part of it goes to those leases as required, and the remainder goes into operations.

Q What do you produce?

A Natural gas liquid, petroleum, also butane, not pure butane.

Q What size line do you have to Williams No. 3?

A I am not sure, but I believe four inch.

Q When did you make the contract with Nolan & Byrom?

A March 1.

Q Did you make that contract before the drilling of this well?

A We did.

Q How long before, approximately, if you have it there?

A I do not know. I don't have such information. The contract was to begin March 1. The commitment was made some time before that. The taking of gas was to start on March 1.

Q What period is covered by the contract?

A The contract is for the producing life of the lease, subject to earlier shut-down of our plant facilities.

Q What pressure do you require?

A To carry it through a 4 inch line from Williams No. 3. I have Mr. Utterback's testimony on that.

Q Do you need high pressure in that?

A Normal pressure would be all right, or lower than normal, just so it met our requirements.

Q What do you pay to Nolan & Byrom for such gas?

A Four cents per thousand cubic feet.

Q How did you arrive at the four cent price?

A Our ability to pay and the purpose for which it was intended to be used.

Q Can you utilize the gas from the Clark & Christie well for the same purpose for which you now use the gas taken from the Williams lease?

A I am not sure I understand the question.

Q I am not sure I do either. Is it necessary to continue to take from the Williams lease because of the particular type of use to which you put it, and is the gas substantially pure and free from contamination, superior gas, and consequently better for your use?

A It is good for our use.

Q What is the position of your company as to your contract with Byrom & Nolan?

A Our position is simply this, if our company as a purchaser of gas in that area does not come under the exceptions of No. 3 of the law because of the use the gas is to be put, and if this Commission should decide to issue an order, we will do our best to abide by it.

Q Have you talked to Mr. Nolan and Mr. Byrom and associates?

A I have as to the possibility of reducing the amount in accordance with the negotiations to see if a compromise could be worked out to be placed before the Commission. That may take some time to work out a solution that will be better for all. Whatever the Commission does is all right, we could go ahead and take from more than one. If there was a larger reservoir, there would be a longer contract.

MR. HANNERS: I believe, gentlemen, that is our position.

EXAMINATION BY MR. ZINN:

Q Mr. Carney, you heard your superintendent testify?

A Yes, sir.

Q And he testified that the vast majority or the greatest proportion of the three million cubic feet of take from Byrom and Nolan is used in the operation of the plant and facilities?

A I heard.

Q Is that correct?

A I have no reason to believe that it isn't.

Q He operates that plant?

A Yes, sir.

Q How much time do you devote to that particular plant?

A I look after the gas contracts there.

Q How much time?

A That would be a hard question to answer.

Q Out of a month how much time do you spend, to narrow it down?

A Some months it would take as much as 25 per cent, and other months, 5 per cent.

Q How much time does Mr. Utterback devote?

A One hundred per cent, I am sure.

Q You have absolute confidence in his management of the casinghead gas plant in that area?

A I have no reason to question Mr. Utterback's ability.

Q So far as you know, when Mr. Utterback states that most if not all of the three million cubic feet taken from Nolan & Byrom well is used in the operation of the plant, and the residue is turned back, that you don't buy gas to process?

A Mr. Zinn, I don't--I disagree with the wording--I don't believe you quoted Mr. Utterback correctly.

MR. ZINN: Let's have the reporter read back the notes.

MR. HANNERS: That most of the gas was used for the plant and in part went back to return, I do not differ with that statement.

MR. ZINN: In Section 14--if the primary supplier of gas to a field, it would not come within the provisions of this particular section as common purchasers.

Q What do you pay for this particular sweet gas?

A Four cents per thousand.

Q What do you pay for processing gas?

A We pay according to value. It varies, depends upon the per cent of residue. I can't correctly answer. I pay on the basis of two gallons per thousand. Sometimes there are one and a half gallons per thousand, or less.

Q What does it cost?

A I am not familiar with that.

MR. McCORMICK: Mr. Carney, Mr. Clark stated I believe in his preliminary negotiations one of your requirements was that he pay the cost of the tangibles in a line from his well to your plant, is that correct?

A Mr. McCormick, I am not familiar with that. I have general knowledge of the first negotiations. I believe it is essentially correct. Our market requirements are three million cubic feet per day. We considered an alternate of delivering and processing gasoline, which required full lines, and not processing liquid recovery. So in investigating we found that it could not support a large investment for delivering it into our plant for liquid extraction. So I might say that is our reason for not incurring the expense of that additional line. The distance is slightly over four

miles roughly. Mr. Clark just thought it wasn't economic for us either.

MR. McCORMICK: Assuming that in regard to this three million cubic feet of gas and that you used that gas only for purposes you are now using it for, but you also take from both wells, it would not be necessary for a line to be laid?

A No, sir, not another, it could be hooked on to the one existing.

MR. McCORMICK: It would be about a quarter of a mile gathering?

A I assume it would, I haven't looked it up. It couldn't be much more than that.

MR. McCORMICK: That is not greatly expensive?

A I don't think so, not as serious as a four mile line.

MR. SPURRIER: Did you say that there is a great difference in the amount of natural gasoline in the gas from the Nolan & Byrom well and Clark and Christie well?

A No, sir, I judge it would probably be the same. What I did say is we started talking to Clark & Christie for the purposes of gasoline extraction, necessary for casing-head produced for oil wells. What we were taking from Byrom & Nolan was not intended for gasoline, it was for gas to burn in engines or in boilers.

MR. HANNERS: Is there anything which hasn't been stated to the Commission that would be of help?

A There is one other thing which might be desirable as a detail. In our contract with Nolan and his associates, it provides for three million cubic feet per day take in proportion to our operating load. One factor is that we

don't operate a hundred per cent of the time, about 93 per cent. Out take isn't exactly three million, that is just a detail. If there is any other information, we will be glad to supply it to you. I don't know of anything else, Mr. Hanners.

MR. HANNERS: That is all. That is all of our case. We have no information, if the Commission please, as to the acreage in each lease. I believe Mr. Clark has fixed one as 80 acres. I don't have the information as to the size of the leases under the other three wells.

CHAIRMAN SHEPARD: Any further witnesses?

MR. McCORMICK: I would like to ask Mr. Byrom some questions?

W. K. BYROM, having been first duly sworn, testified as follows:

EXAMINATION BY MR. BYROM:

Q Mr. Byrom, you are a partner of the firm of Nolan & Lane which owns and operates the Williams No. 1 and No. 3 wells?

A Yes, sir.

Q Can you tell the extent of the leases that those wells are a part of?

A The No. 1 is 80 acres.

Q What 80 acres is that?

A It is the south half--

MR. SPURRIER: (Interrupting) Would this help a little?

(Handed a plat to Mr. Byrom.)

A Section 34, south half of the southwest--southeast quarter.

Q No. 3?

A 120 acres.

Q Where?

A Southwest 160 , with the southwest 40 out.

Q Do you own the the southwest of the southwest of 34?

A John F. Lane. He has an oil well.

Q Is that one of the partnership assets of which you are a partner?

A Yes, sir.

Q So you actually have leases on all of the south half of the south half of 34?

A No, we only have 120 acres out of the south half of that section, and then an 80 out of the north half of the southwest quarter.

Q You stated just a moment ago that it was separate on the southwest of the southwest of that--

A Yes, 120 acres, you see 40 is out.

Q Who has that 40?

A John F. Lane.

(Off the record discussion.)

(Recess for 20 minutes.)

Q Do you have an opinion as to whether or not--strike that. Do you have an opinion as to the boundaries of the proposed pool?

A No, sir, none whatever.

Q In your opinion the four wells are producing from the same common reservoir?

A Yes, sir.

Q But you don't know how far it may extend?

A No, sir.

CHAIRMAN SHEPARD: Any further questions of this witness?

BY MR. SPURRIER:

Q Mr. Carney. I am sure you have an opinion as to what

the ultimate result of this situation would be with El Paso's well shut in on state land, and your are familiar with the conditions as a whole, I should like to know what you think about it. Where does the state come in for royalty?

A I think with all due respect that that is a question to ask El Paso. They haven't tendered their gas to us, and I don't think they care to offer it at four cents a thousand, which is what we think we can afford to pay.

Q All right, you are familiar with the pressure drop, how fast is it dropping?

A I haven't any definite information that I can rely on; only the figures in the petition of Clark and Christie.

Q The only ones I know is this item that well head pressure was 1140 and at the present the shut-in pressure of the same well head is a thousand. Presumably that drop is taking place in the last well--in how long, do you know?

A I don't know that, sir, at the most four months since that well was brought in.

(Off the record discussion.)

Q You are not at the present prepared to testify as to the well head pressure on the well you are taking gas from?

CHAIRMAN SHEPARD: That will be all. We will take a few minutes recess.

MR. McCORMICK: Do you have any more evidence?

MR. ZINN: No, sir.

(Recess)

MR. McCORMICK: Mr. Perkins, we would like to ask you a few questions.

C. G. PERKINS, having been first duly sworn, testified as follows:

EXAMINATION BY MR. McCORMICK:

Q You have been sworn, haven't you?

A Yes, sir.

Q What is your name?

A Cyrus Lee Perkins.

Q What is your position with El Paso Natural Gas Company?

A Vice-president and superintendent.

Q Are you familiar with your Shell State Well that is located in the area that we are talking about?

A Yes, sir.

Q At what depth--what is the total depth of that well?

A Its producing zone is 3550 to 3580 feet.

Q And what zone is that called?

A Queen zone.

Q What was the total depth of the well?

A The well was drilled to the Grayburg and plugged back to 3500.

Q And the only zone that can produce as the well is completed is the Queen zone?

A That is right.

Q In your opinion there would be no intermingling of any gas or oil from any other zones out of that well?

A There hasn't been to date. I don't see why it should.

Q Do you have an opinion as to whether or not there is a common reservoir of gas at this point?

A Between the four wells, yes, I think all are in the same zone.

CHAIRMAN SHEPARD: Any other questions.

MR. McCORMICK: Mr. Byrom one other question from you please. Do you have the figures as to the total depth of

Williams No. 1?

A 3580.

Q Do you know where the top of the Yates is in that well, or did you penetrate to the tope of the Yates?

A We went through to the Yates.

Q Then you plugged back?

A We set pipe through the Yates, which was around 2700, I don't know exactly, maybe 2600 or something like that.

Q Where did you set pipe?

A 3520.

Q What were you trying to find out--is there any producing area in that well vertical in the Yates pay?

A No.

Q Is it confined entirely to the Queen?

A Yes, sir.

Q In the report of the Lea County Operators Committee that well is classified as producing from Queen and Yates, do you know if that is correct or incorrect?

A That is incorrect.

Q It is effectively cemented in?

A Yes, sir.

Q Not intermingling between the Yates and Queen?

A No.

Q The same is true of the No. 3 well?

A Yes, sir.

MR. McCORMICK: That is all.

CHAIRMAN SHEPARD: Mr. Colliston, do you desire to make a statement?

MR. COLLISTON: According to the statute it gives to the Commission the power to define a well or pool as a gas or oil well or gas or oil pool. The Commission by its own definition No. 24 which reads, " Gas Well shall mean a well producing gas or natural gas from a common source of

of gas supply as determined by the Commission."

We feel that the Commission should determine the extent of the common source of supply. Before this can be done, more technical information is needed. I just want to reiterate what I stated this morning that we believe there should be a continuance until more technical information is gathered and submitted.

MR. CARNEY: If the Commission should issue an order under the ratable take provision, we as purchasers of gas would find ourselves in a difficult position unless the Commission would give us a basis or some sort of formula to work on. For instance, our contract with the Nolan group covers only forty acres. That forty acres may be a part of a larger lease. There is an additional question of acreage confronting us, the relative share for each--we think that it is necessary that things of that nature--the applying of an equitable formula of ratable take order be determined. We hope that if such an order is issued that the Commission will give us something to go back to.

MR. ZINN: May I answer that? On the theory that a gas pool is to be established, and on the theory that they are all common purchasers from a common source of supply, then I think that formula--

CHAIRMAN SHEPARD: (Interrupting) The Commission is going to issue an order designating the south half of the south half of 3 $\frac{1}{4}$ and the north half of the north half of 3 as a gas pool, and continue the question of ratable take until the next hearing on October 2 $\frac{1}{4}$ when we meet here in this room and will take additional testimony which anyone affected cares to offer.

MR. McCORMICK: In the meantime, if the operators and the purchasers should work out a contractual arrangement which embraces all four wells and which would be reasonable and that could be submitted to the Commission in lieu of our order establishing ratable take, that would be all right.

MR. NEAL: In behalf of my client, I take the position that after the establishment of the pool, which you have done thereby the ratable take common statute--does it not automatically come into effect?

MR. McCORMICK: It does not automatically reinvoke the ratable take provisions.

MR. NEAL: They are common purchasers, is that an administrative decision?

CHAIRMAN SHEPARD: Yes.

MR. HANNERS: May I pose a question purely for information, that is, in the third exception, as to whether we do or do not come within that - "To persons purchasing gas principally for use in the recovery or production of oil or gas." We would like to know from the Commission if that applies.

MR. McCORMICK: Subject to the right to change my mind, my advice to the Commission now from what I know of the operations is that it would not come within that exception, but that is not the final order.

MR. HANNERS: With that announcement--with that interpretation by the Commission that the third exception does not apply, we will have to go back to our contract with Lane and Nolan.

MR. ZINN: We would like to ask the Commission for additional instructions as to testimony which is desired. Here is the

case. We made application for ratable take and the Commission was fully advised as to the quantity necessary to supply the market and what is actually being produced. We are still sitting without our rights under the law.

As to any additional evidence which the Commission would like, we would like to know so that we can be prepared.

MR. NEAL: Any contract that is made, for which the Commission might substitute, as you have suggested, which would do as an order would at best be temporary because El Paso might be a part of the market or some other company--Shell, who owns an acreage, they might drill a well in that area and be entitled to a part of the market, and the contractual relations or the settlement could at best be only temporary.

MR. McCORMICK: That is also true of an order. It is subject to a change in the picture.

MR. NEAL: I want this clear. If there is an order that as a common purchaser to purchase on a ratable take basis, the gas that is tendered, it wouldn't limit it to the four wells--other wells might come in?

MR. McCORMICK: There are only eight locations in the pool at this time.

MR. ZINN: In connection with this proposition and in the process of negotiations as to what what be Clark & Christie's proportionate share of the gas to be sold in the now established gas pool, El Paso is on state land, and if they are not producing, the state is being deprived of royalty. A member on the Commission is also a member of the State Land Commission, and Mr. Shepard knowing that El Paso is on state land and not producing that they will

and according to the ratable take provision of the law, we would have to cut back to a million and a quarter.

MR. MCCORMICK: Any contract which is entered into is subject to further orders of the Commission. My thought is that the pool being designated as a gas pool that each be given an equal share of the market. If you, gentlemen, agree among yourselves as to how to divide that market so that it is reasonable and equitable among all four wells, it would be unnecessary to issue an order on the ratable take-- if there is no grievance as to correlative rights.

(Off the record discussion.)

MR. SPURRIER: Mr. Zinn, you asked a question, and I don't know whether it was ever answered--as to the testimony that you should introduce. You should introduce complete testimony as to all the facts so that it will not be necessary to depend on our records. They do not always reveal the true facts.

MR. ZINN: Your records are as nearly accurate as any we could supply the Commission.

(Off the record discussion.)

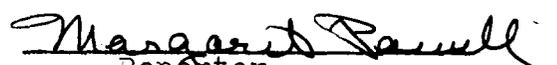
CHAIRMAN SHEPARD: Anything further? If not, we will stand adjourned.

* * * * *

STATE OF NEW MEXICO)
 : SS
COUNTY OF BERNALILLO)

I HEREBY CERTIFY, that the foregoing is a true and correct transcript of the proceedings had at the time and place first above written to the best of my knowledge, skill, and ability.

DATED this 3d day of November 1950 at Albuquerque, N. Mex.


Reporter