

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
September 13, 1956

IN THE MATTER OF:

CASE NO. 1147

TRANSCRIPT OF PROCEEDINGS

DEARNLEY-MEIER AND ASSOCIATES
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ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 13, 1956

IN THE MATTER OF:

Application of the New Mexico Oil Conservation Commission on its own motion for an order granting permission to conduct interference and pressure build-up tests and authorizing the non-cancellation and/or transfer of allowables for wells involved in the test program in certain Pictured Cliffs Gas Pools in San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause seeks an order granting permission to conduct interference and pressure build-up tests on certain wells in the following Pictured Cliffs Gas Pools in San Juan and Rio Arriba Counties: West Kutz, Aztec, South Blanco, Ballard, Canyon Largo and Otero; and providing further for the non-cancellation and/or transfer of allowables for wells involved in said tests in exception to the Special Rules and Regulations of the said Pictured Cliffs Gas Pools and West Kutz, Aztec, South Blanco and Ballard, and providing further for administrative approval of similar exceptions in the future.

Case No. 1147

BEFORE:

Mr. E. S. (Johnny) Walker
Mr. A. L. Porter

TRANSCRIPT OF HEARING

MR. PORTER: We will take up next, Case 1147.

MR. GURLEY: Application of the New Mexico Oil Conservation Commission on its own motion for an order granting permission to conduct interference and pressure build-up tests and authorizing the non-cancellation and/or transfer of allowables for wells involved in the test program in certain Pictured Cliffs Gas Pools in

San Juan and Rio Arriba Counties, New Mexico.

MR. MORRELL: If the Commission please, my name is Foster Morrell, appearing on behalf of the San Juan Gas Allowable Committee, in Case 1147. In addition to my testimony, we will have testimony from representatives of Stanolind, Humble, Amerada, Superior, Benson-Montin, and El Paso Natural Gas Company. I thought the Commission might like to swear in all the witnesses at one time.

(Witnesses sworn.)

F O S T E R M O R R E L L,

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

MR. MORRELL: My testimony in Case Number 1147 is in response to the call of the New Mexico Oil Conservation Commission on its own motion for a hearing to consider an order granting permission to operators to conduct interference and pressure build-up tests and authorizing the non-cancellation and/or transfer of allowables for wells involved in a test program in certain Pictured Cliffs gas pools in San Juan and Rio Arriba Counties, New Mexico.

A number of operators are vitally interested in this test program and have formed what is now known as the San Juan Gas Allowable Committee, of which I am chairman. The purpose of this committee is to obtain factual data to determine the degree of communication within the Pictured Cliffs reservoirs.

Meetings of the committee have been held in Albuquerque on June 29, in Farmington on July 11, and in Santa Fe on September 11, 1956.

Commission representatives were present at all meetings.

In connection with the study being conducted various operators have selected certain wells for interference or communication tests and also for pressure build-up tests in the Pictured Cliffs gas pools listed in the call for Case Number 1147, so that sufficient data may be obtained to justify to the Commission the objectives sought.

The wells presently selected for interference or communication tests include one well in the Aztec pool, two in the Ballard Pool, one in the Canyon Largo Pool, two in the Otero Pool, two in the South Blanco pool, and four in the West Kutz pool. There is also an additional interference test being conducted on one well in the Tapacito pool under outstanding Commission Order Number R-794. This is a total of thirteen wells for interference or communication test at this time. A tabulation showing the name, number and location of each well, and the operator to conduct the tests is introduced for the record as San Juan Gas Allowable Committee Exhibit Number 1.

For the benefit of the parties present, if they can see the red spots, these are the locations of the four test wells in the West Kutz, one in the Aztec, two in the Ballard, one in Canyon Largo, two in Otero and two in South Blanco and one in Tapacito. I might call attention to the Commission that the two wells in Otero Pool are located only approximately a mile apart, and it may be the wish of the operators to conduct tests on only one of those two wells.

The operators have also selected wells for pressure build-up

tests to determine present stabilized pressures in non-producing portions of presently producing pools and the original reservoir pressures in pools not yet connected to a pipeline; five of such wells in the Aztec Pool, one in the Ballard Pool, one in the Otero Pool, and one in the South Blanco Pool.

A tabulation showing the name, number and location of each pressure build-up test well and the operator to conduct the tests is introduced for the record of San Juan Gas Allowable Committee Exhibit 2.

The test wells referred to have been selected from average wells so that they may represent average conditions, rather than to conduct tests on maximum potential wells in the areas of maximum porosity and permeability.

It is the intention of the San Juan Gas Allowable Committee to fully advise the New Mexico Oil Conservation Commission and the United States Geological Survey, of all tests to be taken and the progress of the committee work, and to have each pressure test witnessed by a representative of the Commission so far as practicable.

So that the information concerning test wells and the data obtained by the tests may be furnished to the Commission in a uniform manner, the committee has prepared two forms; Form A to cover Test Well Data, and Form B for Monthly Reports of Tests. A specimen copy of each form is introduced for the record as San Juan Gas Allowable Committee Exhibits Nos. 3 and 4.

The granting of an order authorizing the non-cancellation or transfer of allowables for wells involved in the test program in the Aztec, Ballard, South Blanco and West Kutz pools will require

exceptions to the Special Rules and Regulations as set forth in Commission Orders No. R-565-C, covering proration in the Aztec and South Blanco pools, in Order No. R-846, covering proration in the Ballard pool to become effective October 1, 1956, and in Order No. R-566, covering proration in the West Kutz pool. The test in the Tapacito pool is covered by outstanding Commission Order No. R-794. The other tests are located in the Canyon Largo and Otero pools, which are presently not prorated.

The pool rules for the prorated pools provide for an initial deliverability test to be taken on each new well, within 45 days after the well is connected to a pipeline. The test is to be taken in accordance with the provisions of Commission Orders Nos. R-333 C and D. For those wells that will be placed on test upon completion, the taking of the initial deliverability test must be postponed until the test is completed. This will require granting of an exception to the applicable pool rules and Commission Order Nos. R-333 C and D, so as to: (1) permit the postponement of the initial deliverability test until completion of the test being conducted under this test program, and (2) permit the retroactive assignment of allowables to the well back to the date of connection of the well to a pipeline.

The San Juan Gas Allowable Committee recommends that the Commission grant an order as set forth in the call of the hearing under Case No. 1147, including provision for administrative approval of similar exceptions in the future for alternate or additional test wells.

The various operators involved in this test program will present

testimony to the Commission on the particular interference or pressure build-up tests of which they are the operators or the operator designated to conduct the test, and will outline to the Commission the procedure desired by each for the non-cancellation and/or transfer of allowables as to wells within prorated Pictured Cliffs gas pools.

I would like to add that there are other wells contemplated for pressure build-up tests in the area of the Lindrith and Gaveland and other non-prorated pools that are not listed on the Exhibit 2 that you have.

Now, the order of the testimony decided at the Committee meeting on September 11th was as follows; and the companies may follow it or not, as they please: Stan¹olind was first, Humble² second, Amer³ada third, Superior⁴ fourth, Benson⁵-Montin fifth, and El Paso⁶ sixth.

MR. SMITH: J. K. Smith. May it please the Commission, I have one witness, Mr. Meek, who has been sworn. I might state to the Commission, in the meantime, while the map is being put on the board, that we have joined in this study, or investigation proposed by the committee which Mr. Morrell was representing. Dividing of the work, we have selected the Gallegos Canyon Unit, West Kutz Field as the area we will conduct certain tests.

The objective of the tests is, first, so far as our present application is concerned, of important consideration to the Commission, is that we be given permission to shut in the wells and transfer the allowables to other wells capable of making it. I might state that the wells that have been suggested, and they are

four in number, they are average wells in the field. We would also like for the Commission to permit the non-cancellation of an allowable that has been transferred in the event, down towards the end of the test, it is necessary to put the well back on the stream and try to produce it to catch up. The fourth item is to provide for administrative approval of changing the location of certain of these wells as we go down the road. We may determine that additional wells should be tested, and in order to afford greater flexibility in the program, we would like for the Commission to see fit to order their rules so that the administrative approval of the change of location may be immediate. We would like to state, whatever witnessing of the test program that they may see fit to require is quite acceptable to Stanolind, and we will welcome it.

W. J. MEEK ,

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

DIRECT EXAMINATION

By MR. SMITH:

Q Mr. Meek, I don't believe you have testified before the Commission before. By whom are you employed?

A I am employed by Stanolind Oil and Gas Company.

Q In what capacity?

A Petroleum Engineer.

Q Where were you educated, received your education?

A University of Oklahoma.

Q What degree?

A Bachelor of Science, Petroleum Engineer.

Q What year?

A January of 1951.

Q By whom have you been employed since then?

A Since graduation I have been employed by Stanolind Oil and Gas Company.

Q In what capacities?

A Shortly after graduation as a roustabout in West Texas, then as an engineer in West Texas, in Fort Worth, engineer in West Texas approximately two years, located in Fort Worth for about one year and since that time I have been in Stanolind District Office in Roswell.

Q What type of work have you been doing in the Roswell Office?

A In the Roswell Office I have done reservoir engineering work, some unitization, some proration and some operational work.

MR. SMITH: May I inquire if the witness's qualifications are acceptable to the Commission as an expert?

MR. PORTER: His qualifications are acceptable.

Q Now, Mr. Meek, turning to the board behind you, there is a map which reflects certain area of land in the San Juan Basin. Was that map prepared under your supervision or direction?

A Yes, sir, it was.

Q You are fully familiar with the data set forth thereon?

A Yes.

Q Will you please advise the Commission what the exhibit purports to reflect?

A This is a map of the Gallegos Canyon Unit area of the West Kutz-Pictured Cliffs Field. I don't know whether you can see it

at this distance or not, but the present unit area is shown by a red outline and the present participating area by a green outline. Also shown on the map, circled in red, are the four test wells that we have selected for communication, or interference test wells in the area. Also shown, circled in various colors are the wells to which we propose to transfer the allowables of the shut-in or observation wells. In the various localities through the field we have connected the test well to the wells to which we propose to transfer the allowable. That explains the inter-connecting lines in four areas. Also shown on that map is the 1956 deliverability and percentage of the shut-in wells allowable which we propose to transfer.

Q In other words, you propose to transfer the allowable proportionately to certain specified wells from each of the observation wells?

A That is correct.

Q What was the reason for selecting the four wells that were selected?

A These wells were selected in accordance with the San Juan Gas Allowable Committee statement that we test, or gather data on average wells in these various pools.

Q In your opinion, are the wells suggested average wells in the West Kutz Field?

A Yes, sir.

Q How are they distributed geographically? How much distance is there between each of the four wells, approximately?

A Well, let's see, this was on a scale of one inch equals

2,000. Roughly, there is a mile between the test wells here and the furthest transfer well. Here the distance would approximate one and a half to two miles, here, I think we are pretty well within the radius of a mile, and it will be less than a mile in this area here (indicating).

Q Have you prepared certain data with respect to the productivity, or the deliverability of each of the wells, that is the observation wells, and the wells to which the allowables will be transferred?

A Yes, sir, I have.

Q Do you have that tabulation with you?

A Yes, this is it.

(Marked Stanolind's Exhibits 1 and 2,
for identification.)

MR. SMITH: For the record, the map concerning which Mr. Meek has just testified, has been marked for identification as Stanolind's Exhibit Number 1.

Q I show you what has been marked for identification as Stanolind's Exhibit Number 2. The data you just testified about. Turning to the first item, Gallegos Canyon Unit Well Number 7, is that one of the wells that has been selected for observation?

A Yes, that is one of the wells that has been selected.

Q Located in the northeast northeast of Section 30, Township 28, Range 12 East?

A That is correct.

Q What was the date of completion?

A The date of completion was November 1, 1951.

Q Initial potential?

A 750 MCF.

Q 1956 deliverability?

A 159 MCF.

Q That's to be transferred to what wells, the allowable, if the Commission sees fit to grant our request?

A On Test Well Number 7, we propose to transfer the allowable of Well Number 7 to Well ~~no~~ Gallegos Canyon Unit Wells Number 19, 35, 36, 71 and 72 in equal percentages, 20 percent.

Q The other data concerning the location of the well, and the completion date and initial potential and deliverability is all set forth on the Exhibit for the Commission's consideration?

A That is correct.

Q Turning to the test well named Gallegos Canyon Unit Well Number 31, I notice that in the schedule there under the 1956 deliverability, you have N. A., what does that signify?

A N. A. signifies in this circumstance, that the 1956 deliverability was not available.

Q You have the initial potential of that well, however?

A Yes, sir, the initial potential was 1130 MCF, and the well was completed April, 1953.

Q In your opinion, you consider that to be an average well?

A That is correct.

Q I notice that from the exhibit, that the allowable will be transferred to four wells, the description which is set forth on the exhibit. I notice also that in the percent of allowable to be transferred to the four wells, that the Gallegos Canyon Unit

Well Number 4 is to receive 40 percent and Well Number 24 is to receive 40 percent, and the other two, ten percent, respectively. What was the reason for making the change rather than equal distribution such as was done on the wells to which the allowables were to be transferred from the first operational well?

A Well, I think this will apply to the percentage transfer on all four test wells. You notice they vary throughout the listing. We selected wells as near as possible in the vicinity of the test well and transferred the allowables in accordance to their capacity to handle additional production. So, I think that accounts for it.

Q That accounts for the variance throughout?

A Yes.

Q Do you have any further statement you care to make at this time with respect to the exhibits?

A Well, I might also point out that these percentages were developed with regard to December, 1955 nominations. In other words, we attempted to take a period of high demand and see if we could distribute the allowables to the various wells in accordance with the allowables during a higher or peak period, and I might also add that these percentages reflect that the proposed allowable reallocation constitutes not more than 80 percent of the 1956 deliverability on these wells we propose to transfer the allowables to.

Q Do you have any further statement to make in the case?

A I think that is all.

MR. PORTER: Does anyone else have a question of the witness, Mr. Utz?

CROSS EXAMINATION

By MR. UTZ:

Q Mr. Meek, I wonder, in trying to determine what percentage of underage the shut-in well will accumulate that will be transferred to offset wells, you might not be in error at the end of the test? In other words, you might have a well that by transferring that particular percent of the underage, might be substantially over-produced and another under-produced?

A Well, the percentages were developed, we used the '56 deliverability, in other words, to bring us up to date as much as possible. These deliverabilities, it is my understanding, are possibly not on file yet. We obtain them by phone call from the field. The tests have been completed, I understand, except 31 and accouple of the other wells, but they have not been filed. That was another reason we proposed to obtain administrative approval or set up machinery for that in case the wells that we have shown here do not, or are not, capable at the end of the test, to handle what we have set forth here. In other words, this is sort of a blueprint to set a pattern for us. We realize it may fluctuate.

Q Then, you are proposing that the order contain administrative approval for change in the transfer of allowables as well as possibly a change in your offset wells?

A Yes, we would like to be covered in every contingency there to avoid loss of production.

Q Are you proposing that the order contain administrative approval for setting up different tests?

MR. SMITH: You mean additional observation wells?

MR. UTZ: No, complete interference tests within the West Kutz Field

Q Within the West Kutz Field or anywhere else?

A I think if we decided to do that it would be, we would prefer to go the administrative route, but actually I don't foresee that we would plan to conduct additional tests.

By MR. NUTTER:

Q In other words, you want administrative approval for substitute wells, not additional wells?

A You mean substitute wells to transfer the allowable to?

Q Yes, sir. In case the wells that you have designated to receive the allowable can't make it --

A In other words, we could spread out the load a little thinner.

Q Is that what you meant when you said you wanted administrative assistance in the order, so you can have substitute wells rather than additional wells?

A I think we had it set up originally to go either way. I really don't see any additional interference test, as such.

MR. SMITH: It is the opinion that the four test wells, the number four are adequate and sufficient to run the tests. We would not need five or six or seven. It will be a question of adjusting production from a substitute, or another observation well, instead of one that has been selected already, or it may be necessary to transfer a percentage of the allowable or different percent to another well rather than to make an entirely new and independent test. Is that correct?

A Well, the only think I can foresee that possibly something

would go wrong with one of those tests in the immediate future, without having to have further hearing.

MR. SMITH: I might mention, that I don't think we contemplate as a result of the call of this hearing, asking for any tests in other fields than those described in the call of the hearing. That may be a question you had in your mind.

MR. UTZ: Yes, it was. In other fields as well as the West Kutz.

MR. SMITH: It would be my opinion that it would be necessary to have another call to list other fields. I don't think the call of the present docket is wide enough to permit the transfer of allowables to any fields that weren't in the notice sent out by the Commission.

MR. UTZ: Are you asking for the order to contain an administrative approval for tests in the West Kutz?

MR. SMITH: That is what we are asking. The Commission might give to entering the same type of order in other fields, that are subject to this call of the docket.

MR. PORTER: Anyone else have a question of the witness?

MR. KELLAHIN: Jason Kellahin, representing R and G Drilling Company.

By MR. KELLAHIN:

Q The test wells which you have described, are they all located in what is known as the Gallegos Canyon Unit?

A Yes, sir, that is correct. Here is the Unit boundary and the participating area.

Q That constitutes approximately half the surface area of the

West Kutz Pool, is that correct?

A Approximately correct. I think you are referring to Huerfano.

Q Yes, and the area south of the Gallegos Canyon Unit?

A Yes.

Q Is there any provision for any tests in that portion of the pool?

A No, sir, not as currently set up.

Q Do you know whether anyone of the other operators within that pool was invited to participate in these tests?

A Frankly, I couldn't answer that. Mr. Morrell --

Q (Interrupting) As far as you are concerned, would you have any objection to other operators, with particular reference to the south portion of the pool, participating in these tests and obtaining administrative approval on the same basis as though sought by Stanolind?

A As far as I know, this is strictly a cooperative project, and anyone that wishes to participate in it would be eligible.

Q Would the Committee, or do you know, would it cooperate with anyone else that wanted to participate?

A Frankly, I am not the chairman of the Committee. I think that would have to be decided.

MR. KELLAHIN: The chairman left the stand before there was any cross examination. At the end of the hearing I would like to call him back on the stand, if the Commission please.

MR. PORTER: Yes.

MR. SMITH: I might state to Mr. Kellahin, and the Commission too, that tests, as I understand it, are matters which anyone can

run that they want to. As far as we are concerned, we would welcome any additional tests that might be made by some of the operators in the particular field. We can't speak for other people, and we were selected to make the tests in the areas where we are an operator. We have restricted our test to that area. I think the entire project is one that is open.

MR. KELLAHIN: My question was directed to his statement for the administrative approval for additional wells and certainly, anyone in any other portion of the field, I wanted to bring out there was no objection by Stanolind for their obtaining administrative approval for transfer of allowables, too.

MR. PORTER: Mr. Cooley?

By MR. COOLEY:

Q In your operations in conducting the tests, do you anticipate making up lost production in the test well purely by a method of a transfer of allowables as opposed to non-cancellation? Have you anticipated non-cancellation allowable.

A I think Mr. Smith covered that in his opening. I will repeat it.

Q I mean in your particular area?

A That is correct. That applies to our area. We wish to transfer allowables to the wells so shown on the map and the tabulation, and non-cancellation of allowables with respect to the test well, in the event it appears, toward the end of the test, or at the end of the test that the wells to which we have transferred will not be capable of making up the production.

MR. COOLEY: Thank you.

MR. PORTER: Mr. Nutter?

By MR. NUTTER:

Q What is the status of the four wells that you have proposed to test, are those wells under-produced, or over-produced at the present time?

A Just a moment, I have a notation to that effect here. Test Well Number 7 is currently under-produced; 31 under-produced; 18 under-produced. They are all under-produced.

Q Would you also transfer the under-production available to those wells to the other wells?

A Yes, sir, we would like to, because we feel our under-production in there now is not a reflection of well status, more pipeline takes in the area at this time.

MR. NUTTER: That is all.

MR. PORTER: Mr. Utz?

By MR. UTZ:

Q Are any of those tests now underway?

A No, sir, none of the tests in West Kutz are now underway.

Q Are any of these test wells that you are proposing here the same wells that were tested previously in the 320-acre Stanolind case which was several years ago?

A Mr. Utz, I am not familiar with that case, but I think two of the wells are.

Q Two of the wells are the same ones?

A Yes, sir, to the best of my knowledge.

Q To clarify the transfer of underage on the wells that you are proposing to shut in, did I understand you to say that the

underage that is accrued as of the beginning of the test you also want to transfer that underage?

A We would like to, yes, sir. I have those volumes here if you care to hear them.

Q I think the Commission records will show the volumes, without reading them here. However, it is not my understanding that type of underage would be subject to transfer under call of this hearing, only that underage which was accrued due to taking these tests.

A Well, I believe that may be more of a legal question than factual.

MR. SMITH: It would be my opinion that if the wells that are to be used as operational wells are under-produced by reason of failure to take by the pipeline, that if you shut the wells in, that we want to be fair and equitable, that whatever underages accumulated as of that time should be transferred to the other wells. I mean, it would be the fair thing, it would seem to me, since that well will be shut in and wouldn't be able to make up the underage, by subsequent takes from the pipeline, say, six months or so from now, during the next balancing period. It would only be fair, if they are shut in for observation, that the privilege of making up the underage should go along with the transfer.

MR. NUTTER: Do you think that likewise, if any well happens to be over-produced and is shut in on those series of tests, that the over-production should be transferred to the other wells?

MR. SMITH: Yes. What you are really looking at is a legal fix. In other words, you have, the well that has been shut in is

actually producing over these other three or four wells to which the transfer allowable is made. In other words, just look at it as if the well is still producing and still on schedule, and treat the other five or four wells as if it were a part of that one well to shut in.

MR. NUTTER: Just transfer its status quo?

MR. SMITH: Its status quo, that is right.

MR. PORTER: Anyone else have a question? Mr. Mankin?

By MR. MANKIN:

Q Mr. Meeks, is it not true that one reason for transferring the underage from the shut-in well to other wells would be to allow the wells to be produced at a greater rate so that the test may be shortened, the test time might not be shortened?

A Well, Mr. Mankin, we don't have too good an idea how long these tests will take. In other words, how long it will, how much time will be necessary before we gather the necessary data. In regard to your question, I think it's more a question of just maintaining the status quo to see we don't suffer any production loss, but on the other hand, we are not trying to obtain any unfair advantage.

Q I didn't mean it that way. Would it not be a possibility if the offset wells where the allowable was transferred to, would it not be possible, if they had higher allowables, because of this transfer of the under-production from the other wells, that time might not be shortened to be able to evaluate --

A (Interrupting) That's true, but in several instances we were forced, in other words, we weren't able to surround our wells with our transfer pattern, so we will just have to see.

MR. PORTER: Is that all, Mr. Mankin?....Mr. Utz?

By MR. UTZ:

Q I have one more question. Mr. Meeks, in your request for transfer of allowable which is underage which is not due to the actual test procedure, do you think that this is not approaching the proposition very closely, of ~~him~~^{of the well} with underage applying for transfer of an allowable on any well, whether it is due to a test or not?

A Well, no, sir, the only reason we request it here is because the well will be shut in and will not be permitted to make it up. We wouldn't be able to produce the well as long as it is shut in. All we are seeking to do is to transfer the allowable cumulated overage, or underage, in this case it is underage, to various wells. If the well was maintained on production, we would have an even chance to realize what production we could from it.

Q Would not that well have an opportunity to make that underage up after it was turned on by the fact that the underage status of the well would be the same after the test as it was before?

A Well, we don't know whether it would be able to make it up as we don't know the period of time that it will be necessary to obtain the data we are seeking. There is some question that these wells might not be able, in addition to their current allowable.

Q All these wells which you are asking transfer of allowable are in the Gallegos Canyon lease, and therefore they are on the same basic lease?

A That is correct.

MR. SMITH: I might state it is a unit, and the entire area

is a federal type unit. There is no royalty problem or leasehold problem involved.

MR. UTZ: That is all.

MR. PORTER: Mr. Nutter?

MR. NUTTER: All the wells, whether the producing well that is to be shut in, or the one that will receive the allowable, are in the participating area?

MR. SMITH: They are in the participating area.

MR. PORTER: Does anyone have a question of the witness? The witness will be excused and we will take a short recess.

(Witness excused.)

(Recess.)

MR. PORTER: The meeting will come to order. Mr. Smith?

MR. SMITH: I neglected to offer in evidence, if it please the Commission, Stanolind's Exhibits 1 and 2. I should like to offer them at this time.

MR. PORTER: Any objection to the admittance of these exhibits? They will be admitted.

MR. SMITH: I would like to make one further statement, after some reflection to whether or not the underages or overage of an observation well should be transferred along with the transfer of the allowable, I would like to state to the Commission that we would have no objection for the allowable underages or overages to stay with the location of the wells, and only that overages and underages accumulated during the test period be considered, with the one exception; I think that if that is done, the underages shouldn't be cancelled at the time of transfer. We should be given an equivalent

period of time, at the time the well is put back on the line, to make up the underage, or take care of the overage.

MR. GURLEY: What you mean is that the time should be tolled during the time it is not in production?

MR. SMITH: That is right, that the time should be tolled. I have nothing further.

MR. PORTER: Mr. Dewey?

R. S. D E W E Y ,

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

MR. DEWEY: If the Commission please, I am R. S. Dewey, Division Petroleum Engineer, Humble Oil and Refining Company, Midland, Texas. I am appearing in Case 1147 on behalf of Humble Oil and Refining Company to seek an order permitting Humble Oil and Refining Company to conduct a pressure interference test in the Pictured Cliffs Formation on the Jicarilla-Apache tribe of Indians J Lease, covered by Sections 5, 6, 7, 8; Township 25 North, Range 5 West, Rio Arriba County, New Mexico; and to transfer all or part of the gas allowable from their Wells Numbers 1, 3, 5, 7, to their Wells Numbers 2, 4, 6, 8, for the duration of the testing period.

It is further requested that for the duration of the test, the Commission maintain the allowable assigned to the various wells on this lease, so that there will be no cancellation of the allowable due to periodic proration adjustments. At the end of the test the individual wells and lease allowables will be adjusted to conform to the prorated gas allowables.

I have one exhibit which I request be identified as Humble Oil

and Refining Company Exhibit 1.

(Marked Humble Oil and Refining Company's Exhibit 1, for identification.)

MR. PORTER: Do you wish to introduce it at this time?

MR. DEWEY: Yes.

MR. PORTER: Without objection the exhibit will be admitted.

MR. DEWEY: This exhibit is a plat covering Sections 5, 6, 7, 8, Township 25 North, Range 5 West, Rio Arriba County, New Mexico. The above sections cover a part of Humble Oil and Refining Company's Jicarilla-Apache tribe of Indians J Lease. The plat also shows the operators owning a leasehold interest offsetting the Humble's four section lease. The location of the eight gas wells completed by Humble in the Pictured Cliffs Formation is shown on the plat. It is only recently that Humble has completed the drilling of the eight wells on this lease. The first well was completed December 9, 1955, and Well Number 8 was completed June 4, 1956. The lease is to be connected to the Southern Union Gas system and as of the present time, only the first three wells, Numbers 1, 2 and 3 have had deliverability determinations made.

Subsequent to completion of Well Number 4, it is developed that water has intruded into the wellbore which adversely effects its ability to produce. Consideration is being given at this time to working over this well to exclude the water. In anticipation of the exclusion of the water from Well Number 4, Humble proposes to produce Wells 2, 4, 6 and 8, shut in Wells 1, 3, 5 and 7 for the testing period.

Humble plans, coincident with the working over of Well Number 4,

to proceed under the existing rules and regulations of the Commission, to obtain the deliverability tests on the remaining five wells on the lease. After these deliverability tests have been obtained, it will be possible for the Commission to assign appropriate prorated allowables to each of the eight wells on the lease. After these allowables have been established, Humble plans to transfer the allowables from the four shut-in wells to the four producing wells to effect the maximum withdrawal rate from the four producing wells surrounding Well Number 7.

We will require administrative approval from the Commission to determine the amount of gas that will be transferred from one well to another in this program. As we do not know the allowables at this time, we do not feel it is advisable to ask specific allowable transfer between individual wells.

The Commission approved forms will be filled out and furnished to the Commission in order that the Commission may be kept advised of the data obtained throughout the testing period. At the conclusion of the testing period the production of the wells on the lease will be adjusted in accordance with the prorated allowables assigned to the individual wells on the lease during the time of the test. In order to avoid producing any gas from Well Number 7, it is proposed to place a padlock on the valves of this well during the testing period. It is also proposed to furnish the New Mexico Oil Conservation Commission, a pressure testing schedule in order that all pressure measurements may be witnessed by a representative of the Commission. It is proposed that the first four tests will be taken at weekly intervals with subsequent tests at bi-weekly intervals.

At the time of the first test, the bottom hole pressure instrument will be used to determine the pressure gradient in the wells. This will be followed by dead-weight testing of the surface pressures at the wellhead. The same deadweight tester will be used on all tests and periodically calibrated with a master tester belonging to El Paso Natural Gas Company in Farmington, New Mexico.

I think that is all I have, unless somebody has some questions.

MR. PORTER: Does anyone have a question of Mr. Dewey? Mr. Utz?

By MR. UTZ:

Q Mr. Dewey, this test hasn't been started as yet?

A No, sir, it has not. We do not anticipate starting the test until we have the deliverability test on all the wells on the lease and it will also be necessary to work over Well Number 4 to shut off the water that is now intruding at the well bore.

Q You are also going to take a deliverability test on Well Number 7?

A Yes, sir, we plan to do that. We realize that by so doing that the duration of the test may be prolonged longer than it would be if the Well No. 7 weren't tested for deliverability.

Q In affect, you are asking for administrative approval for transfer of underage or overage that is accrued, only for the purposes of testing?

A That is right.

MR. PORTER: Mr. Mankin?

By MR. MANKIN:

Q Mr. Dewey, when do you anticipate that the deliverability

tests will be taken on these eight wells?

A We have deliverability on the first three, Mr. Mankin, and just as soon as arrangements can be made between our District Personnel in Farmington and Southern Union to take those tests they will be taken. I might mention here that the Southern Union has connected to our last well as of September 4, 1956, so that we have connections now with Southern Union on all our wells. So, that there shouldn't be any undue delay in obtaining the deliverability tests. They probably will be obtainable within a short time after we can work over our well Number 4.

MR. MANKIN: Thank you.

MR. PORTER: Anyone else have a question of Mr. Dewey? You may be excused, Mr. Dewey.

(Witness excused.)

MR. PORTER: The next witness, please?

R. S. CHRISTIE,

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

MR. CHRISTIE: My name is R. S. Christie, appearing for Amerada Petroleum Corporation, in Case Number 1147. In connection with the proposed testing in this case, Amerada Petroleum Corporation would like to ask for authorization to shut in their Jicarilla-Apache B Number 2, for interference and communication test and also to conduct a build-up test on our Jicarilla-Apache B Well Number 8, to provide non-cancellation and transfer of allowable. I would like to submit a plat as Amerada's Exhibit Number 1.

(Marked Amerada's Exhibit Number 1
for identification.)

MR. PORTER: Do you want to admit this into the record at this time?

MR. CHRISTIE: Yes, sir, please.

MR. PORTER: Without objection it will be admitted.

MR. CHRISTIE: Amerada would like to request that the allowable on the Jicarilla-Apache B-2 be transferred to wells Numbers B-1 in Section 20, and B-5 and B-6 in Section 29, both sections in Township 24 North, Range 5 West. The proposed Apache B-2 Well to be shut in is located 990 feet from the east line, 990 feet from the south line of Section 20, Township 24 North, Range 5 West. The well has an initial potential test of 1,756,000 cubic feet, based on three hour test. In connection with the request for our Apache B Number 8 as a build-up test well, it is located in the southeast quarter of the southeast of Section 30, Township 24 North, Range 5 West. Apache B Number 8 has not been connected as yet. We expect a connection sometime in the near future. I believe that is all I have.

MR. PORTER: Anyone have a question of Mr. Christie?

MR. MORRELL: To clarify the record, Mr. Christie, is this in a prorated pool?

A No, sir, it is not.

MR. PORTER: Any other questions? Go ahead, Mr. Utz, if you have a question.

CROSS EXAMINATION

By MR. UTZ:

Q Since this is not a prorated pool, is it necessary to ask for transfer of allowable?

A I don't think it is. It may be prorated by the time some

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of these tests, or before they are actually completed.

Q In that instance, you do want a transfer?

A Yes, sir.

MR. PORTER: Any more questions? The witness may be excused.

(Witness excused.)

S T A N L E Y J. S T A N L E Y ,

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

MR. STANLEY: My name is Stanley J. Stanley, representing Benson-Montin and Greer Drilling Corporation. Based on my experience, I request that the Oil Conservation Commission accept my qualifications as an expert witness in Case 1147.

MR. WALKER: Any objections? They are acceptable, Mr. Stanley.

(Marked Benson-Montin Exhibit No. 1
for identification.)

MR. STANLEY: I refer the Commission to what is marked as Exhibit No. 1. The exhibit shows a portion of the Ballard Pool, and the red coloration shows the relative position with respect to the Ballard Pool of our Benson-Montin and Greer Drilling Corporation's Foster-Riddle Number 1, located in the northwest quarter of Section 13, Township 25 North, Range 8 West, in San Juan County, New Mexico.

The well was completed as a Pictured Cliffs Gas Well on February 15th of 1956. I wish to reiterate that. It was completed on February 15th of 1956. Its absolute openflow potential in accordance with Oil Conservation Commission Rules and Regulations,

pertaining to testing procedures was 7,445,000 cubic feet of gas per day. If you will refer to Exhibit 1, you will see that our Foster Riddle Number 1 is one of the better producers in the east in the particular area. Our company felt that our Foster Riddle Number 1 would provide excellent and very important engineering data and information pertaining to the reservoir characteristics of the particular gas producing area in the Pictured Cliffs Formation. The well was shut in after the absolute openflow was concluded and observed pressures were recorded to study possible interference data from offset producing wells.

By June of this year, that is June of 1956, our company felt that sufficient information was obtained for engineering study. At this time, however, considerable interest was shown by the industry and the Commission Staff, for accumulation of such data for a better understanding of Pictured Cliffs reservoir characteristics; in the meantime, an industry committee was formed to accumulate and distribute such data, and the Commission Staff desired to witness such tests. Subsequently, our company decided to continue such tests, even though the El Paso Natural Gas had connected to our well on June 15th of 1956. It must be realized, that we could have sold this gas effective, somewhere, or approximately around June of 1956. Our tests are now concluded. The Committee has obtained such additional data for any interested in the San Juan Basin. The Commission, through the Aztec Office of Messrs Arnold and Kendrick, have obtained this data by actually witnessing the tests.

Benson-Montin and Greer Drilling Corporation, feels that pressure build-ups and interference tests are an integral part of gas pro-

ration and other engineering related problems in the San Juan Basin in the Pictured Cliffs Formation. Benson-Montin and Greer support the operators conducting such tests and agrees in seeking non-cancellation and/or transfer of allowables of such test wells in the prorated pools as defined in Case 1147.

The Ballard Pool is to commence proration on October 1, 1956. Benson-Montin-Greer Drilling Corporation conducted their interference test when the Ballard Pool was not prorated. Nevertheless, we lost considerable revenue from the shutting-in of our Foster-Riddle Number 1. We request that the Commission grant us an opportunity to regain a part, and only a part of the gas lost during this test. We feel that the Commission is very fair, and we have, in all fairness, contributed considerable information at our loss without possible regain. We are at the mercy of this Commission and we ask that the Commission grant us an allowable during October whereby we can regain a part of our gas.

MR. PORTER: Does anyone have a question of the witness? Mr. Utz?

CROSS EXAMINATION

By MR. UTZ:

Q Mr. Stanley, do you have any opinion as to what basis we would issue additional allowable for a period in which there were no allowables?

A Yes, sir, I do. Our Foster-Riddle Number 1 is comparable geologically in thickness of pay to our Benson-Montin Sheets Number 2. The Sheets Number 2 potentialled for 10,871,000. Referring to the record, I have stated that our Foster-Riddle Number 1

potentialled for 7,445,000. On the direct proportion, we feel that deliverability of our Foster-Riddle Number 1 will approximate 2,897,000. It must be realized that the Ballard Pool was non-prorated at that particular time. We realize that we could probably have produced from our Foster-Riddle Number 1 a maximum of approximately 2,000,000 cubic feet a day, or approximately a revenue of \$200.00 a day, \$6,000.00 a month, and for a period of three months, \$18,000.00. We are not asking the Commission to grant us that type of an allowable. What we are requesting is that the Commission give us an allowable of a short month of October where the gas takes are not too high. Multiply our normal allowable for Foster-Riddle Number 1, based on deliverability and multiply that by three times.

Mr. Utz, we feel that the Ballard Pool has a container of gas, a certain amount of gas. The operators were very interested in obtaining that information, also, the Commission. They were willing, and we were willing to shut in the well at our loss, and we feel that we should be partly renumerated for the gas that we lost.

Q By so assigning an additional allowable to this well, would that not be taking some allowable from every other well in the pool?

A No, sir, it would not. We have lost the allowable and have lost a lot more gas than we'll ever receive.

Q During the period when proration was not in effect?

A Yes, sir, and it will have its effect down the line as the pressures decrease. Mr. Utz, if there is no objection from the operators of that particular pool, namely the Ballard Pool, where

we have a certain amount of gas remaining in the pool, and they wish to remunerate us for the information we have received, we are willing to accept this gas.

Q Mr. Stanley, is this well an average well in the Ballard-Pictured Cliffs Pool?

A No, it is way above average. It is one of the better wells in the Ballard Pool.

Q Is that why it was selected for an interference test?

A Yes, we figured with the porosity and permeability and a very good sand that we had in that particular well, that we would obtain better engineering information for the industry and for the Commission in shutting in this well.

Q In other words, you felt that you would certainly get interference and better porosity?

A Yes, sir, and also the fact that this well was surrounded by a group of very good wells in the Pictured Cliffs-Ballard Pool.

Q Was it not the intention of the San Juan Allowable Committee to select average wells?

A Yes, sir. You must understand that this test was conducted prior to the formation of the San Juan Basin Committee and as I stated, before, we were ready to complete our tests on our behalf in June of 1956. However there was such great interest shown on behalf of the industry and the Commission itself, that even though we had a pipeline connection on June 15th of 1956, we decided for the sake of science, for the benefit of the Commission and for the benefit of the industry, to continue this test.

Q This well will be producing by October the 1st?

A Yes, sir, it will. We have concluded our test.

Q Therefore, you are not asking for any transfer of allowable at all, just for additional allowable?

A Yes, we feel that we are entitled, morally, to remuneration.

Q Do you know whether or not the operators, the other operators in the Ballard, would accept such a decrease in allowable?

A No, sir. We are asking the Commission to determine that. If there is any objection, I feel that we shouldn't receive our allowable.

MR. PORTER: Mr. Morrell?

MR. MORRELL: Foster Morrell. This is not a question of the witness, but follows along the line of the question that Mr. Utz just asked the witness. Mr. A. M. Weiderkehr, Manager of the Exploration Department of Southern Union Gas Company was unable to be at the session of this hearing today. He asked me to read a statement into the record.

MR. GURLEY: I think we should finish with the witness before any statements are read.

MR. PORTER: Does anyone else have a question of Mr. Stanley? Mr. Utz?

By MR. UTZ:

Q Do you have additional plats, Mr. Stanley, of your exhibit, or is that the only one?

A Yes, sir, I am sorry.

(Marked Benson-Montin-Greer Exhibit
No. 2, for identification.)

A I have an Exhibit Number 2, showing the exact location of our

~~Foster~~-Riddle Number 2, and all the pertinent information as requested by Form A of the San Juan Gas Allowable Committee. I wish to offer Exhibit Number 2 into the record.

MR. PORTER: Is there objection to the introduction of this exhibit? If not it will be admitted. Does anyone else have a question of the witness?

MR. STANLEY: Yes, sir, I presented Exhibit Number 1 and Exhibit 2, the Number 2 being the exact location of the Riddle Number 1 and the offset operators.

MR. PORTER: Then you also want to introduce Exhibit Number 1?

A Yes, sir.

MR. PORTER: Without objection it will be introduced.

MR. COOLEY: Let the record show that is Benson-Montin-Greer Exhibits Numbers 1 and 2.

MR. PORTER: Any further questions of Mr. Stanley? You may be excused.

(Witness excused.)

MR. MORRELL: Could I enter my statement now before the next witness comes on so that it will follow Mr. Stanley's statement?

MR. PORTER: I believe so. Why don't you go ahead?

MR. MORRELL: Do you want me to repeat the introduction?

MR. PORTER: I believe it is in the record.

MR. MORRELL: The statement of Mr. A. M. Welderkehr reads as follows: "Southern Union Gas Company, as a major operator in the Ballard Field, would like to recommend that the Commission grant Benson-Montin-Greer's request for a three month's bonus allow-

able for the Foster-Riddle Well, since the information gathered is for the benefit of the entire field. I speak for Southern Union Gas as the working interest, working interest operator only."

MR. PORTER: Before we proceed, does anyone else have another statement in connection with this particular problem of a bonus allowable for this well?

MR. GURLEY: There is some question here as to whether or not this last test is actually within the call of this hearing. We are dealing, I believe, with the non-cancellation and/or transfer of allowables for wells involved in tests, not of bonus allowables for prior tests that have been taken. I think perhaps, it is my opinion, that this is not within the scope of the hearing and should be covered by separate application and separate hearing.

MR. STANLEY: Benson-Montin-Greer Drilling Corporation is willing to accept this on separate application if the Commission sees fit.

MR. GURLEY: I think we should proceed with that which is under the scope of the hearing.

MR. PORTER: Will you proceed, please?

G E O R G E H. H U N K E R ,

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

MR. HUNKER. My name is George H. Hunker, Jr., Attorney at Law, Hervey, Dow and Hinkle, Roswell, New Mexico. I am here today representing the Superior Oil Company. In the interest of conserving time, I will present a somewhat brief statement on behalf of the Superior Oil Company.

In cooperation with the other members of the San Juan Gas Allowable Committee, the Superior Oil Company wishes to advise the New Mexico Oil Conservation Commission for its consideration and approval of an interference test now being conducted under its direction in the Canyon Largo - Pictured Cliffs Pool, Rio Arriba County, New Mexico. For your information, the plat showing the test area is here presented and marked Superior's Exhibit Number 1.

(Marked Superior Oil Company's Exhibit Number 1, for identification.)

All wells in the immediate area of the test well are a part of the Federal approved unit operated by the Superior Oil Company. The working interests and royalty interests are common to all wells effected by the test. The Canyon Largo-Pictured Cliffs Pool is not prorated at the present time, however, the Superior Oil Company wishes to concur with the other members of the San Juan Gas Allowable Committee in seeking an order authorizing non-cancellation and/or transfer of allowables for wells involved in the test program, if and when this field is prorated.

The gas production from the wells in the test area are being measured and purchased by El Paso Natural Gas Company. The pressure measurements in the test well is being conducted by Benson and Montin. Superior's Slagle Government Number 2-19, located in the northwest quarter of the southeast quarter of Section 19, Township 25 North, Range 6 West was selected as the test well and was shut in on July the 30th, 1956 for observation and pressure test. The test well was completed in the Pictured Cliffs Formation on January 15, 1956, with a potential of 2,114 MCF per day. The deliverability at the time the well was shut in was 567 MCF per day.

As shown by the Superior's Exhibit Number 1, the offsetting wells to the test well are as follows: The northeast offset, Superior's Slagle Government 1-20, located in the southeast of the northwest of 20-25 North, 6 West. The northwest offset, Superior's Slagle Government Number 119, located in the southeast of the northwest of Section 19, 25 North, 6 West. The west offset, Superior's Hightower Government 2-24, located in the northwest of the southeast of 24, 25 North, 7 West. The southwest offset, Superior's Inabeth Phillips Government Number 1-30, located in the southeast of the northwest of Section 30, 25 North, 6 West. The south offset Superior's Inabeth Phillips Government 2-30, located in the northwest of the Southeast of Section 30, Township 25 North, Range 6 West, and the southeast offset, Superior's Inabeth Phillips Government Number 1-29, located in the southeast of the northwest of Section 29, Township 25 North, Range 6 West.

From time to time well data and the results of this interference test will be filed with the New Mexico Oil Conservation Commission on Forms A and B, which have today been previously entered in evidence. I would like to offer Superior's Exhibit Number 1, and state, that concluded my statement.

MR. PORTER: Without objection the exhibit will be admitted. Does anyone have a question of the witness? Mr. Morrell?

CROSS EXAMINATION

By MR. MORRELL:

Q Mr. Hunker, to clarify the record, where you examined your Exhibit 1, is it a map?

A Yes, sir.

Q Compare it, the location you described, compare it with the offset wells and the interference test well itself. I find in your description it requires a duplication of the second quarter to make it fit your map. So the record may show, Well Number 2-19 is the interference test well, should be in the northwest southeast, southeast.

A I think correct. The description, it is in the northwest of the southeast, but you refine it a little more and put it in the northwest of the northwest of the southeast, which is ---

Q The records of the Commission will speak for themselves, but someone reading this record should have it so they wouldn't have to refer to something else. I think the description you have given is to a 40-acre, but not to 64, because it is only, according to my record, approximately 990 feet from the south and east lines in Section 19.

A I beg your pardon. The statement is well taken. The well is located in the northwest corner of the southeast of the southeast of Section 19.

Q The same correction then goes for the other wells. I wonder if you wanted to correct those. I don't recall the first offset well, was it 1-19 or 1-20?

A It is Number 1-20.

Q It should be in the northwest of the northwest of Section 20?

A Mr. Morrell, you have caught me at my own business. I apologize. Yes, you are correct, it is in the northwest of the northwest of Section 20. The same correction should be made with respect to Number 19, it is in the northwest of the northwest of

Section 19. The west offset should be described as being in the southeast of the southeast of Section 24.

Q Being Hightower Number 2?

A The Hightower Number 2. The southwest offset should be described as being located in the northwest of the northwest of Section 30; the south offset should be shown to be located in the southeast of the southeast of Section 30; the southeast offset should be shown to be located in the northwest of the northwest of Section 29.

MR. MORRELL: That corrects the record.

MR. PORTER: Does anyone else have a question of the witness?
Mr. Utz?

BY MR. UTZ:

Q The locations of the wells on your Exhibit Number 1 are correct?

A The locations are correct, yes, sir. The descriptions which I gave in my statement previously are incorrect, but have now been corrected for the record.

Q Will Superior submit to the Commission the data on Form A the pertinent data of the wells included in the interference test?

A Yes, sir, it will.

Q That is not available at the present time?

A The information, with respect to the test is not available at the present time in complete form. We can present it to you in the next day or two.

MR. PORTER: Any further questions? Mr. Mankin?

By MR. MANKIN:

Q When was the interference test started?

A The well was shut in on the 30th of July, 1956, and the test started immediately.

Q The test is still continuing?

A The test is continuing at the present time, and the field again is not prorated. Our only desire in this particular connection is to state that in the event the field becomes a prorated field that we would like to have the benefit of any order the Commission might see fit to enter with respect to the non-cancellation of the allowable, or the transfer of the allowable to the adjoining well.

MR. PORTER: Any further questions? The witness may be excused.

(Witness excused.)

MR. PORTER: The next witness, please.

MR. HOWELL: Ben Howell, representing El Paso Natural Gas Company.

F. NORMAN WOODRUFF,

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

DIRECT EXAMINATION

By MR. HOWELL:

Q Mr. Woodruff, will you please state your name for the record?

A F. Norman Woodruff.

Q Have you testified before this Commission in prior times, and have you stated your qualifications as an engineer and expert witness?

A Yes, I have.

Q Will you please state briefly to the Commission the work which El Paso Natural Gas Company has done in connection with the communication, interference test, and pressure build-up test in various Pictured Cliffs Pool in the San Juan Basin?

A Yes, sir. El Paso Natural Gas Company has served on this San Juan Gas Allowable Committee, and wishes to join in the taking of the communication test, as I shall refer to them in my testimony, and in the taking of pressure build-up tests in various Pictured Cliffs Pool. It is requested that the following wells be designated as test wells, to remain shut in during communication tests: The El Paso McConnell Number 4, located in the northeast quarter of the southwest quarter of Section 24, Township 26 North, Range 9 West, Ballard Pool, San Juan County, New Mexico. The El Paso Ludwick Number 2, located in the southeast quarter of the southeast quarter, Section 19, Township 30 North, Range 10 West, Aztec Pool, San Juan County. El Paso Jicarilla 2-E, located in the southwest of the southeast, Section 19, Township 25 North, Range 4 West, South Blanco Pool, Rio Arriba County. Mike Abraham Jicarilla Number 9, located in the northeast quarter southwest quarter, Section 28, Township 24 North, Range 5 West, Otero Pool, Rio Arriba County.

Our El Paso Natural Gas Company Exhibit Number 1, will be a plat showing the location of the McConnell Number 4 Well, and offset wells in the Ballard.

(Marked El Paso Natural Gas Company
Exhibit No. 1, for identification.)

A (Continuing) Exhibit Number 2 is a well data sheet setting out location and test data for the McConnell Number 4 Well and offset wells.

(Marked El Paso Natural Gas Company Exhibit No. 2, for identification.)

MR. HOWELL: At this point may I interrupt in connection with the application of Benson and Montin and Greer, for the bonus allowable? The point was raised by Mr. Gurley, attorney for the Commission as to the admissibility of testimony, or the matter being within the call of the hearing. I do not recall any actual ruling made by the Commission. The next exhibits which we have, and the next testimony which we had planned, covered the shut-in of our McConnell 4 Well since June of this year, which is located in the Ballard Pool, and not presently prorated, but will become prorated on the first of October. Now, if the testimony is admissible we will go ahead and put it in, if it is not, admissible, and the Commission rules it is not, we will save that time.

MR. GURLEY: Are you asking for that particular well the same as the other party?

MR. HOWELL: The principle involved is the same.

MR. GURLEY: For bonus allowable?

MR. HOWELL: To cover the period when the well has been shut in for testing procedures after well testing and after appointment of the Committee.

(Marked El Paso Natural Gas Company Exhibits 3, 4 and 5, for identification.)

MR. PORTER: The Commission rules that any testimony in relation to bonus allowables being granted as they have been referred

to here, are not within the call of the hearing, and orders that portion of Mr. Stanley's testimony having to do with bonus allowances stricken from the record, as we feel that that should be the subject of another hearing.

MR. HOWELL: May the record show then that the El Paso Natural Gas Company has tendered its Exhibits 3, 4 and 5, which are the tests for the months of June, July and August, 1956, for the McConnell Number 4 Well, and for production from the offset wells during the same months. You refuse to admit that and it will be excluded.

MR. PORTER: That is right, it will be excluded.

Q (By MR. HOWELL) Mr. Woodruff, Exhibits 3, 4 and 5, having been excluded, will you now present to the Commission the exhibits covering the location and data sheet of other wells involved in the testing procedure?

A In designating the number of the exhibit, should we start off with 6, or should we start off with the 3?

Q I would say start with 6, since 3, 4 and 5 have been identified, offered and rejected.

(Marked El Paso Natural Gas Company,
Exhibit No. 6, for identification.)

A Exhibit 6 is a plat showing the location of the El Paso Natural Gas Ludwick Number 2 Well and offset wells in the Aztec Pool.

(Marked El Paso Natural Gas Company
Exhibits 7 & 8 for identification.)

A (Continuing) Exhibit 7 is a data sheet showing location, completion and test data for the test well and offset wells.

Exhibit Number 8 is a plat showing the location of the El Paso Natural Gas Company Jicarilla 2-E Well, and offset wells in the South Blanco Pool.

(Marked Exhibits 9, 10, 11 and 12, for identification.)

Exhibit 9 is a data sheet showing the location, completion and test data for the test well, and the offset wells. Exhibit 10 is a plat showing the location of the Abraham Jicarilla Number 9 Well, and offset wells in the Otero Pool. Exhibit Number 11 is a data sheet showing the location and completion and test data for the test well and offset wells.

Q By exhibit number, you refer to El Paso Natural Gas Company Exhibit Numbers from 6 through 11?

A That is correct. We will have three additional exhibits with the same designation. All test wells except the Abraham Jicarilla Number 9 are presently shut in and on test. It is requested that they be permitted to remain shut in for communication tests, and that the Abraham Jicarilla Number 9 be authorized for shut-in and communication test. During the period that these wells are shut in, it is requested that they be assigned allowables which may be either accrued without cancellation, for subsequent production, and/or transferred to and produced from other wells on the same basic lease.

It is requested that accounting for the accumulation, for the accumulation of allowables without cancellation or transfer of the allowables for the shut-in test well be made each six months on the balancing date or at the end of the test, whichever occurs first; if allowables are to be transferred, it is re-

requested that over-production from other wells on the same basic lease either in the same or adjoining sections be applied to the accrued under-production for the shut-in test well, and that a correct determination be made for the status of all wells concerned.

Q May I interrupt a minute, Mr. Woodruff? Now, which of the four wells which we have named are located in prorated pools, and which are located outside of prorated pools?

A The Ludwick Number 2 Well in the Aztec Pool is a prorated well. The Jicarilla 2-E in the South Blanco Pool is a prorated well, and our McConnell Number 4 in the Ballard will be a prorated well on October 1st.

Q What about the Jicarilla Number 9?

A The Number 9 is in the Otero Pool, and is not in a prorated pool at this time, but should it be prorated at the time of the test, we would want the same privilege of non-cancellation and transfer of allowables.

In order to obtain results in the shortest possible time the El Paso McConnell Number 4 in the Ballard and the Jicarilla Number 2-E in South Blanco Pool were shut in after initial potential test, and have remained shut in to date, except for one brief period when the McConnell Number 4 was blown to determine if there was any liquid accumulation in the wellbore. That was for a two minute interval. It is contemplated that these wells will remain shut in beyond the period specified, in Order R-333C and D and applicable file rules for testing after connection to a gas transportation facility. That is, they will remain shut in after the period that the order specifies that they should be tested.

Order R-333-C and D, sets out the gas well testing procedure for the wells in the San Juan Basin. It is requested that exemptions be given to the requirements of Order R-333-C and D, and to the applicable field rules to permit the postponement of initial deliverability test until after the well has completed its communication test, and has been placed on production.

We also ask that the assignment of allowables be made retroactive to the date of connection of the test well. The date of connection of the test well would be the date it would have been entitled to allowable, had it not been shut in for test purposes. As Pictured Cliffs development continues it may be desirable to designate additional test wells, and additional offset wells both to the wells presently being designated as test wells and for future test wells for this reason. It is recommended that the Commission provide in the order authorizing these communication tests for the addition or deletion of test and offset wells made administratively at the discretion of the Commission Staff.

In addition to those wells discussed above, for which we are requesting authorization for communication tests, we wish to request authorization for continuation of pressure build-up tests for the following Pictured Cliffs Wells: The El Paso Murphys-D located in the southeast quarter of Section 27, 30 and 11, Aztec Pool, San Juan County; El Paso Storey B-2 located in Section 11 of 30 and 11 Aztec Pool, San Juan County; El Paso Ballard 1-10 located in the southwest quarter of Section 10, 26 and 9, Ballard Pool, San Juan County. Exhibit 12

Q That is El Paso Natural Gas Company Exhibit?

A Yes. El Paso Natural Gas Company Exhibit 12 is a plat showing the location of the Murphy 1-D and offset wells.

(Marked El Paso Natural Gas Company Exhibits 13 and 14, for identification.)

A El Paso Natural Gas Company Exhibit 13 is a plat showing the location of the Storey B-2 Well and offset wells. Exhibit Number 14 is a plat showing the location of the Ballard 1-10 and offset wells.

The Murphy 1-D Well in the Aztec Pool was shut in for pressure build-up April 17, 1956 at a pressure of 469 pounds at the time, and at the time of the last pressure test on September 10th had a pressure of 546 pounds. This well is building up at approximately one pound per week, and we consider is reaching a near stabilized condition.

The Storey 2-B Well was shut in on April 16, 1956, had a pressure on the first time that a pressure was taken after shut-in of 481 pounds per square inch, and on the latest test taken on September 10th had a shut in pressure of 625 pounds per square inch. The pressures on this well reflect that it is increasing in pressure about one pound per week and we consider that this well, too, is in an approximate stabilized condition.

The Ballard 1-10 Well was shut in for pressure build-up on August 9, 1956, had a pressure at the first time a pressure was taken after shut in, of 493 pounds. On September 10th it had a pressure of 930.7 pounds, and is increasing at approximately six to eight pounds per week at this time, and we think is quite a bit off from stabilization at this time.

All three test wells are presently shut in and it is requested that they be permitted to remain shut in until maximum build-up pressures are recorded. During the period that these test wells are shut in, it is requested that they be assigned allowables that may be either accrued without cancellation, for subsequent production by that well and/or transferred to and produced from other wells on the same basic lease. It is requested that an accounting for the accumulation for the allowables without cancellation or transfer of the allowables for the shut-in test wells be made on each six months on the balancing date, or at the end of the test, whichever occurs first. If the allowables are to be transferred, it is requested that over-production from other wells on the same basic lease either in the same section or the adjoining sections be applied to the accrued under-production for the shut-in test well, and that a correct determining be made of the status for all wells concerned.

It is contemplated that from time to time it may be desirable to shut in additional wells for pressure build-up tests. In the order authorizing these special build-up tests, it is recommended that the Commission provide for administrative authorization of additional pressure build-up tests at the discretion of the Commission Staff.

All wells testified to are Pictured Cliffs Wells capable of producing. We will, subsequent to this hearing, file with the Commission all test data to date, and subsequent test data as it is accrued will be filed with the Commission. As was indicated by Mr. Dewey, our wells will be padlocked so as to prevent production

during the time of test authorized by the Commission. I believe that is all I have, Mr. Howell.

MR. HOWELL: At this time, may we offer El Paso Natural Gas Company's Exhibits 1 and 2 and 6 through 14, inclusive?

MR. PORTER: Is there any objection to the admission of these exhibits? They will be admitted. Anyone have a question of Mr. Woodruff? Mr. Utz?

CROSS EXAMINATION

By MR. UTZ:

Q Mr. Woodruff, did I understand that you were asking for an adjustment or transfer of allowable each six months, or at the end of the balancing period?

A At the end of each balancing period, unless the end of the test comes before the balancing date, whichever occurs first, would be the time of accounting.

Q In other words, if the well was on test only two months before the end of the balancing period, you would want the wells balanced and the allowable transferred at that time?

A I think that it would be appropriate to handle it that way. However, in thinking, I don't see that it will be necessarily any discrimination in waiting until the balancing date if it was the desire of the Commission to do so.

Q Do you think there would be any discrimination in waiting until the completion of the build-up or pressure interference test before adjusting or transferring allowables?

A I don't believe that we could define discrimination as something which would occur. Possibly my discussion of the dis-

crimination was improper. However, I do think, Mr. Utz, in order to keep the well in the pool, as nearly in balance as possible, that the more frequent accounting would aid in that matter.

Q Do you not think that a more frequent accounting on regard of transfer of allowables might be more confusing and complicate your bookkeeping procedure?

A Actually I think not because the Commission, as I visualize, must on each balancing date, determine the status of every well and they must determine how much over-production has been accrued to that well which must be made up in the next six months period. Should we make an accounting or balancing date so as to cancel that portion of a well's over-production equivalent to that volume of under-production accrued to the shut-in well, I think that would enable us to keep the well more nearly in balance, to know what the status should be.

Q If the well went through two balancing period on the test, there would therefore be two times of accounting on the group of wells, wouldn't there?

A That is correct.

Q Whereas, if you waited until the test was over, there would be one accounting for the whole thing?

A That is correct. If we did not do that, just thinking, Mr. Utz, we would have to request for those wells on the same basic lease which might have allowables transferred to them, exception to the Commission rules which would require making up of over-production accrued as of a balancing date, otherwise a well with over-production at one balancing date would have to get

in balance during the succeeding balancing date.

Q It is my understanding, Mr. Woodruff, that is exactly what you were asking for was the non-cancellation of underage or overage.

A I don't believe that my request was for that, however, I think that I should have requested it if we were to approach it in the manner which you have outlined to me.

Q It occurs to me that it would be simpler to wait until the completion of the test in order to ~~just~~ group the wells on each test.

A We could live with either type of procedure.

Q It is my understanding also, Mr. Woodruff, that you are requesting the order to include the provisions for administrative approval for additional tests in the pools which are included in the call of the hearing?

A That is correct.

Q Then, in effect, that order would become a permanent order and exceptions to proration orders as well as R-333-C and D.

A I am not sure that I followed you, Mr. Utz, would you lead me through there again, please?

Q If we include in the order written on this occasion, the provisions for administrative approval of additional interference or build-up tests, then that order would, in effect, be a permanent order and a permanent exception to the testing orders, as well as the proration orders?

A That is correct, during the period of test authorized by the Commission.

Q In other words, any time from the date of the order on if you wanted to request a new test you could do so and receive it administratively?

A Yes, sir.

Q Do you believe that is a desirable feature?

A Yes, sir.

Q That would, in effect, place the Commission in the position of having to determine the feasibility of each test requested, wouldn't it?

A Yes, sir.

Q Do you think it would be additional burden, or any undue additional burden on the operators to request an examiner's hearing for additional tests?

A I would think it would be an unnecessary burden both to the operators and to the Commission.

Q Will the transfer of allowables in any of the tests from the shut-in well be to leases, basic leases on which the shut-in well was located?

A Yes, sir, that is what is proposed.

Q In other words, there will be no transfer of allowable on the basic leases, other than the wells which are shut in?

A That is correct.

MR. UTZ: That is all I have.

MR. PORTER: Mr. Arnold?

MR. ARNOLD: I would like to ask one question.

By MR. ARNOLD:

Q I think you said on these wells that you were shutting in for pressure build-up, that you wanted an exception to the testing

orders and the proration order so that you could assign a retroactive allowable to the date of connection, or any alternative transfer of the allowable, is that right?

A That is for the wells on pressure build-up?

Q Yes.

A I don't believe that my recommendations went quite that far. There again, possibly I was short-sighted. All wells that we have covered in this test, or wells that have produced and if they are in prorated pools, have received allowables. Should we subsequently wish to shut in a well, at the time of completion, prior to its having a deliverability test, we would want to request the same privilege of receiving an allowable, after the test is completed and after the deliverability test has been taken, with retroactive assignment of allowable, back to the time that the well was connected, as we requested for the well on the communication test.

Q At that time, you think you would want to choose at that time whether you wanted a retroactive allowable on that well, or whether you also wanted the privilege of transferring some of that allowable to another well at that time?

A We would want the retroactive allowable with the privilege of determining whether it should be produced by that well, or transferred to other wells on the same basic lease.

MR. PORTER: Mr. Utz?

By MR. UTZ:

Q Mr. Woodruff, you are asking for the non-cancellation or transfer of overage and underage which has accumulated on this during the period of the test, is that correct?

A As was discussed with you by Mr. Meeks of Stanolind, I think that it would be appropriate to carry forward the entire status of the well. If the underproduction accumulated was not a reflection of the well's inability to produce it's allowable, if the well could produce its allowable, then it could conceivably, during the period it was shut in, make up the underproduction that was accumulated at the time it was shut in. I do not think it would be appropriate to deny it the privilege of making that under-production.

MR. GURLEY: There again, you are just asking for the tolling of the rule during the time of the shut-in.

Q Would not that well have the privilege of making up that under-production after the test?

A As I would visualize the accounting, no, because -- or as you visualize it, possibly yes. I think it should have the privilege. That is what I am recommending to you.

Q Well, perhaps we don't understand each other. If the well began the test with, let's say, 1,000,000 underage, and, of course, during the test it would accumulate substantial underage in excess of that, at the end of the test, is it your opinion that that well should again start out the period with the 1,000,000 underage which it had before the beginning?

A I think it should start out the period with the 1,000,000, plus any accumulated underage during the test period that was not transferred to, or produced by other offset wells on the basic lease.

Q Then, in effect, you would not be transferring any allow-

able which had accrued before the test?

A I would permit the production of the accumulated underage as of the time the test started, either by offset wells during the test, or after the test, as may be determined appropriate by the operator.

Q I wonder if the call of the hearing is for transfer of allowables prior to the beginning of the test.

A I don't know that I should express myself there as to what the call --

MR. GURLEY: (Interrupting) I would suggest a ruling on that thing. I think the call of the hearing includes the non-cancellation which would include that that accrued at the time the well was shut in, in my opinion, and would therefore be within the call of the hearing.

MR. UTZ: Would it be within the call of the hearing to also transfer that amount of the underage that was accrued before the beginning of the test?

MR. HOWELL: It seems to me that the language is right clear -- It says, "Authorizing the non-cancellation and transfer of allowables for wells involved in the test program". It doesn't say of allowables during the test period. It just says, of allowables. We submit it would be within the call of the hearing.

Q (By MR. UTZ) I will make myself clear. It is my opinion that any underage that is transferred to other wells which that well could not have possibly made during the period of the test is not underage that should be transferred to any wells. It seems to me that we were approaching the situation of someone asking for

an interference test for that very purpose, because the well will not produce its allowable, but they could transfer that underage it is not capable of making to wells that can produce it.

A I believe, Mr. Utz, my recommendation was for the continuation of under production to a well only in instances where it had a capacity to have produced the allowable during the period that it was accrued.

Q By capacity, do you mean what the well would actually produce into the pipeline, or its deliverability?

A Actually what it would produce into the pipeline.

Q In other words, we would get into a proposition of accumulating production history in order to determine whether or not that well should have that transferred?

A I think that could be a matter which the operator would be required to furnish at the time that such a condition existed.

Q In other words, you are complicating these tests, as to where it is going to be quite a chore for the Commission?

By MR. KENDRICK:

Q I think it was testified before, that the other well in the Ballard-Pictured Cliffs Pool was substantially larger than the average well in the Ballard Pool, and your McConnell well is some two times, according to absolute openflow, two times as good as well. Do you know whether or not the San Juan Allowable Committee has attempted to set up tests to be taken on average wells in the Ballard-Pictured Cliffs Pool?

A First, I'll say that I did not testify in that regard. However, it was the intent of the Committee to pick average wells

where such average wells were available. The only well that I know of, of the group that we are asking authorization for tests for, that is not what you might call an average well, is the McConnell Number 4. We offered that for test, and it was accepted by the Committee, because it had just recently been completed and had not yet started on production. However, I think the evidence of the communication test on that, or a poor or average well stands on its own in regard to the type of well.

Q But, it is one of the --

A It had --

Q It had a capacity of being one of the very largest wells in the pool?

A It had a 15,000,000 plus, initial potential of the offset wells there is a 13,000,000, 11,000,000 and two, I believe, one I think about 6,000,000 and one in approximately 2,000,000 category. I can give you those figures if you are interested.

Q I believe they are on your Exhibit Number 2?

A That is correct.

Q In your opinion, is it in the areas of the large wells that that would be the most logical area for interference to be proved?

A I think interference would be evidenced normally, more rapidly, because of the ability to withdraw larger volumes of gas.

MR. KENDRICK: That is all.

MR. PORTER: Anyone else have a question. Mr. Kellahin?

By MR. KELLAHIN:

Q Mr. Woodruff, do you have any objection to filing a testing schedule with the Commission, as was proposed by Humble? That is,

the date of the test, so that they can be observed by Commission observer?

A No, it is actually our intent, and it is my understanding that we have, to date, advised the Commission Office prior to going out to take any of the tests that have been taken since this Committee was formed.

Q What office did you advise, the Aztec?

A The Aztec. I don't know whether the office here was advised or not. We will certainly be glad to advise either or both offices.

Q How long in advance of the test would you be willing to do that?

A You say, how long would we be willing to do that?

Q How long in advance of the test proposed?

A Normally it would be difficult to advise more than a day or two in advance, because of various circumstances that might prevent you from going out on a specific date.

Q You would, in your opinion, be able to give a day or two days' notice?

A I believe that is correct.

Q Mr. Woodruff, in order to conduct the test of the type which are proposed, is it necessary to have continuous production from the offset wells?

A It is not necessary, but I would think it would be desirable in that it would give results in a shorter period of time.

Q It would also give a little better result, would it not, in the sense there would be no intermittent changes from time to time?

A I don't visualize, Mr. Kellahin, that it would give any better results. It would just be time involved rather than results involved.

Q Are you in a position, or in your opinion, will it be possible to produce these offsetting wells, all of them that are involved in this test, on a fairly continuous rate?

A Not without the Commission permitting offset wells to produce, and accrue over-production without cancellation during the test period, but rather to permit the making up of any over-production at the end of the test period. Some of the wells, to explain myself, are large wells. The allowables can be produced, say, in ten days. Now, for those wells to continue producing for the whole period would require over-production.

Q Has it been the practice to produce the allowable in ten days and then shut the well in?

A Yes, sir.

Q That has been the practice?

A Yes, sir.

Q On the basis of the statement which you have just made, and if the Commission does not allow the accumulation of this over-production, have you any estimate as to how long it would take to conduct these tests?

A No, sir.

Q That would be a difficult estimate?

A It would be, as evidenced by, withdraw that the evidence was not accepted. I might state that our McConnell Well has shown a substantial pressure draw down of better than 16 pounds in

approximately a 90 day period, but I think as was brought out in Mr. Kendrick's testimony, it is a better than average well.

Q And you might find an entirely different situation in one of the other pools?

A Yes, I think we will.

Q You think you probably will?

A I think we will take more time in other pools.

MR. KELLAHIN: Thank you.

RE-DIRECT EXAMINATION

By MR. HOWELL:

Q You have just testified as to a loss of about 16 pounds pressure in the McConnell Number 4. Assuming that other wells which are shut in for interference tests also lose pressure, would the result of the loss of pressure be to make it more difficult for those wells to make up any under-production which they had at the time the test started?

A It may well be, Mr. Howell, because the reduction in pressure reflects a reduction in reserve. With reduction in reserve normally goes lower deliverability of the well reduction in pressure and reduction in reserves.

MR. HOWELL: That is all.

RE-CROSS EXAMINATION

By MR. MANKIN:

Q Mr. Woodruff, it wasn't quite clear in your original request for a retroactive allowable. Would you explain what your recommendation is in that respect again?

A For those wells that are placed on test upon completion,

you will not be able to take the deliverability tests required by the applicable rules and Order R-333 D and C, within 45 days after the well is connected to a gas transportation facility. So, my recommendation is that the operators be given exceptions, so as to permit the taking of the deliverability test after the communication test is completed, and that the allowable then be calculated based on the deliverability test taken at that time, and be made retroactive to the date that the well was connected. Then, at the time the test is over the well will have an accumulated allowable which it could produce by itself, or which may be applied to over-production accumulated during a test period from offset wells on the same basic lease, or which may be produced after the test is over, from the same wells.

Q This retroactive allowable would not be concerned with any period prior to this hearing?

A The retroactive allowable should be to the date of connection of the well, whether before or after the date of this hearing. We are requesting of the Commission acceptance and consideration of the test data accrued prior to the date of this hearing, and authorization of the test from the date that it was started. —

Q What you are saying then is that instead of taking the deliverability tests upon the completion of wells, you feel that that should not be done, but should be taken at some later date, is that correct?

A In order to get the well tested in the shortest period of time, I think we should forego the deliverability test on completion because that would result in drawing down the pressure

of the well and a period of build-up prior to starting the communication test. So, if we start our communication test without taking our deliverability, we can get our results sooner.

Q Do you feel that it is in the call of this hearing to consider retroactive allowables?

A I think that it is. Certainly, Mr. Mankin, I consider we are asking exceptions to the rules existing for these wells which would require the deliverability test immediately upon completion, then only asking that the well be given what it would be entitled to had that exception not been granted.

MR. HOWELL: Might I comment a minute, as to our interpretation of the law on that point is that the day of connection to a gas transportation facility, the date determines its right to have an allowable. If you have to wait to a later date to determine the allowable, you are not in effect, giving it a retroactive allowable. You are giving it the allowable as of the date when the connection was made, when the Statute says is the time you can determine if it is to have an allowable. You are merely postponing your testing and determination of what the allowable would be until the date when you get a test of the deliverability, after the interference test has been completed, and we submit that it is not the granting of a retroactive allowable, it is merely postponing the computation of what the allowable was that the well was entitled to on the date it was connected.

MR. COOLEY: I believe granting the allowable is contingent on taking the deliverability test, is it not?

MR. HOWELL: That, of course, would be the portion that

would be waived, or the exception granted as to the deliverability test of these particular wells.

MR. COOLEY: Is it the interpretation of the law then that the allowable would date back to the time that the Commission granted the exception from taking the deliverability test?

MR. HOWELL: Well, the allowable would be to the date that the well had its connection.

MR. COOLEY: I do not have it at hand right now, I think the allowable is assigned at the time of connection if there has been a deliverability test taken.

MR. WALKER: If anybody wants to ask a question of the witness, you can argue the legal questions later.

By MR. KENDRICK:

Q Mr. Woodruff, you might clarify this matter a little as to the exceptions to the testing order. I believe the testing order is now stated: Within 45 days after connection a test will be submitted. Would it be your opinion that the variation in the order should read that within 45 days after first delivery ~~test~~, after your communication test that is, or within 45 days of the end of the communication test, when first delivery was made, that the deliverability test will be submitted? In other words, substitute the time after first delivery after the communication test, instead of connection for that particular well?

A I think that we should be expected to get the test in within the 45-day period after the well has initiated its production, unless we then ask for additional exception to the testing procedure.

By MR. UTZ:

Q Would it be more difficult for the shut-in wells to make up the underage itself rather than transfer it?

A Yes, it would be more difficult.

Q That is why you are asking for the transfer of allowable?

A That is one of the reason, Mr. Utz, yes.

Q On the wells that you plan to over-produce, how much in excess of a normal allowable would you say that you plan to over-produce?

A I have no figure that I would recommend, Mr. Utz.

Q How much pressure drop and shut-in well would you say, minimum pressure drop, would you say definitely proved interference?

A I would not say that either, Mr. Utz. I think it would depend on each individual test case as what we consider would be appropriate.

Q Any drop in pressure would indicate that gas was being pulled out from that particular location?

A That is correct. I think we ought to indicate enough pressure drop so as to prove that what is previously indicated as drop was correct to set up a trend.

MR. UTZ: That is all.

MR. PORTER: Anyone else have a question? Mr. Christie?

By MR. CHRISTIE:

Q I just wanted the record to show that this statement is or is not correct. If this application is granted, am I correct in saying that the El Paso will assume the burden of collecting the

information on the Amerada Wells, the B-2 and B-8 and report that information along with the other data?

A Yes, we will and have assumed the burden of collecting the data. As far as reporting it to the Commission is concerned, I think we can also do that. We will be glad to work that out between you and ourselves.

MR. PORTER: Mr. Stanley?

By MR. STANLEY:

Q I would like to clarify the record please, Mr. Woodruff. All you are asking for is an exception on retroactive or transfer of allowable to obtain scientific information, is that not correct?

A That is correct.

Q You are not asking to grab every cubic foot of gas with every 50 foot of red tape?

A I don't believe so.

MR. PORTER: Anyone else have a question of the witness? The witness may be excused.

(Witness excused.)

MR. PORTER: Anymore witnesses in this case?

MR. COOLEY: The Commission should at this time call Mr. Morrell for cross examination.

MR. PORTER: Mr. Morrell, will you resume the stand for cross examination?

F O S T E R M O R R E L L

recalled as a witness, having been previously duly sworn, testified further as follows:

MR. MORRELL: If the Commission please, I overlooked in my

direct testimony, the offer in evidence of the San Juan Gas Allowable Committee's Exhibits 1 to 4. I would like to so offer them at this time.

MR. PORTER: Exhibits 1 through 4 of the San Juan Gas Allowable Committee. Is there objection to the admittance of the exhibits? They will be admitted.

MR. WALKER: Did you have any questions, Mr. Kellahin, of Mr. Morrell?

MR. KELLAHIN: I think the questions have been substantially answered.

MR. PORTER: Does anyone have a question? Mr. Cooley?

CROSS EXAMINATION

By MR. COOLEY:

Q I would like to summarize just one thing. Numerous things are asked for; in writing the order. I would like to catch them in one wake. The summary includes all the things which has been asked for, transfer or non-cancellation of the allowables on the test wells which are closed in; exception from the requirements of the deliverability test until such time as the well is put on --

A (Interrupting) 45 days after it is put on production.

Q (Continuing) -- Assignment of allowables of test wells, retroactive to date of connection. I think we have whipped that one over pretty well. Fourth, administrative authorization of further like tests and gas pools enumerated, and only those enumerated in the call of this hearing?

A Which I understand are seven pools. --

Q In answer to my question, that does include all of the --

A (Interrupting) Together with the exceptions to the special rules and regulations effecting those pools.

MR. PORTER: Are you through, Mr. Cooley? Anyone else have a question of Mr. Morrell?

MR. MORRELL: Mr. Chairman, I have one other statement I would like to make. Humble refers to furnishing the information to the Commission on approved forms. The Committee has furnished Forms A and B, if the Commission could advise the operators that Form A and B are acceptable to the Commission, it would expedite furnishing the data for you.

MR. PORTER: Those forms, I assume, would have to be examined by the Commission Staff. We will so advise you.

MR. MORRELL: Either so advise me, or include it in the order.

MR. PORTER: Yes, sir. If no more questions of the witness, he may be excused.

(Witness excused.)

MR. PORTER: Any statements?

MR. KELLAHIN: Jason Kellahin, on behalf of R and G Drilling Company. We would like to see any order entered by the Commission include a provision that the Commission be notified of any tests to be conducted in advance of those tests, sufficiently in advance of those tests to allow a witness of the Commission to be present and, further, that the results of these tests be required to be filed with the Commission, and available to any operator in the San Juan Basin or in the effected pools. Since they are asking for a transfer of allowables, certainly I think

any operator is entitled to know the results of these tests as soon as they have been completed, within a reasonable time after that date. We would like to see the order include such a provision.

MR. PORTER: Anyone else?

MR. MORRELL: We have no objection to the inclusion of that provision.

MR. PORTER: If there is nothing further, the case will be taken under advisement.

* * * * *

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) SS.

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

WITNESS MY HAND AND SEAL this, the 29th day of September, 1956.

Ada Dearnley
NOTARY PUBLIC - COURT REPORTER

My Commission Expires:
June 19, 1959