

EXAMINER HEARING
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 7, 1958

IN THE MATTER OF: Case No. 1359

TRANSCRIPT OF PROCEEDINGS

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EXAMINER HEARING
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IN THE MATTER OF:

Application of El Paso Natural Gas Company for an
order extending the time allowed for making annual
deliverability and shut-in pressure tests, and
requesting allowables for 237 gas wells in certain
prorated, non-prorated, and undesignated gas pools
in San Juan and Rio Arriba Counties, New Mexico. Case No. 1359
Applicant, in the above-styled cause, seeks an
order extending the time allowed for making annual
deliverability and shut-in pressure tests, and
requesting allowables for 237 gas wells in the
Blanco Mesaverde, Fulcher Kutz-Pictured Cliffs,
West Kutz-Pictured Cliffs, Aztec-Pictured Cliffs,
South Blanco-Pictured Cliffs, Ballard-Pictured
Cliffs, Otero, Canyon Largo, East Companero
Dakota, Tapacito, West Kutz-Fruitland, North Los
Pinos-Fruitland, and South Los Pinos-Fruitland
Gas Pools and in undesignated Fruitland, Pictured
Cliffs, and La Ventana gas pools in San Juan and
Rio Arriba Counties, New Mexico.

BEFORE: Mr. Daniel S. Nutter, Examiner

TRANSCRIPT OF PROCEEDINGS

MR. NUTTER: We will proceed next with Case 1359.

MR. COOLEY: Case 1359: Application of El Paso Natural Gas
Company for an order extending the time allowed for making annual
deliverability and shut-in pressure tests, and requesting allowables
for 237 gas wells in certain prorated, non-prorated, and undesigna-
ted gas pools in San Juan and Rio Arriba Counties, New Mexico.

(El Paso's Exhibit A marked for
identification.)

(Witness sworn.)

DAVID H. RAINEY

a witness, of lawful age, having been first duly sworn on oath,
testified as follows:

DIRECT EXAMINATION

By MR. WHITWORTH:

Q Please state your full name.

A David H. Rainey.

Q By whom and in what capacity are you employed?

A El Paso Natural Gas Company as an administrative assistant
in the proration department.

Q Have you had occasion to testify before in a hearing before
this Commission?

A Yes, sir.

Q Were you qualified as an expert at that time?

A Yes, sir.

MR. WHITWORTH: We request that this witness be accepted
as an expert.

MR. NUTTER: The witness is accepted as an expert witness.

Q Have you had occasion to read and study the application of
the applicant in this case, Mr. Rainey?

A Yes, sir, I have.

Q I notice by the application that it is alleged that approx-
imately 237 wells are involved in this application. In actuality,
how many wells are involved?

A There are 186 now.

Q Have you prepared a list of the wells involved in this case?

A Yes, I have.

Q Have you designated that list as an exhibit?

A Yes, sir. It is marked as Applicant's Exhibit A and consists of five pages broken down into areas for testing purposes.

Q Now are you familiar with the situation as outlined in said application?

A Yes.

Q Have you prepared a statement concerning this situation?

A Yes, sir, I have.

Q Would you please read that statement at this time to the Commission?

A In this Hearing, El Paso Natural Gas Company is making application on behalf of itself and others for an extension of time in which to complete the taking of 1957 Annual Deliverability Tests in the San Juan Basin area as required by Order No. R-333-C & D and the pool rules in the prorated pools and our application should be clarified to reflect that it is for the 1957 tests.

Our Application states that there are approximately 237 wells involved on which tests are not yet completed. We would like to amend that to 186 wells involved of which 49 are scheduled to be completed today, January 7, 1958, leaving a total of 137 wells. I might add here that the list on Exhibit A includes the full 186 wells, since we won't be able to file those tests prior to the

January 10th deadline. Of the remaining 137 wells, 109 are operated by El Paso Natural Gas Company or Pacific Northwest Pipeline Corporation for which El Paso acts as agent, and 28 are operated by other operators and connected to El Paso's or Pacific's systems.

Our Application stated that it was anticipated that these tests would be completed by January 23, 1958. It is now believed it will be January 30, 1958 before these tests are completed. This is necessitated by the addition of one other group of wells subsequent to the time of the Application due to the fact that in some cases, inconclusive tests were obtained, and in other cases, tests had to be interrupted for any one of several reasons. The wells in this additional group are scattered fairly widely over the Basin, except that they are principally confined to the Blanco Mesaverde and South Blanco Pictured Cliffs Pools. El Paso requested in their Application, sufficient time in which to conduct the annual tests on the wells involved. We now believe that March 1, 1958 will allow us sufficient time in which to file these tests with the Commission. This would allow for the completion of currently scheduled tests, for calculations and possible re-tests of wells currently on test.

It has been necessary, because of various factors affecting market demand occasioned by lack of allowables in the Lea County area and the construction of new facilities in the San Juan area, to interrupt the tests in entire areas for short periods of time, thereby necessitating the re-scheduling of the wells in those areas

at some subsequent time.

As the Commission is aware, there are nearly 3,000 wells in the San Juan Basin area connected to either El Paso or Pacific Northwest for which, as was previously stated, El Paso acts as agent. With this large number of wells, many tests on individual wells have been interrupted either because of mechanical failures of the equipment on the well itself, or the fact that some wells were inadvertently turned on before sufficient shut-in time had been obtained or failed to be shut-in at the proper time due to inability to reach the well locations during several periods of extremely inclement weather. Failure to complete the tests in the prescribed time has been due to the factors outlined above and has not been due to the lack of honest effort on the part of the operators involved in this Application.

There will be definite discrimination against the wells involved in this Application if the relief sought is not granted because these wells would be deprived of allowables to which they are entitled as part of the current market demand. By granting this Application, there will not be discrimination against wells already tested because the allowables and status of the wells involved in this Application would be corrected retroactively to February 1, 1958, using a deliverability comparable to that obtained on wells during the regular testing period for 1957.

It is believed by El Paso that the best method for granting the relief sought would be to merely continue calculating allowables

on the wells involved in this Application on the basis of the currently applicable deliverabilities and then by means of supplements, to correct the status of these wells retroactive to February 1, 1958 based on deliverabilities obtained during this extension of the 1957 Deliverability Test period.

El Paso respectfully requests the relief sought in this Application be granted.

Q In your opinion, if the application is granted, will there be overproduction which cannot be balanced?

A No, sir, because the status will be corrected back to February 1st, 1958, on the basis of these new tests, and if the wells have become overproduced because of some decrease in deliverability, they will be curtailed to make up that overproduction.

Q Also if the application is granted, will it result in any waste?

A No, sir.

Q Of any type whatsoever?

A No, sir, not to my knowledge.

Q Is there anything else you would like to add to your testimony in this case?

A One or two items. First, I would like to call the Commission's attention to our application, paragraph 6. There is a statement that the allowables for said wells shall be calculated on the basis of 1957 Deliverability Tests; that should be revised to be 1956 Deliverability Tests; and further, in paragraph 8, the last sentence,

the same error was made, it should be 1956 rather than 1957 tests.

Further I would like to point out, as my statement noted, there are 109 wells operated either by Pacific or El Paso on which tests have not yet been obtained, and 28 by some other operator. As far as was possible, when it was necessary to turn wells on and interrupt the test, El Paso endeavored to turn on their own wells rather than their operators. That is the reason there are so many wells of El Paso, rather than wells of some other operator. When it was necessary to break tests on a whole area because of our abnormal demand over short periods of time, it was not feasible to immediately re-schedule those wells because our demand was such from the San Juan Basin area that we could only afford to shut-in producing capacity to a certain limit, and when these tests on the whole area were interrupted, there was another area immediately under test following that, so it necessitated re-scheduling these areas at the end of the testing period rather than immediately re-scheduling them.

MR. WHITWORTH: We ask that the Commission take administrative notice of all rules, regulations in this case, particularly Order R-333-C and D, and Rule No. 1-B. That's all we have.

MR. NUTTER: Does anyone have any questions of Mr. Rainey?

MR. UTZ: I have a question.

MR. NUTTER: Mr. Utz.

CROSS EXAMINATION

By MR. UTZ:

Q Mr. Rainey, these 186 wells, how many of these do you think could be reported by January 20th?

A I feel reasonably confident that the 49 wells that are scheduled to be completed today could probably be reported by January 20th. The wells in Area 27 which is shown on page 2 of our Exhibit A are not scheduled to be completed until January 15th. I am reasonably certain that we cannot get the information available and calculated in time to get the wells in, so it would be just the 49 that are scheduled to be finished today.

Q So provided you would get these 49 in, I believe 137 tests would not be recorded before the February schedule comes out?

A That's right, yes, sir.

Q When do you anticipate that those tests would be reported, the earliest possible date they could be reported?

A Of course, we will report those tests as we are able to complete them, and complete the calculations on them. We have requested an extension of time in which to report all the tests to the Commission to March, 1958. It is estimated that it takes about two weeks from the end of the shut-in period on a test to enable us to assemble the data and get all the calculations made and then have them filed with the Commission.

Q Your last test is due to be completed January 30th, is that correct?

A Yes, sir.

Q Would it not be possible to have those reported by, say February 20th?

A Barring any unforeseen circumstances, yes, sir. We requested the time to March 1st to take into account the fact that some of these wells currently scheduled on these sheets would have to be re-tested.

Q Yes, I realize that. By making your allowables or tests, deliverability tests retroactive to February 1st, all '57 tests that are not on the February 1st schedule, it will be necessary, I believe you realize, to issue a supplemental on each of those wells?

A Yes, sir.

Q Which would involve something like 137 supplements?

A Yes, sir. It was our intention that those wells not have a supplement issued until such time that they had had a test completed on them with the new deliverability calculated, and merely use the current calculated deliverability until that time, and in that way the entire 137 supplements wouldn't hit you all at once, I don't believe.

Q Actually the Commission requires by official test for a gas well in the San Juan Basin to be shut-in a total of seven days out of 365, is that right?

A Yes, sir.

Q That is actually not very many days out of 365, is it?

A Pretty small percentage.

Q You have 3,000 wells connected to your system?

A There are approximately, as of the current date, there are approximately 3,000 wells connected to our system and the Pacific Northwest system.

Q You still found that you could not test these one hundred some wells, even with that many wells to draw from?

A No, sir. In certain periods of exceedingly high demand, abnormally high demand, it was necessary to turn on everything we could turn on in the San Juan Basin. Area 13 is one area in particular, I could look up the date on that, sometime in the late part of the summer the entire area was broken, after the flow tests were taken and flow pressures had been taken, it was necessary to turn on that one entire area at one time to meet our demand.

Q Even though the tests had been completed all except the shut-ins?

A Even though the tests had been completed except the shut-ins. That period of flow might have been only a short period of time, but it was necessary to interrupt the test completely, and as I stated, because we had tests going on all during the testing period, we couldn't immediately re-schedule those wells.

Q Do you anticipate, Mr. Rainey, that this will be a continuing thing, that is, something we have to face every year? Do you think that this is just an exception in this case?

A I believe this is an exceptional case, because as the Commission is probably aware, we have been constructing additional

facilities in the San Juan Basin area and it has been lack of adequate facilities that have necessitated taking gas from the areas where we could get it into a plant. We have just completed a new plant in the San Juan area which would give us considerable additional capacity and will allow us to produce much greater volumes of gas. As I said, this is probably just a one-shot proposition.

MR. UTZ: That's all I have.

MR. NUTTER: Any questions of Mr. Rainey? Mr. Cooley.

A Mr. Nutter, if I may, while Mr. Cooley is framing his questions, I have one or two other remarks.

MR. NUTTER: Would you proceed?

A If the Examiner will notice, there are a number of wells on this list which are in non-prorated pools. They are included specifically to enable us to obtain relief under any applicable State-wide rules that may apply, and by virtue of the fact that Order R-333-C and D provide that all wells should be tested, as far as the allowables are concerned, it will not enter into the picture on those wells. I might further mention the fact that I think the Commission has copies of certain letters from operators involved in this concurring in our application, which I believe Mr. Cooley will read. We have been advised that the El Paso office has received a telegram today which, if the Commission did not get a copy, we will furnish them a copy, from Mr. R. W. McCann of Ohio Oil Company in Casper, Wyoming, concurring in our application.

MR. NUTTER: Do you have a copy of it?

A We don't have it with us. We were advised by telephone this morning it had arrived, and we will furnish the Commission a copy of it at the earliest possible time.

MR. NUTTER: Mr. Rainey, now there are 186 wells listed on this Exhibit A?

A Yes, sir.

MR. NUTTER: Now 49 of them are completing their tests today?

A That's right. Area 26, the area on page 1, designated as Area 26, scheduled to complete their shut-ins today.

MR. NUTTER: There are 137 remaining wells?

A Yes, sir.

MR. NUTTER: And 109 are El Paso's?

A Yes.

By MR. COOLEY:

Q When were these tests due to be submitted to the Commission, Mr. Rainey?

A We had previously scheduled all the wells listed on here in the regular testing period from April 1st to October 1st.

Q So the test should have been completed by October 31st?

A Yes, except for the reasons I outlined in my statement, that periods of peak demand and lack of facilities in certain areas required that we take gas where we could get it and it interrupted the test.

Q You also stated that some of the wells had been inadvertently turned on during test?

A That is just a human error. we encountered in several instances where a switcher for some reason or other turned the well on during its shut-in time, and we did not obtain valid shut-in pressures on that particular well. Those were rare cases, and except for the fact we had to break entire areas at one time, we could have picked up those individual wells during the course of the regular testing period.

Q Were all these 186 wells, were tests commenced on all of these 186 wells during the regular testing period? Did you attempt to test them all?

A I can't answer that question positively. I can check with the field personnel and determine if every one of them was commenced. Of my own knowledge, I can't state positively. I can state that they were all scheduled in the regular testing period.

Q Is the location of these wells concentrated in any one particular area of the San Juan Basin?

A No, sir, they are fairly widely scattered. The way they are broken down in these areas, we have tried as near as possible to group them into areas so that they would facilitate the testing of them, but they're within the four areas that we have there, they are fairly widely scattered.

MR. NUTTER: Anyone have any further questions of Mr. Rainey?

MR. WHITWORTH: I have one more question.

MR. NUTTER: Mr. Whitworth.

REDIRECT EXAMINATION

By MR. WHITWORTH:

Q Was Exhibit A prepared by you or under your supervision?

A Yes, sir.

MR. WHITWORTH: We ask that Exhibit A be accepted.

MR. NUTTER: Without objection, El Paso's Exhibit A will be received in evidence.

MR. PORTER: I have one question.

MR. NUTTER: Mr. Porter.

RECROSS EXAMINATION

By MR. PORTER:

Q Of these 137 wells which will remain to be tested after today, did I understand you to say that some of those are not in prorated pools?

A Yes, sir.

Q Do you know how many?

A I could make a count, Mr. Porter. I don't have an offhand number of that.

MR. UTZ: I have counted those on your Exhibit. There are 14.

Q 14, which would leave 123 which would involve supplements?

A Yes, sir.

MR. NUTTER: Any further questions?

MR. UTZ: I have one more.

MR. NUTTER: Mr. Utz.

By MR. UTZ:

Q Mr. Rainey, you are possibly aware of the fact that there are some untested wells that may not be due to hardship cases, simply because the operator inadvertently forgot to test the wells or hadn't tried to test them. Do you think that this application should be applicable for those people?

A I don't know that of my own knowledge. I know we have made every effort on our part to get our wells connected to our system tested, either by doing it ourselves or advising the operator it was necessary to test those wells. It is conceivable there are some wells that, due to the operator inadvertently forgetting to test them, or due to a lack of knowledge of the rules and procedure, but to my personal knowledge, I don't know of any.

Q You think that would be a reason for extension of time to test them?

A If it is due to the operator's negligence, I think he would have to justify it himself. To the best of my knowledge, all wells connected to our system, we have either endeavored to test them ourselves or the operator has been notified they need testing.

Q So far as you know, none of the wells included in this application are in that category?

A Not to my knowledge, no, sir.

MR. UTZ: That's all I have.

MR. NUTTER: Any further questions? If no further questions,

the witness may be excused.

(Witness excused.)

MR. NUTTER: Does anyone have anything further?

MR. JOHNSTON: W. R. Johnston, Northwest Production. I would like to support El Paso's application in this case. Speaking as a producer, we have at least five wells which will not receive an allowable due to not submitting annual deliverability tests, none of which in my opinion are through our own negligence or through the negligence of El Paso or Pacific. I do not feel that we should be penalized to the extent of something like \$16,000.00 income a month for something over which we had no control. For that reason I would like to support the application.

MR. SPERLING: Mr. Examiner.

MR. NUTTER: Mr. Sperling.

MR. SPERLING: J. E. Sperling, on behalf of Magnolia Petroleum. We would like to concur in the application. Magnolia has completed their deliverability tests in this area and consequently are not affected one way or the other by the order, but we do want the record to reflect concurrence in the application.

MR. NUTTER: Thank you. Any further statements? Mr. Cooley.

MR. COOLEY: I have communications from three different operators which I will read into the record.

First, a telegram to the New Mexico Oil Conservation Commission, Attention A. L. Porter, Secretary Director, Santa Fe, New Mexico. "Aztec Oil & Gas Company concurs in the application

of El Paso Natural Gas Company set for hearing on January 7 under Case 1359 and urges the Commission to grant the relief sought by such application." Signed, Aztec Oil & Gas Company, Quilman B. David, General Attorney.

A letter from Claud E. Aikman, San Angelo, Texas, to the New Mexico Oil & Gas Commission, dated December 30, 1957:

"Gentlemen:

I am advised that El Paso Natural Gas Company has requested a hearing which has been granted for 1-7-58 in order to take up their application for an extension to the deliverability test period in order that they may re-test certain wells to which they are connected. Inasmuch as El Paso Natural Gas Company is buyer, and we are the seller on certain leases in San Juan County, I hope that this extension of time is granted.

El Paso Natural Gas Company has always been most cooperative both with the producer and with the state and federal bodies; and an extension of time to them to make these re-tests will work no hardship on anyone and will insure fair and rateable takings to both the producers and others concerned.

Yours very truly,

/s/ Claud E. Aikman"

A letter from Petro-Atlas Corporation, Tulsa, Oklahoma, under date of December 30, 1957, to the New Mexico Oil Conservation Commission, Re: Case 1359.

"Gentlemen:

Hearing is to be held on January 7, 1958, on Case #1359 regarding an application by El Paso Natural Gas Company for an order extending the time allowed for making annual deliverability and shut-in pressure tests on certain wells in San Juan and Rio Arriba Counties, New Mexico.

This is to advise that Petro-Atlas Corporation wishes to support El Paso Natural Gas Company in their application in this matter.

Very truly yours,

/s/ R. B. Wilkins"

MR. NUTTER: Is there anything further in Case 1359? If not, we will take the case under advisement.

* * * * *

C E R T I F I C A T E

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my hand and seal this 17th day of January, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley

NOTARY PUBLIC

My commission expires:

June 19, 1959.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1359, heard by me on 1-7, 1958.

James K. Miller
_____, Examiner
New Mexico Oil Conservation Commission