

BEFORE THE  
OIL CONSERVATION COMMISSION  
MABRY HALL  
Santa Fe, New Mexico  
June 10, 1960

REGULAR HEARING

IN THE MATTER OF:

CASE 1893: (De Novo)

Application of Petro-Atlas, Inc. for a hearing de novo before the Oil Conservation Commission in Case No. 1893, Order No. R-1619, relating to a request for cancellation of the over-production charged against one gas well in the South Blanco-Pictured Cliffs Pool, San Juan County, New Mexico.

BEFORE:

Governor John Burroughs  
A. L. Porter, Esquire  
Murray Morgan, Esquire

TRANSCRIPT OF HEARING

MR. PORTER: The meeting will come to order.

MR. VERITY: I would like to make a very brief opening statement in this regard. In August of 1958 Petro-Atlas, Inc. had recently been reorganized and at that time they completed their Aztec No. 1 well in the approximate center of the southeast quarter of Section 8, 27 North, 9 West in San Juan County. Prior to the time that they completed this well, El Paso Natural Gas Company had been not only making all of their completion, but also filing all of their reports and in the reorganization at that time

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Petro-Atlas, Inc. took over the operation of the gas wells and filing of their reports. This well that I mentioned was completed as a gas well in the Blanco, South Blanco Pictured Cliffs Pool. At its completion, the applicant here, Petro-Atlas, made tests of the well, completion tests, in accordance with the general rules of this Commission and at a later date filed forms C-122-A which the general rules for the state require. They were not aware of the fact at that juncture that in San Juan County special order of the Commission requires a special test made over a 30 day period prior to the assignment of an allowable in accord with deliverability of the well. The well was there without connection until the 25th day of November, 1958 at which time El Paso Natural Gas Company put the well on their line and right here is the whole key to this application. Generally, I rely on the Commission and apologize because at this juncture I did not present proper evidence in the Examiner's Hearing and this is the point at this time in spite of the fact that this information was not properly reported to the Commission; El Paso Natural Gas Company took the 30 day test that is required for Pictured Cliffs Pool in San Juan County, this information was never properly relayed to the applicant, Petro-Atlas and hence it was never properly reported to this Commission on Form C 122A, which is required by the Commission. But the test was taken and all of the details we have today which we didn't have at the Commissioner's Hearing, the

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chart and full information with regard to the test that was taken from November 25, '58 for the 30 days. Now then, the rules of the Commission require that the form, C-122A must be filed within 60 days after November 25. It was not done, but the well was connected and allowed to produce until the applicant -- it was discovered by your Farmington-Aztec Office and the applicant was given a letter from your office there shutting in the well and advising this report had not been filed. At this time, the applicant obtained from El Paso Natural Gas Company the information that had been obtained back when the well was put on production and filed the proper report, this was not until September of '59. This made as far as your Aztec office company, record allowable commencing on the 11th day of July, 1959. So actually this well was hooked on to the pipe line after it made a proper test investigation as to its deliverability in November, but it was not accredited any allowable until the 11th of July and this application asks this Commission to grant us an allowable for that period from November 25th to July 11th, '58 to '59 and as we think our evidence will show, we believe we are entitled to this and correlative rights insures and demands we have it.

(witness sworn.)

NORMAN GOVE

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



DIRECT EXAMINATIONBY MR. VERITY:

Q State your name.

A Norman B. Gove.

Q What is your occupation?

A Petroleum Engineer.

Q Are you a graduate petroleum engineer?

A I received a degree, geological engineering and have been working at petroleum engineering since 1948.

Q Have you testified before as an engineer?

A Yes, I have.

Q Who are you employed by?

A Petro-Atlas, Inc.

Q Are you familiar with the Petro-Atlas, Inc. Aztec No. 1, located in the approximate center of southeast quarter of northwest Section 8, 27 North, 9 West?

A Yes, sir, I am.

Q How long have you been employed by Petro-Atlas?

A Since April, 1957.

Q Was there reorganization of this company and its operations active in the summer of 1958?

A Yes, sir.

In the summer of 1958, our production in the Mid-Continental area was sold to a new company and Petro-Atlas, Inc.

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which retained the oil wells and undeveloped acres in the San Juan Basin, we did not, however, retain the gas pools that had been owned by Petro-Atlas Corporation.

Q In August of 1958, did Petro-Atlas have Aztec No. 1 well?

A Yes, sir, we did.

Q And at that juncture, did you make tests with regard to the well?

A Yes, sir, we ran a one point open float test.

Q What was the reason for running this test?

A It was my understanding that tests were required, based on what I remembered in the Commission rules.

Q Was this made in accordance with the general order of the Commission state-wide for completion?

A Yes, sir.

Q Did you or Petro-Atlas at this time have knowledge of the special rule and regulation that required a different type of test in this area?

A No, sir, I did not.

MR. VERITY: This is an Exhibit that was introduced before as Exhibit 1, do you want it marked or should I refer to it as a previous number?

(Whereupon, Exhibit 1 was marked for identification.)

Q Mr. Gove, I hand you what the reporter has marked as

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applicant's Exhibit 1, which was also Exhibit 1 in the previous hearing. Will you please tell us what it is?

A It is the result of this one point open float test we ran August 21, 1958. The well was tested for a period of three hours and produced at the rate of 1,902 MCF per day.

Q Was this application or identical copy of it filed with the Commission at that time?

A Yes, sir, it was filed at that time.

Q And when was this well first put on, connected to the pipe line?

A November 25, 1958.

Q Do you know what ensued at that time, was there any further testing made at that juncture?

A Yes, commencing November 25, 1958, the well was produced in accordance with the normal procedure for conducting a deliverability test of El Paso Natural Gas Company.

Q Was this information relayed to you or your company?

A No, sir, it was not.

Q Was the well produced then starting with November 25?

A Yes, sir, it was.

Q How long did it continue without any unusual interruption other than the usual shut-in?

A To the best of my knowledge, it was produced in that manner at least through December 31, 1958.

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Q Now, then, was the well produced the same as though it had been given an allowable for a period of months?

A Yes, sir, it was.

(Whereupon, Exhibit 2 was marked for identification.)

Q Mr. Gove, I hand you what the reporter has marked as Exhibit 2, will you please tell us what it is?

A It is a letter that Mr. Arnold, the supervisor in District 3, addressed to us on August 25, 1959, which he stated that in the checking of their records they had not received an initial deliverability test form and as this test is long overdue, we are notifying El Paso Gas to shut this well in and leave it shut in until released by this office.

Q Was this the first time you knew that the proper report had not been filed on the well?

A Yes, sir, it was.

MR. VERITY: We offer both Exhibits 1 and 2 in evidence.

Q Now, at the time you received the letter from Mr. Arnold, which informed you that the proper report had not been made, what did you do?

A We immediately contacted El Paso Natural Gas Company and requested the information obtained during the period of the last six days of November and month of December. We requested that information specifically. We received the information for the week of December 16th, 1958, through December 23rd, 1958, which would have been approximately two and a half weeks after the well



was put on the line.

Q Did you request they advise you of this information?

A Yes, sir, we did.

(Whereupon Exhibits 3 and 4 were marked for identification.)

Q I hand you what the reporter has marked Exhibit 4 and will you tell us what that is, please?

A That is a letter that our production superintendent in Farmington received from Mr. Venard ~~QTT~~ who is chief clerk of the gas purchaser's section of the El Paso Natural Gas Company, El Paso, Texas. His letter stated: "Listed below is test information as requested in your telephone call of September 4, 1959," it lists the well name, average daily volume, average statistics, pressure, temperature, gravity, spring size and orifice size.

Q Was the 30 day test information on the well here in question?

A No, that was actually average data for the one week of December 16th through December 23rd.

Q Was it made up in accordance with the regulations concerning taking that test?

A Yes, sir, it was.

Q I hand you what has been marked as Exhibit 3, and will you please tell us what it is?

A It is form C 122A, which we filed September 11, 1959, and pertained to the test run, December 16th, 1958 through December

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23, 1958.

Q Is there any data on that report that is not accurate?

A Yes, the date of float test, I believe I indicated in ink as 11-30-58 through 12-58. That should be 12-6-58 through 12-23-58.

Q Would you indicate that correction on the Exhibit, please?

(Whereupon, witness does so.)

Q Mr. Gove, since the last hearing, have you obtained from El Paso Natural Gas Company any data with regard to the testing of this well?

A Yes, sir. We received the actual float charts and temperature charts for the period of November 25 through December 31, 1958 for the Aztec No. 1.

Q I hand you what the reporter has marked Exhibit 3 and would you tell us what it is, please?

A It is a copy of the letter I received from Mr. McKinfill, union supervisor, statistic section of the El Paso Gas Company, El Paso, Texas. His letter reads as follows: "Gentlemen, enclosed are meter charts for stations as indicated below by meter code numbers for the month of November and December 1958. These charts are sent at your request for monitoring purpose, please return to our office when they have served your purpose."

(Whereupon, Exhibits 5, 6, 7, 8, 9 and 10 were marked for identification.)

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Q Mr. Gove, I hand you Exhibits marked 6 through 10 and will you please tell us what these are?

A These are the actual float charts taken from the sales meter at our Aztec No. 1.

Q How long a period of time do these five Exhibits cover?

A These five Exhibits cover the period from November 25 through December 31, 1958.

Q Referring now if you will, please, to Exhibit 6, would you explain that to us?

A It is the chart for the period of November 25 through November 30, 1958, which is the first production for the well. It shows both the differential and static pressure of the meter. It indicates also that the well was produced approximately all that time. There was a very little down time for the well during that period.

Q Now, are you familiar with the requirements of order R-333-C and D which makes special requirements for testing of wells where this well is located?

A I am now, yes, sir.

Q Refer now, please to Exhibit 7 and tell us what it reflects, first, does this Exhibit show that the well was on open flow from its initial production for the period of time covered by that chart?

A It shows it was produced into the El Paso line, yes, sir.

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Q I notice this chart is actually two charts and we have been referring to it as one. What is the double chart about?

A The other chart is a temperature chart which is a recording of the gas temperature as it passed through the gas meter.

Q Is this necessary in order to make calculations from this test at a later date?

A Yes.

Q If you will please refer to Exhibit 7.

A Exhibit 7 is a chart for the period of November 30 through December 8, 1958. It shows that the well also was produced for that complete seven day period of time. Actually, it's an eight day chart.

Q Was it produced at open flow?

A It was produced at its ease against that line pressure.

Q Now, referring to Exhibit 8.

A Exhibit 8 indicates the period of December 7, 1958 through December 15, 1958 and it indicates the same thing that the well was produced that entire period of time.

Q And Exhibit 9.

A Exhibit 9 is for the period 12-16-58. 12-23-58. It shows the well was produced for that entire seven days, that is, the period on which our test data was submitted on the C 122A. That data was taken from this chart and that would have been December 16, 1958, would have been approximately two and a half

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weeks after the well was put on the line and I believe the existing orders or the regulations require a two week conditioning period, so the conditions have been satisfied.

Q In other words, charts that are marked Exhibit 6, 7 and 8 reflect that the conditioning period had been conducted and chart 9 shows that after that conditioning period, the proper test was made to show the deliverability?

A Yes, sir. This was actually a flow test period, December 16th through December 23, 1960.

Q Exhibit 10 is a following week, December 23rd, 1958.

A Through December 1958, the well was produced all that time.

Q Do orders R-333-C and D require a shut-in test?

A Yes.

Q What condition is prescribed prior or at the taking of the shut-in test?

A To my knowledge, the well was shut-in for one week for a shut-in.

Q Was a shut-in test taken on this well after it had been shut-in a week?

A No, the pressure that was used for the shut-in pressure was the initial shut-in pressure.

Q Well, it would have been shut-in much longer than a week, actually?

A Yes, it was actually one week shut-in which was



obtained in August, it was the pressure we reported on the C 122-A for the period of August 14 through August 21, 1958.

Q Now, each of these charts, Exhibits 6 through 10, have a temperature chart accompanying the pressure chart?

A They have, yes, sir.

MR. VERITY: We offer 6 through 10 in evidence. I also didn't offer 4 and 5 which I do at this time.

MR. PORTER: Makes a total of 10 Exhibits?

MR. VERITY: That is correct.

MR. PORTER: Without objection, the Exhibits will be admitted to the record.

(Whereupon, Exhibits 4 through 10 received in evidence.)

BY MR. VERITY: Mr. Gove, referring now to Exhibit 4 and the information that is on Exhibit 4, do you know whether or not the information is in accordance with the information reflected by the charts?

A Yes, sir, the information that Mr. Orr reported in his letter of September 8, which is Exhibit 4 is also on the back of Exhibit 9, which is the chart for the period of December 16, '58 through December 23, '58, and in turn that information was placed on C-122-A. which I believe is Exhibit 3.

Q Turning to Exhibit 3 for the moment, I notice that in the approximate middle of this report, under the heading "observed data" there are some blocks on that report, will you explain that to us please?

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A That information is to be obtained by the producer with a dead weight tester. That is the part of the test which we had not handled.

Q What is the purpose of running a dead weight tester on the well?

A It's my thought and my understanding of this form and the test that it's primarily to determine the meter in order that a corrected or a true flow rate is obtained for purposes of then calculating the deliverability..

Q Is there normally a friction factor that contributes to the expected error in the meter?

A Well, the friction factor would not enter, could enter into the meter to a degree. That is also handled in this first section. Now, on a well of this size or deliverability, friction is made negligible.

Q Has the meter that worked the test exhibited by these charts been tested?

A Yes, sir. It has been by the El Paso Natural Gas Company. It's my understanding we have conducted further tests with the same meter and it indicated a meter error at the time of three pounds.

Q In which direction?

A It would be in El Paso's favor.

Q By saying El Paso's favor, the error was against



Petro-Atlas or against? The error actually made the amount of deliverability less than it really was?

A Yes, very slightly. It made the volume that El Paso had calculated, which was 276 MCF a day and after a correction was made, the corrected flow was 276.7 MCF for a day. It was quite small.

Q Mr. Gove, are you using these charts and the data that was obtained from the initial 30 day period of flow of this well, have you calculated what the allowable for this well would have been if it had been granted an allowable from the 25th day of November, 1958, the initial production date, to the 11th day of July, 1959, the day at which the Commission has granted the first allowable to this well?

A Yes, sir, I have.

Q What is the amount?

A The amount is 26,527 MCF.

Q Has this allowable so far been denied to Petro-Atlas for this well?

A Yes, sir, it has.

Q Mr. Gove, if this allowable is not granted, will Petro-Atlas correlative rights be affected?

A I believe they will, yes, sir.

Q In what way?

A In that off setting wells will be able to drain our acreage.

Q You will not be able to recover your just share of the

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gas underlying your land?

A Yes, sir.

MR. VERITY: I believe that is all.

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

Q (MR. PAYNE) Do you have a plat of this general area showing the location of this well?

A No, I haven't, Mr. Payne. I am very sorry I don't.

Q Mr. Gove, is there a South Blanco Pictured Cliff well owned by another operator or other operator which directly or diagonally offsets this well?

A Yes, sir. Aztec Oil and Gas has the Hanks No. 9, which is in unit P.

BY MR. PORTER: That would be the southeast quarter?

A That would be the southeast quarter of that section. We are in the northwest quarter. In addition, Aztec Oil has the Hanks No. 10, which is in unit N, that would be in the southwest quarter of section 5. I am sorry, I retract that. Our well was located in unit F in section 8. Aztec Oil and Gas has the Hanks No. 9 in unit P of section 5, 279, which would be in the southeast quarter of section 5, so that would be a northeast diagonal offset. Then Aztec Oil and Gas has the Hanks No. 10 which is in unit F, section 5, and that would be a north offset, that well being in the southwest quarter of section 5.

Q 160 acre space?

A Yes, sir. Now, it's my understanding that Aztec is

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drilling some other wells in some adjacent quarter sections, I don't have those locations.

BY MR. PAYNE: Mr. Gove, I am sure you are aware of the so-called New Mexico Correlative Rights Statute and it provides that each operator should be given the opportunity to recover his fair share of the oil and gas or both under his tract.

A Yes, sir.

Q Now, Petro-Atlas had the opportunity, did it not?

A Yes, sir, we did.

Q Now, Mr. Gove, do you work with oil proration for your company at all?

A We are a rather small company. I have to do several jobs. I am only an engineer with the company, also, supervise the production. We have a production superintendent in Farmington. I am concerned with oil and gas, both in New Mexico, Utah and Kansas.

Q Do you watch the proration schedules to find out what allowable is assigned to an oil well?

A I do, yes, sir.

Q Don't you think that also behooves an operator to study the gas proration schedule to find what, if any, allowable his gas well has?

A Yes, sir.

Q Now, Mr. Gove, I would like to read you Exhibit 7 that was entered at the Examiner's Hearing, and ask you your opinion of



it and ask you in what respects you think it may be in error. This finding reads as follows:

"But an operator had study responsibilities not only for conducting such well tests as are required by Commission rules and regulations, but also for knowing what the proration schedule reflects as to the statutes of his well and no injuries exist for producing a gas well in excess of 60 days on the gas proration schedule as to allowable has been assigned to the well." I would like to ask your opinion of that finding and what respect you think it might be in error or unduly harsh?

A I am no attorney. Legally it's undoubtedly correct. I think we are as engineers talking about law. It might boil down to the case where law has no excuse.

Q Well, as an engineer who operates wells for your company, don't you ordinarily attempt to file such reports as are required and produce your wells in accordance with the allowable schedule?

A We do. The only way we operate the gas wells and in the San Juan Basin in the event any trouble occurs, we periodically check them in the event maybe we have a bad valve or the well freezes or an intermeter has to be installed. We do that as for putting the well on and off the line. That responsibility rests with the purchaser. In reality, we have not had any control of that feature of it.

Q Actually, the responsibility doesn't rest with the

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purchaser, does it? I mean, as the purchaser on the well?

A That is right.

Q Do you think perhaps that operators of gas wells have advocated too much authority to the gas purchaser and are expecting them to take the various tests and file them?

A No, sir. Previously we were paying El Paso, I believe, something like \$25.00 or \$50.00 a month to operate those wells. Operate, and that operation consists of looking after them and filing the reports and then that was, I'd say, under the Petro-Atlas, we have several wells. We are very short handed out there. We did not sample with the San Juan Basin until, I believe, it was, oh, say, somewhere along -- we were actually operator, operator personally until the spring of '57. Prior to that our production was acquired from Tom Bolack and those gas wells were operated by El Paso for a fee. But when an operator supposedly operates the well himself, the operation of most gas wells just consists of a periodic check as to equipment and the filing of reports.

Q Then the operator does file and sign the reports just as an official deliverability test?

A Yes, sir, yes, sir.

Q That, of course, is what you didn't file and what you might call in an untimely manner?

A Yes, sir.

Q But as I understand it, you were aware that such reports had to be filed?

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A That is correct.

Q You were aware of the other reports that had to be filed, you filed them and signed them?

A Yes, sir. I did the completion report, that is right. In other words, when we started out here in 1957, we obtained all the forms we could in Aztec and we attempted to keep up with them. In this one we just failed to handle it.

Q Now, Mr. Gove, let me ask you this, do you feel that an allowable such as this should be reinstated upon the filing of a required report no matter how long it's going to be until it is filed?

A I think that certain circumstances might warrant it.

Q Even if ten years have gone by?

A No, sir.

Q Do you have any reason to believe you would have ever discovered this report had it not been filed in absence of a letter from the office of the Commission?

A There is a possibility it might not have, yes, sir.

MR. PAYNE: Thank you, that is all.

#### REDIRECT EXAMINATION

BY MR. VERITY:

Q The information that was required so that the Commission could grant you a fair share of this oil and gas has been given to them, hasn't it?

A Yes, sir.



Q And the situation would not be any different insofar as information is concerned if you had filed this report within the 60 day period, would it?

A The information would have been the same, yes, sir.

Q If Petro-Atlas is denied this allowable from November to July, they are not given an opportunity to recover their fair share of the gas underlying the 160, are they?

A That is right, they are not.

Q They have asked you some opinions here with regard to what you thought, I want to ask you one. Do you think that in order to protect the correlative rights of the producers in the state, that the main reason for these reports are to give the information with regard to them or to just require oil companies to keep statistics and keep a lot of records?

A I think it gives them the required information.

Q And so that they can properly allocate the fair recoverable oil or gas to each operator, is that right?

A That is right.

MR. VERITY: That is all.

BY MR. PORTER: I believe you said that a test was taken immediately following completion in August of 1958 in accordance with the general rules?

A It was my understanding of the state-wide rules.

Q State-wide general rules of the Commission?

A I thought it was conducted in that manner.



Q At that time, whoever was responsible didn't have knowledge of the special pool rules?

A No, sir. I did not have the knowledge nor did our production manager in Farmington have the knowledge either, because he only came into Farmington in April '57, and all the previous days off the gas wells we had at that time had been completed and at that time information had been handled by El Paso. So this was the first time that we had completed a gas well ourselves and begin to operate one in the Basin.

Q In the state?

A Yes, sir.

#### CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Gove, this well was connected November 25, 1958?

A That is correct.

Q These charts that you have submitted here as Exhibits, what period of time do they cover? First, let me ask how many charts do you have?

A We have five sets of charts. When I say sets, I mean the flow and temperature.

Q I would like to ask you for the dates for the first three charts.

A The first which is Exhibit 6 is November 25th through November 30th, or until November 30, 1958. Exhibit 7 is indicated by El Paso to be November 30, '58 through December 8, '58. Now,



however, the next chart says December 7, '58 through December 15, '58, there is a day I don't know what that is, one thing I noticed that when I was talking about that there seemed to be an overlap of one day. The next chart which is Exhibit 9 is for the period of December 16, '58 to December 23, '58 and then Exhibit 10 is December 23, '58 to December 31, '58.

Q Mr. Gove, are you familiar with the initial deliverability testing procedure of R-333C and D?

A I am now, yes, sir.

Q Then the first three charts that you spoke of here, Exhibit 6, 7 and 8, are those charts taken in conformance of that particular rule?

A That is my understanding, yes, sir.

Q Is there anything special in regard to those charts over any other chart or any other well?

A I believe the primary consideration is that the well has to be produced uninterrupted or with the minimum down time, and these charts --

Q The charts are test charts?

A No, sir.

Q In other words, any other well that is produced uninterruptedly for the first three charts after connection to the pipe line would have identical charts?

A Yes, sir.

Q You favor from these charts?



A Yes, sir.

Q So that actually whether or not you used those charts for reporting a test, they would be identical, would they not?

A Yes, sir.

Q Mr. Gove, one more thing before we get through this, are you familiar with the section in R-333-C and D in regard to scheduling of tests?

A Once again, as I say, I was not aware of that letter until I contacted you by phone and you very obligingly sent me all the orders. I believe that was sometime along about in October.

Q I believe you have said in your testimony that these charts meet all the requirements for the initial deliverability test?

A I was of the opinion they did, yes, sir.

Q Let me read you a part of a section, a part 3 of R-333-C and D, "Deliverability test," this is the fourth paragraph. "Provided, however, when initial deliverability is accomplished in accordance with section B, sub section paragraph 1, that is, a section for deliverability test to be used as only a test for wells connected to gas transportation facilities during the period of April 1 through October 31st. Then the operator shall notify the Commission in writing at any time during the 14 day conditioning period." Did you notify the Commission during this period?

A No, sir, we did not.

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Q So actually, these do not meet that requirement because you didn't schedule a test?

A From that standpoint, that is right.

Q Mr. Gove, I believe you are familiar with the form that you have filed on this Aztec No. 1.

A I think I am now, yes, sir.

Q You filed the form 104 on or about August 26th?

A Yes, sir.

Q '58, and filled the C-110 about the same time?

A Yes, sir.

Q Where did you get the information that these forms were required to be filed to the Commission?

A We had filed them previously to oil wells, I mean, the same type forms. The C-104 and those others are filed for oil wells, I think we were quite familiar with oil well forms. We drilled seven oil wells and one gas well so by that time we were, I think, fairly familiar and any mistakes we made had been called to our attention on the oil wells.

Q Then you say you knew that you should file these forms from verbal instructions from Aztec as general rules?

A I think possibly verbally our superintendent had conversation with our staff in Aztec, yes, sir.

Q You were not familiar with proration order 565C?

A No, sir, we were not.

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Q Did you know at that time that if you did not file these forms 110 and 104 you would not receive an allowable?

A We went on that assumption because we knew we would not receive an allowable, well allowable until we filed those forms. It was the same thing for gas wells, yes, sir.

Q I believe you stated in your testimony that this information on these charts were taken, -- the information was relayed to you as operator, is that correct?

A That is right and actually El Paso doesn't make a practice of relaying that information unless you request it. We know since this situation developed. We now contact El Paso, we contact them and they give us the information with regard to the flow volumes and we run a dead weight ourselves. We done it since on this well, on the two other tests and we done it on two other gas wells on South Blanco.

Q That is just the point I wanted to bring out. In other words, the purchaser is not obligated to give you that information?

A That is correct.

Q I believe I understood you to say that you thought this was the only test that you had to file in order to obtain an allowable and this test was absolute overflow or which test were we talking about?

A We were of the opinion we had to file a potential test.

Q This potential test, what do you mean? The PT 2 3/4"

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choke test?

A This was run with it, was run with a choke.

Q 3/4"?

A Yes, sir.

Q Where did you get the information you had to run that test and file it with the Commission?

A We had this form, we thought this form had to be filed. We contacted a testing, outfit in Farmington, and they run that test. We requested them to run this test. We didn't know, we wanted it for the state. We told them we wanted the well tested and to run a flow test for us and that is what he run.

Q You filed that form when?

A We filed that form sometime shortly after August 21st, '58, the day of the test was August 21, '58. No later than the 31st of August, 1958.

Q Again, where did you get the information that led you to believe you had to file that form to obtain an allowable?

A The general regulations indicated that the test had to be filed.

Q General regulations?

A I believe they do.

Q I am not familiar with the general regulations.

A Rule 122 shall be submitted. Shall be that pressure data as required under the provision of Rule 401. It does go on that forms that 122A, B and C, should be submitted to special pool rules

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which we do not have knowledge of.

Q Those general rules did call your attention to the fact they were special pool rules?

A Well, actually now I don't recall that we had any C-122A forms in our cabinet. It was one of those situations, we had USG forms and oil conservation forms and it's pretty hard to note, it's difficult at all to have quite an assortment of forms to be filed with various regulatory bodies. We missed unfortunately.

Q There is nothing in the general rules that say you have to file that absolute overflow test for proration purposes, is there?

A No, there isn't. Now, as I say, we filed the general regulation form C-122, shall be submitted though and we filed it, the rule said it. We were not aware of what 122A, 122C referred to.

Q So you just filed it because the general rule says that you had to file?

A Yes, sir.

Q Without any regard for obtaining information?

A Probably so, yes, sir. We filed, was it C104 or C110 which is entitled for an allowable.

MR. VERITY: In southeastern New Mexico or many areas in New Mexico, the form C-122 is the counterpart of 122A.

A I presumed that C-122 is developed for southeast New Mexico.

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BY MR. PORTER: Do you have many wells on the San Juan Basin?

A There certainly are.

Q Have you lost an allowable because of late test filing similar to our case?

A No, sir, I was not aware of that, no, sir.

Q If the relief you requested is granted, do you think in those other cases then the allowable should be corrected on?

A I think it would depend on the circumstances under which the form had been filed, failure to file the form.

Q What do you think would be a justifiable circumstance?

MR. VERITY: We have this purpose, your honor, and we think that it is one that the Commission ought to have. We believe that the function of the Commission is one that it's carrying out, that is, to regulate production so that waste is not permitted and so correlative rights are protected and everyone gets their just and fair share on oil and gas that is in place. Now, in order to accomplish this, the Commission must be appraised of deliverability and pressures and flows and information that informs the Commission the potential of a well in connection with the potential of adjacent wells in the pools and that the reason you very properly design these tests. If this reason is not conveyed to the Commission, then we think the individual does not have any invasion of his correlative rights, but where the Commission is informed of all

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the information as they are in this case and certainly within a reasonable period of time, I don't think it's fair to consider what if it was five years, if it was less than a year, it was a matter of months where the Commission was informed of this information so that they can grant the particular producer his just fair share of an allowable. We think they should do it and if there is others up there who haven't received their fair share, they ought to be in this hearing asking for it. If you want me to answer that question, I just don't think it's a proper position here. We are not worried about the rights of other people. Petro-Atlas is here before the Commission and if they are not granted this allowable, they are not given their rights to the proper and the fair share of the gas. We think we have showed the Commission it shows on the charts of this application and on the evidence before it, that it is going to be granted their right to get their fair share, they got to be given it from the time of the first connection. Now, there isn't any contention here, your honor, it's true that a test was not scheduled, and I don't believe anybody has any serious contention that this information is not accurate and I want to point this out to the Commission to the offset operators up there and they are making no objection to this. Aztec Oil isn't here, the other offset operator has not objected to this being granted and the truth of the matter is I firmly believe if we set down and scheduled them, you are not entitled too. As a matter of fact, I



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think they're not being here shows that they have that opinion. We believe this Commission and the truth of the matter, they don't have the right to deny production of a just, fair share of an allowable, and we are not denying here at any place, I see that the tests are wrong or that if the test had been filed in time that they, the applicant, wouldn't be described as an allowable. What we are endeavoring to do is penalize someone for not having filed a test in time. Now, this penalty I can see might be made in the nature of a fine. I don't think under the laws of the State of New Mexico and under the Rules and Regulations of this Commission which insures a person of correlative rights, and let me read it, Rule 17 under definition states correlative rights shall mean the opportunities afforded ~~sofar~~ as practicable to do so. To the owner of each property in the pool to produce without waste his just and equitable share of oil or gas or both in the pools being in amount ~~sofar~~ as can practicably be determined and ~~sofar~~ as can be practicably obtained without waste substantially in the proration from the quantity of recoverable oil or gas or both under such property bears or both in the pool. I think this is a perfect example of what the language of this rule and statute which it's taken from is referring to. The Commission in this case if it's going to make any allowance for the fact this word is in here, I think is required to realize this is what they're talking about when they say practicable.

MR. PORTER: Does that answer all your questions?



Mr. Verity, I realize your thought. Maybe in the interest of time, we can let you go ahead and then you can omit that part from your closing statement.

MR. VERITY: That was my closing statement.

MR. PAYNE: You are aware that oil and gas produced in excess of an allowable assigned to the well is illegal oil or gas, aren't you, under the statute in New Mexico?

MR. VERITY: Yes, but what we are saying is that also of the statutes of New Mexico, we of Aztec are not negligible, at time it may have not been assigned; that it should be assigned as of this date, which would make it not illegal.

Q (BY MR. PAYNE) Inasmuch as it has not been assigned an allowable, it should not have been produced?

MR. VERITY: I can't grant you that conclusion, because this is in disregard of our correlative rights establishment.

Q (BY MR. PAYNE) Are you saying that a man can go out and drill a hole and not make any intention of drilling and to make it approved and not take any of the required tests; that he should be able to produce that well from the time of completion and file his test whenever he sees fit?

MR. VERITY: I am not saying that. In each instance, we believe this well was completed and all the tests were made. In all regards if these tests had not been made by the applicant, then it was not entitled to that gas under a correlative rights doctrine; that

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well established I don't think we would have any rights.

Q (BY MR. PAYNE) Mr. Verity, this deliverability test was not taken as a test?

MR. VERITY: This is true.

Q (BY MR. PAYNE) You're merely computing the information from the charts in order to fill out the deliverability form?

MR. VERITY: I don't believe there is any evidence, no evidence in front of the Commission that the charts and information obtained were not accurate or they were not identical and exactly the same as if it had been stamped prior to the time it was started, this was a deliverability test so we still have the fact that the potentiality and deliverability of this well is before the Commission and we think this establishes the correlative rights to produce to the just and fair share during that period.

MR. PORTER: Gentlemen, we would like to finish with the witness at this time, if we may interrupt these arguments. Each of you will be given an opportunity to make a closing statement.

Q (By Mr. Utz) Do you feel that the form C-122A is any less important than any of the other forms you file with the Commission?

A I don't know, having the knowledge that I do.

Q For example, Form C-110, which is a certificate of an authorization of transport oil and natural gas. If you had neglected to file that form for nine months, do you think you should



have prior to the time you filed that form?

A I believe our point is that we filed a test form. I mean, we were aware the well had to be tested. I believe most states require a test allowable and can be assigned an oil well, it's required that an oil test be filed immediately to have an allowable assigned so we filed a test form. I believe that is a point that has been made but overlooked. We filed a C-122A and it turned out it was not the proper form. We feel we did not ignore the test, that is an important test in our case, that is my thought.

Q Anyway, you filed a test, you filed the wrong test?

A Yes, sir, we did not ignore filing a test form.

Q In other words, the question I asked, you filed a C-110 form that permitted you to produce the oil?

A I say no, if a man files a test form in ignorance, and improper one, I don't think he should be penalized. We did make an honest effort to file the test. Well, that is my thought.

Q You are familiar with R-333C and D?

A I am becoming quite familiar with it.

Q Do you agree that those orders are specific as to what you necessarily would file in order to receive an allowable?

A I think they are.

Q So in effect, you are pleading ignorance to those orders in regard to filing?

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MR. VERITY: Actually, there again, that calls for a legal answer. I think we answered it before.

MR. PORTER: I feel this point has been belabored and I move that we move on to another area or dispense the witness.

MR. PAYNE: One question, Mr. Gove, this late filing in this matter would result in a pool allowable being erroneously set, would it not?

A It would be an error to a slight degree, that is correct, Mr. Payne. Yes, sir, I believe that question was brought up at the Examiner's Hearing.

Q What you are asking us is that not anybody who might have filed a form late be reinstated no matter when it was filed. Is that what you are saying, you attempted to comply and did not and therefore you feel in this particular case you are entitled to this?

A Yes, sir, that is my feeling.

MR. PORTER: Anyone else have a question?

MR. VERITY: We have nothing further and I have no desire to make any further argument. I think we made our point clear to the Commission and we in effect are pleading to the mercy of the Commission. You might say the main basis is we think that the Commission has got all the information so they can grant us our fair share. We have nothing further.

MR. PORTER: Nothing further to be offered in the case. The case will be taken under advisement.



MR. VERITY: Pardon me one minute, these charts belong to El Paso and they have requested them back and I wonder if the Commission's secretary would return them to me as soon as you have used them in regard to taking this case under advisement?

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## I N D E X

WITNESS	DIRECT	REDIRECT	CROSS	RECROSS
Norman Gove	4	20	22	

## E X H I B I T S

	Marked	Received
Exhibit 1, Witness Gove	5	
Exhibit 2, " "	7	
Exhibit 3,4, " "	8	13
Exhibit 5 through 10, Witness Gove	9	

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ALBUQUERQUE, NEW MEXICO





BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
May 18, 1960

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IN THE MATTER OF: )  
 )  
 )  
 Application of Petro-Atlas, Inc. for a )  
 hearing de novo before the Oil Conserva- )  
 tion Commission in Case No. 1893, Order )  
 No. R-1619, relating to a request for can- )  
 cellation of the overproduction charged )  
 against one gas well in the South Blanco- )  
 Pictured Cliffs Pool, San Juan County, )  
 New Mexico. )

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Case 1893

BEFORE: Mr. A. L. Porter  
Mr. Murray Morgan

TRANSCRIPT OF HEARING

MR. PAYNE: Mr. Commissioner, the Applicant in this case has requested it be continued to the regular Commission hearing on June 10th.

MR. PORTER: Does anyone have any objection to counsel's motion for Case 1893? The Case 1893 will be continued to June 10th.

At this time, in order to release one of our witnesses, we are going to take Southeast nomenclature case, following that we will have a short recess.

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ALBUQUERQUE, NEW MEXICO





BEFORE THE  
OIL CONSERVATION COMMISSION  
HOBBS, NEW MEXICO  
APRIL 13, 1960

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IN THE MATTER OF: :

CASE 1893 Application of Petro-Atlas, Inc. for a hearing :  
de novo before the Oil Conservation Commission :  
in Case No. 1893, Order No. R-1619, which was :  
an application to cancel the overproduction :  
charged against one gas well in the South :  
Blanco-Pictured Cliffs Pool, San Juan County, :  
New Mexico. Said Order No. R-1619 denied the :  
requested relief. :  
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BEFORE:

John Burroughs  
Daniel S. Nutter  
A. L. Porter

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: Mr. Payne, I believe we should dispose of  
Case 1893.

MR. PAYNE: Case 1893. Application of Petro-Atlas, Inc.  
for a hearing de novo in Case 1893. Mr. Commissioner, the attorney  
for the applicant has requested that that case be continued to the  
regular hearing in May.

MR. PORTER: Does anyone have any comment on the counsel's  
motion for continuance? Case 1893 will be continued to the May  
regular hearing.

