

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 24, 1968

IN THE MATTER OF:

The hearing called by the Oil
Conservation Commission upon
its own motion to consider
Amendment of Rule 509 of the
Commission Rules and Regulations
and Commission Form C-109

CASE NO. 3711

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 3711.

MR. HATCH: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the amendment of Rule 509 of the Commission Rules and Regulations and Commission Form C-109 to permit the production of the bonus discovery oil allowable assigned to multiple discovery wells to be produced from any discovery zone in any proportion; and to further amend said rule to permit applications for the bonus discovery allowable to be heard on dockets other than the regular pool nomenclature docket in instances where the applicant will present the evidence.

George Hatch, appearing on behalf of the Commission and its staff. I have one witness I would like sworn at this time.

(Witness sworn.)

MR. UTZ: Are there any other appearances in Case 3711? You may proceed.

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D A N N U T T E R, called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HATCH:

Q Would you state your name and position, for the

record?

A Dan Nutter, Chief Engineer for the Oil Conservation Commission.

Q Mr. Nutter, as Chief Engineer for the New Mexico Oil Conservation Commission, is it part of your duties to make recommendations to the Commission concerning revision of the Rules of the New Mexico Oil Conservation Commission?

A Yes, sir, it is.

Q Are you familiar with Case 3711 and what it proposes?

A Yes, I am.

Q Would you briefly review the history of Order R-3105, and make your recommendations concerning the amendments to the Commission at this time?

A Order No. R-3105 was entered by the Commission just a little over a year ago. It established a bonus discovery oil allowable for wells drilled in the State of New Mexico. It provides for an allowable of five barrels of oil, in addition to the regular allowable, for each foot of depth from the point of actual drilling to the top of the perforations in the discovery zone. It provides that multiple completions would receive additional discovery allowable from the bottom of the perforations in the

uppermost discovery zone to the top of the perforations in the lowermost discovery zone, also based five barrels per foot. The recommended change here today is to permit that this discovery allowable would not be required to be produced from the zone that earned the discovery allowable. I think one of the most glaring evidences of the need for this revision is brought about by the only multiple discovery well that we have had since we have had the discovery allowable rule. Texas-Pacific Ella Drinkard Well No. 2 made a multiple discovery. It discovered the East Brunson Ellenburger and that zone received 38,915 barrels at 7783 feet, actual drilling from the surface to the top of the perforations in the Ellenburger zone. The operator drilled to the top of the perforations in the Ellenburger zone. The operator drilled from the bottom on to the Granite Wash, forty-two feet of additional drilling and that zone earned 210 barrels. The rule itself does not specify that this allowable must be produced from that zone; however, the form C-109 which was adopted February 1st, or September 1st, 1966, has a certification at the bottom which I will read. "I hereby certify that all rules and regulations of the New Mexico Oil Conservation Commission have been complied with with respect to the subject well, and that it is my opinion that

a bonafide discovery of a hereto unknown source of supply has been made in said well. I further certify that the discovery allowable for the subject well, if authorized, will be produced from the subject zone in this well only. Further, that the information given herein and attached hereto is true and complete to the best of my knowledge and belief."

So one of these forms has to be filed for each of the discovery zones in a well. When the operator certifies that he has earned discovery allowable for this zone, for the zone that he's filing it for, he certifies that this allowable will be produced from this zone only. So in order to provide some flexibility, and we take this case of this East Brunson Ellenburger and East Brunson Granite Wash, this was a goodfaith discovery made of two zones. Supposing the upper zone which received the bulk of the allowable became marginal early in its life and the lower was a good zone and had the capacity to produce its discovery allowable. I think the operator should have the flexibility of producing the allowable from the other zone. I suggest that the words "or other discovery zone" be inserted so that the certification here would read, "I further certify that the discovery allowable for the subject well, if authorized, will be produced from

the subject zone or another discovery zone in this well only." I believe that will provide the flexibility. There are probably some problems that will arise as a result of this amendment in the administration of the assignment of allowables to one zone and then another, but I think they can probably be worked out.

That's all I have to say with respect to this portion of the proposed revision.

The other proposed revision is with reference to the provision in the Rule, the paragraphs aren't numbered --

Q It begins with "If, in the opinion --

A Yes, it's the fifth paragraph from the end of the Rule. The paragraph reads -- it's reciting how an operator files for his discovery allowable. Then it goes on to say, "If, in the opinion of the Commission Staff, good cause exists to bring the pool on for hearing as a discovery, and no objection has been received from any other operator, the pool will be placed on the first available hearing docket for inclusion by the staff in its regular pool nomenclature case. If the staff is not in agreement with the applicant's contention that a new pool has been discovered or if another operator objects to a new pool and the assignment of an oil discovery allowable, the applicant

will be so notified and he will be expected to present the evidence supporting his case at the nomenclature hearing."

This limits the discovery allowables to the nomenclature dockets. There have been cases where they have made discoveries and have come in for pool rules on one hearing and then in two weeks have to come in at a nomenclature hearing and have to make two trips to make their case for discovery allowable. I think if we have the flexibility that if one is to be contested, and the operator is going to be presenting the evidence, that he could come in at the earliest hearing, it might be an examiner hearing or in some cases, it could be a Commission Hearing. If these could be set at times other than nomenclature hearings it might ease the administration of the rule. I don't have specific wording to offer, but it would be very much along the lines as proposed there on the docket.

Q If no testimony is to be given by the applicant it would still be heard on the regular nomenclature?

A This is correct, if there is no objection and no complication and the Commission staff presents it, it would be included in the regular nomenclature hearing.

Q Do you have anything further to add to your testimony, Mr. Nutter?

A No, sir.

Q In your opinion, will the amendment of Order R-3105, as you have recommended, permit the Commission to more efficiently administer the Order?

A Yes, I believe it would.

Q In your opinion would those changes cause waste or violate correlative rights?

A No, they will not.

MR. HATCH: That's all I have.

MR. UTZ: Are there questions of the witness?
The witness may be excused.

(Witness Excused.)

MR. UTZ: Are there any statements to be made in this case?

MR. KELLAHIN: If the Examiner please, Jason Kellahin, Kellahin and Fox, Santa Fe, appearing for Standard Oil Company of Texas. Standard Oil Company of Texas is in support of the recommendations that have been made by the Commission's witness.

MR. UTZ: Any other statements? We have in the file a telegram from J. L. Hoyt, Junior, Pan American Petroleum, who supports all the rule changes in Cases 3711, 3712 and 3713; a letter from Mobil Oil Company which supports

the rule change; a letter from Skelly which supports all the rule changes.

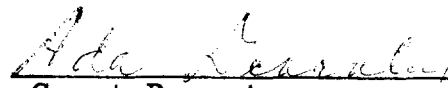
Any other statements? The case will be taken under advisement.

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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, 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, 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 19th day of February, 1968.



Court Reporter

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I do hereby certify that the foregoing is a complete record of the proceedings in the hearing held at Case No. 3761 held by me on June 24, 19 68
Shirley H. Duff, Secretary
 New Mexico Oil Conservation Commission