

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

TRANSCRIPT OF PROCEEDINGS

Case No. 589

October 27, 1953 - Special Hearing

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 8-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

October 27, 1953

IN THE MATTER OF:

The Justis Gas Pool, in Lea County,
New Mexico, said operators and inter-
ested persons being called upon to
show cause at respective special hear-
ing beginning at 9:00 A. M. on October
27, 1953, why Order No. R-375, Justis
Gas Pool as amended at such respective
hearing should not be effective and in
full force and effect as of November 1,
1953.) Case No. 589

BEFORE:

E. S. (Johnny) Walker, Commissioner of Public Lands
R. R. Spurrier, Secretary, Oil Conservation Commission
(See transcript in Case No. 583 for register of
attendance and appearances.)

TRANSCRIPT OF PROCEEDINGS

MR. SPURRIER: Meeting will come to order, please. Let
the record show that the advertisement has been read in Case No.
589. Does anyone have any testimony to offer in Case 589?

MR. A. L. HILL: If the Commission please, A. L. Hill,
El Paso Natural Gas Company. We would like to offer some brief
testimony in this case, and will call Mr. Woodruff as a witness,
please.

F. NORMAN WOODRUFF

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. HILL:

Q Would you state your name for the record?

A My name is F. Norman Woodruff.

Q You are the same Mr. Woodruff that testified in hearings here yesterday, involving some of the other pools, are you not?

A I am.

Q Have you made a study of the Justis pool, with the idea of determining what in your opinion is the best proration formula to be used in that pool?

A I have.

Q Would you express what your thoughts are on that?

A Yes, sir, I would recommend for the Justis pool a proration formula of 100 percent acreage times deliverability, with the deliverability being the same deliverability as previously described by me. I would like to very briefly go into the status of the field as to the number of wells. There are four wells in the Justis pool, all of which are connected to El Paso Natural Gas Company, as shown by the July, 1953 Engineering Committee's report. We find in this field that pressures of the wells are essentially the same. We believe that by utilization of the factors prescribed that we will approach as near an equitable distribution of allowable as can be effective.

Q Mr. Woodruff, you heard Mr. Wiederkehr's testimony this

morning, I believe, and concerning the possibility of using the 1953 four-point back pressure test for calculating an initial deliverability for use, we might say, in the first proration period, assuming they wish to put proration into affect immediately, and then thereafter the annual deliverability test. What are your thoughts on that matter?

A I agree with Mr. Wiederkehr's approach in this matter, but wish to take issue to a certain extent with Mr. Macey in his statement concerning the accuracy of the test taken. It is probably realized, I think, by all people that take tests, that a person that knows what he is doing can have a potential test. That is one of the major reasons why I thought we should stay away from the potential test in the field under consideration. I wish to submit to the Commission, however, that if I might refer back to the Jalco pool which we have just passed, that -- I mean, the Langmat pool -- of the 191 wells El Paso is connected to 178 of these wells. Of these wells, El Paso owns only two wells, we haven't too much of a row to hoe for ourselves, if you stop and realize that. Of these 178 wells, it is my understanding we take all of the potential tests, we take them to the best of our ability under recognized procedures for taking four-point back pressure tests. I believe that to the best of our ability we have submitted good potential tests, and there are those wells, due to their low pressure, that you cannot take the potential test on, you cannot withdraw the well down far enough possibly to unload liquid accumulation in the well bore, or get more than one or two points.

I contend such a well is a restricted well, regardless of potential, deliverability, or any other type factor taken into consideration.

Q Isn't it true that before El Paso conducts the four-point tests on these particular wells, that the operator of the well, as well as the Commission, are given notice, and sufficient notice to enable them to have a representative witness the tests if they so desire?

A That is right, the schedule is submitted to the Commission, prior to taking of the annual back pressure test. It is my thought that except possibly for those wells where back pressure tests are known not to be good, that the deliverability calculated from the back pressure test taken could be utilized until such time as actual deliverability tests taken, and I have proposed to be taken, and I believe you would get a comparable figure between all wells. I do not believe it will be as good a comparable figure as the deliverability test recommended, but I do think that it will approach equity in these fields.

Q Do you have anything further to say on this?

A I believe not.

MR. SPURRIER: Does anyone have a question of the witness?

MR. KELLAHIN: Jason Kellahin, representing Samedan Oil Corporation.

CROSS EXAMINATION

By MR. KELLAHIN:

Q Mr. Woodruff, you referred back to the Langmat, and I

believe it is your testimony that you own only two wells, is that correct?

A That is my understanding.

Q Does El Paso, or any of its subsidiaries, own any proven, undeveloped acreage in the Langmat pool?

A Not to my knowledge.

Q Do you know, or don't you?

A I do not know.

Q You do not know. That is all.

MR. SPURRIER: Anyone else?

By MR. MACEY:

Q In connection with the well tests that El Paso takes for the operator, you actually go out there and make the tests themselves, and after the test is completed, what do you do then, do you make the actual calculation for the operators?

A That is my understanding, that we make the calculations.

Q You sign the forms?

A May I ask someone here that would be more familiar with our actual making of the forms and of the tests papers? I understand we do not sign the tests.

Q You do make the calculations though?

A We do make the calculations, do we not?

MR. WRIGHT: I don't know, we submit that to the operator.

MR. MACEY: You submit the basic test information to the operator and let him make the calculations?

MR. WRIGHT: I believe that is right.

Q In other words, it is up to the operator to correctly interpret the information that you got and make the calculations, isn't that correct?

A I seem to be corrected to that affect, Mr. Macey.

Q Then if the operator made any mistakes in the calculations, and the calculations are pretty involved, are they not?

A Yes, they are.

Q The result would tend to be alittle haywire?

A That is entirely possible. May I have one moment for consultation with Mr. Baulch?

(Off the record.)

A I wish to advise the Commission that El Paso does make a calculation of back pressure tests on all the wells to which it is connected; such information is submitted to the operators if they so desire the information, and the actual result of our tests it is up to the operator, I understand, himself, to submit to the Commission a test and it may be the results of our test or his own calculation. We do have available, however, our own calculations of back pressure tests on all wells to which we are connected and should the Commission desire the use of such tests, we will be happy to supply them to the Commission.

Q (By Mr. Macey) In connection with that, Mr. Woodruff, if I told you I had seen a copy of those figures for 1952, and compared them with the actual back pressure tests that had been submitted to the Commission and found there was considerable

variation due to not to your calculations probably the operator's calculations, could you argue with me about it?

A No, sir. As you said, the calculations are rather complicated and the person not knowing what he is doing could mess them up. I consider we have competent personnel and I believe our tests will be as good tests, the result of the tests would be as good as could be obtained.

Q I don't want you to think I am putting any reflections upon your method of taking the tests, or your computations. I am talking about the operators themselves.

A I can't vouch for anyone except ourselves.

MR. MACEY: That is all.

A My discussion of the potential test is just to point out possibly more clearly to the Commission it may be possible in your judgment to calculate a deliverability in the very near future, which could be utilized in an allocation formula until such time as the actual deliverability test, as proposed, could be taken. I believe that the potential, the deliverability test as calculated from the potential test would be representative, though not as accurate as that proposed.

MR. SPURRIER: Anyone else? If not, the witness may be excused. Any more testimony to be presented in this case?

MR. KELLAHIN: If the Commission please, if the Commission has no objection, I would like to ask Mr. Stanley some questions.

(Witness sworn)

S T A N L E Y J O H N S T A N L E Y

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. KELLAHIN:

Q Would you state your name, please?

A My name is Stanley John Stanley, engineer for the Oil Conservation Commission.

Q Mr. Stanley, in connection with your duties for the Oil Conservation Commission, have you .had any occasion to study the provisions of Rule Five as it now appears in the Commission Order No. R-356?

A I have studied the rule, and, furthermore, was Secretary to the Advisory Committee when it was drawn up, the rules.

Q You are familiar with the provisions of that rule?

A I am.

Q Have you had occasion, Mr. Stanley, in connection with your official duties, to study the application of this rule to the fields involved in these hearings?

A Yes, sir, I have. In accordance with Rule 511, "no gas well shall be given an allowable until Form C-104 and C-110 are filed, together with a plat showing the acreage attributed to said well, and the locations of all wells on the lease." We therefore, in our Hobbs office, have to date received Form C-104 and C-110, and also some gas plats showing the acreage attributed to said gas wells. Furthermore, I have chosen at random a few of the plats submitted to our office, and have shown the configuration as

shown on the board, and shown as Exhibits one through five inclusive.

Q Are those actual plats which have been filed with your office for proposed units?

A Yes, sir, they are, and the plat's acreage is not in one particular field, it is a cross-section through all the different gas wells under question at the present time.

Q Would you explain those exhibits to the Commission, please?

A Now, the area outlined in red shows you the acreage that is attributed to gas wells, which is defined on these rough sketches as a red dot. In this particular well, this well is approximately in the center of 160 acres in the Northwest quarter of the section. However, they also contribute 80 acres in the north half of the Northeast quarter of that section, and it shows you a drainage pattern which I don't think is applicable in that particular case.

In a similar, in exhibit two, exhibit three is more or less in line, I feel, remaining on the same 160 acres, excludes the 40 acres in the Northeast quarter or the Southeast quarter of the 40 acres.

Q In connection with Exhibit Three, is there any danger of that form being isolated?

A I believe there is, if no effort is made to unitize the particular 40 acres in question. Exhibit Four is along 320 acres in the East half of the section, showing the location of the well being approximately in the southeast quarter of the Southeast quarter of the section. Now, in this particular case, I have

not studied it further, but assuming, hypothetically, there will be a well draining 160 acres to the south of it, and a well with an acreage factor of 160 acres directly east of it, and with this allowable of 300, and attributed to 320 acres, I think there will be an unequitable drainage pattern in that particular case. In Section Five, the section lines are crossed, showing the position of the well, which is not anywhere near the central pattern of drainage, and, furthermore, we have in this particular case, the section line is crossed, it creates another problem of attributing acreage in the entire section to the south, this acreage is in section five and crossing the black line here shows the 40 acres which is in Section Eight.

Q All are proposed to be attributed to that well?

A That one well.

Q Is that well located in a situation under normal conditions to drain the acreage attributed to it?

A I don't think so.

Q Do you have any opinion as to the application of this rule as to developed and undeveloped fields?

A In the case of a developed field, whether the Commission uses a straight acreage factor or a deliverability factor is used, I feel that a unit of proration should be 160 acres, or 158 acres to 162 acres as outlined in these rules. It should be in the form of a square, a legal subdivision by the United States Geological Survey, or a quarter section, and any acreage that is dedicated to the 160 acres should only be granted by the Commission through

due notice and hearing. Now, in the particular case of an undeveloped field, I believe that 320 acres, or the maximum of 640 acres would drain a particular well. If that particular well was initially initiated on that acreage pattern, or orderly developed in that fashion, I am not opposed to 640, but I am opposed to anything that is greater than 160 acres in all the gas fields in question at the present time.

Q Do you believe--is it your opinion that the modification of Rule Eight as you propose it would serve to protect correlative rights?

A I think it would.

MR. KELLAHIN: That is all the questions I have.

MR. SPURRIER: Does anyone have a question of Mr. Stanley?

MR. KELLAHIN: I would like to offer in evidence Exhibits One through Five, presented by Mr. Stanley.

MR. SPURRIER: Without objection they will be admitted.

CROSS EXAMINATION

By MR. STAHL:

Q Just a couple of questions, Mr. Stanley. I believe you testified that you think these five exhibits are representative of unfair or unequitable drainage patterns, is that right?

A Well, I have, and I would like to modify that statement that I think if we remain on 160 acres, any form of legal subdivision, I think in some of these cases it would be unequitable drainage.

Q Well, for example, Exhibit Four, that being a reasonably easy one to talk about, would you propose that in Exhibit Four that a well should be drilled in the northwest--excuse me, the northeast quarter?

A Yes, sir, I do.

Q In order to effectively drain that area?

A Provided, of course, there are other wells on 160 acres adjoining that tract, but even so, I do believe in the northeast quarter of that particular section there should be a well in that producing horizon.

Q In the fields those five exhibits represent, do you feel a well can drain more than 160 acres?

A I think it can.

Q But, it is your position that there should be a well to each 160 acre tract, even though a well might drain more than 160 acres?

A Yes, sir.

Q Doesn't that mean that the operators will have to spend more money in drilling additional wells that they might not have to if only effective drainage figured as a criterion --

A (Interrupting) Not necessarily. I think if you study the ownership map, our gas proration is largely going to be dependent upon an oil-gas pools. In many instances there are already wells in the majority, already wells producing oil, and it is contemplated by all the operators to perforate the pipe in oil-gas pools, and the area in question is one that was started in 1928 from the first drilling of an oil well in the Jal area, and due to the past rules

in past experiences, most of the gas wells in this particular area have been completed on 160 acres, and, therefore, I do not think there would be too much involved in the line of expense to the operator in this particular case.

Q Am I correct in assuming that motivation for your opinion is practicality rather than theory?

A Well, I think both. I think it would be practical and I am not saying you can't establish a greater unit of proration on 160 acres, but only after due notice and hearing.

MR. STAHL: That is all.

MR. SPURRIER: Anyone else? Mr. Abbott.

MR. W. G. ABBOTT: W. G. Abbott, Amerada.

By MR. ABBOTT:

Q Stanley, are you proposing that we rewrite this rule Five of 356, which states that proration units shall be the legal subdivision in a form of a square, it says that after that a gas proration unit other than a legal quarter section may be formed after notice of hearing by the Commission, or if the Commission has been furnished waivers from all offsetting operators. Are you proposing to do away with the waivers?

A Only after due notice and hearing. I think the waivers apply, and also due notice and hearing.

Q Well, what is your opinion on a long 160 acre unit?

A Well, I think that on a long 160 acres, you are talking about a long section now?

Q Yes.

A Which occur in the monument.

Q Forty acres wide and a mile long.

A You have some long sections in the monument area, and in some other areas along township lines, which approximate a section and a half; and instead of having four 160-acre tracts, they do have 240, to make it a section and a half.

MR. SPURRIER: Stanley, you misunderstood. He is talking about four 40's in a row to make what he calls a long quarter section.

A I think you should have a hearing, due notice and hearing.

Q You think it will be necessary to have a hearing on it?

A Yes.

Q That would do?

A That is if you have one well on that particular long four 40's.

Q That would completely rewrite this rule Five?

A In some instances it would.

MR. CAMPBELL: Jack Campbell for Gulf.

By MR. CAMPBELL:

Q Mr. Stanley, I still don't understand your answer to Mr. Abbott's question. Is your objection to the authorization of more than 160 acres, or to the right to obtain units over 160 acres on waivers. If you have offset approval, what reason is there for a hearing even on your discussion of drainage, if your offset operators don't object, it seems it would cause additional hearings. I see your point on this. As I understood first, it was the

granting of larger than 160 acres to any one well, do you feel both are wrong?

A No, I think from a practical standpoint when we first started gas-oil ratio, that it remain on the legal 160 acres due to the fact there has been past development on 160 acres. Any unusual configuration should be considered by the Commission.

Q This rule, as I read it, as to 160 acre proration units--forgetting for the moment the right to get four of those under this rule--but the 160 acre proration unit which is not in the form of a quarter-quarter section, if it can be obtained by waivers from all offset operators, what is the--what other reason is there for having a hearing?

A Well, I think that the case should be outlined showing the drainage for one, showing the plans of unitization, because that long quarter section itself might have a direct influence on the spacing configuration and the balance of the sections.

Q That is true. I assume the Commission would, as they do in unorthodox locations arrangements, require plats and ownership information with the application. You feel, however, that if those are furnished, and if you also furnish waivers from offset operators, and the Commission can see no apparant reason for any disturbance of the spacing pattern, that you should be able to obtain it without having to come up for hearing. Can you see any objection for that, can't the Commission analyze that on proper information being furnished?

A I don't know, but I think there are implications that

should be aired, and which all facts should be presented before this Commission on that one particular case.

Q Mr. Stanley, you are an employee of the Commission, and what I am thinking is the fact that once this goes into affect in these developed gas pools, it is inevitable where pools so far developed as they are here, you are going to have a tremendous number of applications for setting up proration units on configuration not necessarily quarter-quarter sections. It seems to me you would do the Commission a favor and the operator too, to set up a satisfactory protection for operators if you allow it to be done by waivers under proper circumstances.

A I understand that, but I think in order to start gas proration, you start on a legal subdivision and that way I do feel by being stringent with the rule at the outset will cause unitization where it will not be if you are more lenient.

By MR. MACEY:

Q Mr. Stanley, I would like to ask a question in regard to, for instance, Exhibit Three. Let's assume that every offset, with the exception of the east offset is a square 160-acre tract; and the east ~~offset~~ is the 160 plus that 40; the north offset being a 120 with an isolated 40 up here. This man in the northeast 40 wouldn't have any say about the starting of an unorthodox unit in that section, to start with, would he?

A That is right.

Q When this man came in for an unorthodox location, he would have a say, but might partially be offset, that is offset

by a "goofy" unit to start with?

A Yes, sir.

Q Therefore, once it starts, never can stop it?

A No, sir.

Q O. K.

By MR. CAMPBELL:

Q Let me ask you one more question. What would a hearing do to help that situation?

A I think that all people involved in that particular area would have a chance to voice their opinion, and there may be some facts brought out before the hearings that would not be brought out by writing waivers.

Q Isn't that basically the inevitable result of changing a spacing pattern that has been created over many years though?

A Not under the circumstances.

By MR. STAHL:

Q Mr. Stanley, is this true, irrespective of what formula may be adopted as a method of allocation?

A I think it has its implication in both a straight acreage factor and a deliverability factor. I think any unusual configuration has its bad effects in either case.

Q Your testimony applies with equal validity with respect to--

A (Interrupting) To each case, you might say. I don't know what the Commission will do as far as proration of gas, at the present time, and I think that each one is applicable to deliver-

ability and acreage.

Q In what you have entitled Exhibit Five, if that unit is permitted to become 160, if those four quarter quarters are formed into one unit, doesn't that then have a tendency to start in all directions of throwing everything else off?

A That is right, it certainly has in Section Eight, it certainly has in Section Five.

Q The only way to correct that is to compound a felony by having another irregularity somewhere else?

A Not necessarily. I think by being stringent in this case it might form unitization. In this particular 40 it would be additive to the northeast quarter of the following sections.

Q I am assuming the quarter quarters in Exhibit Five are permitted by the Commission to become one unit. In order to correct that in the offsetting quarter sections, would you not be forced to either isolate some quarter-quarter section, or have another ununiformity?

A We could possibly, yes.

MR. R. G. HILTZ: I would like to ask Mr. Stanley one question. R. G. Hiltz for Stanolind.

By MR. HILTZ:

Q Referring to your Exhibit Four, Stanley, I want you to clarify one thing for me. On your remarks, did I understand you to say in the gas field we are trying to prorate at this time, that you would be opposed to allowing an operator to assign, say, 320 acres in that case to that well, even after notice and hearing?

A Not after notice of hearing, if the Commission decides they shall allow that 320 after notice of hearing, that is fine.

Q Well, I just wanted to be certain the record reflects that, that was not what I understood from your statement.

A I said at that particular time I wouldn't allow it until after due notice and hearing, that is my own personal opinion.

By MR. HINKLE:

Q I would like to ask Mr. Stanley a question. Section Five, as I read the standby rules, provides for the waivers from offset operators. Let's take Exhibit Number Three there. If you are going to get waivers and, say, the northeast quarter was divided into two ownerships, one 80, the south 80 owned by one operator, and the north 80 by another operator, would you consider that-- who would you consider in that case to be the offset owner that you would get the waiver from?

A Well, I don't know until after due notice and hearing, and all the facts have been brought into the case.

Q My point is, wouldn't you consider, because of the standard 160 acres, that you would have to get all the owners in an adjoining 160, rather than just the adjoining offset acreage?

A Why couldn't you consult the individual that owned that 40?

Q Because I don't think you are consulting far enough out. In a sense he is an offset, but it looks to me like you have to take in consideration the whole 160 in connection with determining who to get waivers from.

A I think the waivers should be brought before the Commission and read in the record and the case analyzed and disposed of in that manner.

Q The point you wish to make, you think you should have a hearing to determine in every irregular case, to determine what action should be taken.

A Yes, sir, and I think that will have a tendency to form unitization and a final analysis and not bring about as many hearings as is contemplated.

Q Would it be possible to have a hearing on each section in those cases?

A Well, whenever the configuration is so irregular, it requires it, it may be.

By MR. MACEY:

Q Mr. Stanley, with the Eunice, monument, Jalco and Langmat area in mind, is it perfectly possible for an operator with 80, or even 160 acres, let's take the 80 for example, for it to be impossible for him to dually complete a well due to the operating characteristics of a well in that pool?

A Possibly.

Q And if he was, he thought the reserves under that, let's say, were not adequate to drill a separate well, he would be deprived of his right under that?

A That is right.

Q From an economic standpoint, would he not?

A That is right.

MR. SPURRIER: Anyone else?

By MR. ABBOTT:

Q Getting back to this long 160, it still worries me. You realize the way this, our Rule 356 is written. Now, if it did go into effect like this, and we wanted to form a long 160, it might require 14 waivers just around that 160.

A Yes, sir.

MR. SPURRIER: Anyone else? If there are no further questions, the witness may be excused. Anyone else have any testimony to offer in this case? If not, we will take the case under advisement and move on to Case No. 590.

* * * * *

I, MARIANNA MEIER, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings was taken by me on October 27, 1953, that the same is a true and correct record to the best of my knowledge, skill and ability.


REPORTER