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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
COUNTRY CLUB  
HOBBS, NEW MEXICO  
April 19-20, 1972

EXAMINER HEARING

IN THE MATTER OF:  
  
The hearing called by the Oil  
Conservation Commission on its  
own motion for the amendment of  
the General Rules and Regulations  
governing the prorated gas pools  
of New Mexico.

Case No. 4691

BEFORE: Alex Armijo  
Examiner  
  
A. L. Porter, Jr.  
Examiner

TRANSCRIPT OF HEARING

1 MR. PORTER: We will now take up Case 4691.

2 MR. HATCH: Case 4691 is in the matter of the  
3 hearing called by the Oil Conservation Commission on its  
4 own motion for the amendment of the General Rules and  
5 Regulations governing the prorated gas pools of New Mexico.

6 MR. PORTER: How many witnesses will you have?

7 MR. HATCH: I will have one witness.

8 ELVIS UTZ

9 was called as a witness and after being duly sworn according  
10 to law, testified as follows:

11 DIRECT EXAMINATION

12 BY MR. HATCH:

13 Q Would you state your name and position for the record?

14 A Elvis Utz, Engineer with the Oil Conservation  
15 Commission.

16 Q As an Engineer for the Oil Conservation Commission,  
17 are you directly charged with any duties concerning  
18 the prorating of gas in New Mexico?

19 A Yes, I am.

20 Q How long have you held such a position?

21 A That's a question I can't answer exactly, but it's  
22 around sixteen or seventeen years. I have been with  
23 the Commission for twenty-three years.

24 Q Are you familiar with the general rules and regulations  
25 governing the prorating of gas pools in New Mexico?

1 A Yes.

2 Q Are you familiar with Case 4691 and what it proposes?

3 A Yes I am.

4 Q I believe the case was advertised for really about  
5 three changes to be made in the rules and regulations  
6 promulgated by Order R-1670.

7 Will you present to the Commission each proposed  
8 change and the reason for your recommendation?

9 A Yes, sir. Basically this entire case is pointed toward  
10 the changing of the length of the proration period from  
11 six months to one year.

12 In addition to that changing the beginning  
13 of the Northwest New Mexico prorationing period from  
14 February 1st to January 1st, so the beginning of the  
15 prorationing period in both areas will coincide.

16 Q The rules for Southeast New Mexico and Northwest  
17 New Mexico were slightly different. Would you take  
18 up the rule changes for each, for the Southeast first,  
19 and point out to the Commission the changes that you  
20 suggest be made?

21 A Yes, I will, but first let me state my reasons for  
22 making this suggestion.

23 Q All right.

24 A Number one, in my opinion, the prorationing period  
25 will greatly assist in balancing production and it will

1 also compensate for overproduction which is  
2 substantial and assist in balancing the wells.

3 Number two, I believe these twelve month  
4 prorating periods would eliminate some of the  
5 unnecessary balancing that we have to do with making  
6 wells come into balance in the six month prorating  
7 period.

8 Number three, I believe that this will be more  
9 workable and allow prorating to work inside the  
10 rules rather than by exception. I mean the exceptions  
11 we granted over the past several years, exceptions  
12 to Rule 14 and Rule 15, and of the General Rules  
13 of R-1670.

14 These exceptions have been basically to  
15 accept the cancelling and redistributing of the  
16 underproduction on the six months basis. Actually  
17 these exceptions work out to be, when we give clear  
18 cut exceptions, they work out to be eighteen month  
19 prorating periods.

20 I have some evidence here which I will give now  
21 or later which refer to the fact that these one  
22 year proratings will assist in balancing the wells  
23 and also eliminate considerable work.

24 I will call your attention first to the General  
25 Rules of Southeast New Mexico as they appear in R-1670.

1 I am proposing to delete this Rule and  
2 substitute the following Rule. This Rule is  
3 printed in its entirety in Rule 13.

4 Seven A.M., January 1st of each year shall  
5 be known as the balancing date and the twelve  
6 months following the date shall be known as the  
7 gas proration period.

8 Now, if you will turn over one page, I have  
9 offered an additional Exhibit, with a circle marked  
10 around 13. I do this to show what the old Rule  
11 was and the Rule read there somewhat differently  
12 than my recommendation.

13 The second Rule I have recommended is to  
14 change Rule 21 and I recommend we delete the Rule  
15 as follows: C-111 shall be submitted in duplicate,  
16 and the original being sent to The Commission at  
17 Box 208A, Santa Fe, New Mexico, and the other  
18 being sent to Box 1980, Hobbs, New Mexico.

19 On the second page you will note that Rule 21D  
20 is also marked with a circle and the only change here  
21 is simply the change in address of the Commission.

22 Q That rule change has nothing to do with the twelve  
23 month proration period?

24 A No. Rule 13 takes care of that in its entirety.

25 Q Those are all the changes that you are recommending

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1 for Southeast New Mexico?

2 A Correct.

3 Q Would you turn to the part having to do with Northwest  
4 New Mexico and point out to the Commission each of  
5 the proposed changes there?

6 A Yes.

7 I will start with Rule 9D. The annual  
8 allowable test taken each year shall be used to  
9 calculate the allowable for the twelve month  
10 period beginning -- the only word change would be  
11 January 1st.

12 The old Rule, 9D, is also marked with a circle  
13 on the page following.

14 Rule 11 would read as follows: Rule 11, a  
15 minimum allowable of 1,000 MCF per month per  
16 proration unit will be assigned in order to avoid  
17 premature damaging of the wells.

18 Q Are there some pools in Northwest New Mexico that  
19 have a minimum allowable of 1,000 MCF per month at  
20 present?

21 A Yes, all the pools in the Northwest with the exception  
22 of the Dakota.

23 This rule I have just suggested, I offer this  
24 suggestion in the interest of not only administration  
25 work, but also in the interest of the processing

1 machine. They have a way of not knowing whether  
 2 two pools are a little different than each other.  
 3 Q Has there ever been a hearing suggesting a minimum  
 4 allowable for these two pools where it had been  
 5 decided?  
 6 A Yes, regarding 2,500 MCF.  
 7 Q Do you think the situation has changed?  
 8 A In my opinion, it has.  
 9 Q Will you continue with Rule 13?  
 10 A Rule 13 would be as follows: Seven A.M., January 1st,  
 11 of each year, will then be the balancing date and  
 12 the twelve months following the dates shall be known  
 13 as the gas proration period.

14 You will also note the old reading of that Rule  
 15 is circled on the first page following this. All this  
 16 did was to change the proration period from February 1st  
 17 and August 1st, to January 1st, which would coincide  
 18 with Southeast New Mexico.

19 Form C-111 referred to herein, shall be submitted  
 20 the original will be sent to The Commission Office at  
 21 Box 208A, Santa Fe, New Mexico, and the remaining  
 22 copies will be sent to Box 1000, Aztec, New Mexico,  
 23 and Box 1980, Hobbs, New Mexico, respectively.

24 This change has nothing to do with the one  
 25 year prorationing recommendation, but simply corrects

1 the address.

2 Q You have two sheets here, one entitled "Overproduction"  
3 and one entitled "Underproduction", I think you  
4 suggested a moment ago that this one year period  
5 would aid the administration of gas prorationing;  
6 would you refer to those two parts now and explain to  
7 the Commission what they show?

8 A Yes. I will refer to the Exhibit marked "Underproduction"  
9 first. You will note that the nine prorated gas pools  
10 in Northwest New Mexico are shown on the left-hand  
11 column with figures following under each column.

12 The first column was at the beginning of one  
13 of our exceptions. As a matter of fact, it was one  
14 of our three exceptions we have had in recent years  
15 in Northwest New Mexico.

16 In the Southeast at the present time that  
17 column shows 11.4 million beginning on 1/31/71 and  
18 was made up during the following year and was  
19 9.6 million or 84.7 percent.

20 We have a skip in our data which I didn't have  
21 time to pick up which doesn't show what the underage  
22 was in the middle of the one year period, or six  
23 month period. So, I will just have to testify as  
24 fact here that it was very substantial. Much of  
25 the underage was made up in the last six months of

1 the period for the one year period. We then  
 2 begin with 1/31/71, for the other exception of 1.7  
 3 million which was the remaining underage and which  
 4 was to be made up. 1.87 of the underage was made  
 5 up for the following period or 7.7 percent.

6 The last column shows that of the 11.4 gain  
 7 for the one year period, only 7.6 was cancelled and  
 8 all the rest was made up.

9 Now, rather than go into this and read all the  
 10 figures, I will just state the following: The  
 11 other eight prorated gas pools you will note one  
 12 figure that balanced in its entirety as far as  
 13 underproduction is concerned.

14 You will also note under the amount cancelled,  
 15 the next last column, virtually all of the underage  
 16 was made up.

17 Q Mr. Utz, is it your opinion that less gas was  
 18 cancelled due to this one year suspension than if  
 19 it had gone through a six month balancing period?

20 A It is very definitely my opinion, I'm sure of it.

21 The next sheet is captioned "Overproduction".  
 22 Anytime you have underproduction in a pool you must  
 23 have overproduction or you don't meet the market  
 24 demand. These were exceptions granted in order to  
 25 balance overproduced wells as well as to make up

1 underproduction. This Exhibit shows the amount of  
 2 overproduction that was compensated for. I will  
 3 take again the base of the Dakota pool and the  
 4 overproduction was in the amount of 5.3 million.

5 At the end of the first year it made up 5.3,  
 6 a little less, about 99.9 percent. Only 1/10th  
 7 of 1 percent was left to be made up, and this was  
 8 never made up and the well was shut-in 4.1 percent.

9 The other seven pools made up all of their  
 10 overproduction in the following one year period.

11 Q Mr. Utz, I think you are recommending a one year  
 12 proration period, but I don't believe you have made  
 13 any recommendations as to when this would commence.

14 A Well, I thought I had -- you mean the first one?

15 Q The first period, yes.

16 A I recommend that the first balancing period from  
 17 this time forward be January 1, 1973. This would  
 18 eliminate the balancing period in the middle of this  
 19 year in Southeast New Mexico. This would be July 1st.

20 In Northwest New Mexico it would be August 1st,  
 21 and in effect what it will do is it will give Northwest  
 22 New Mexico an eleven month prorationing period in  
 23 order for it to coincide with the Southeast. It will  
 24 have no effect on Southeast New Mexico in view of  
 25 the fact that we already have an exception and we

1 precluded balancing in the middle of this year.

2 So the balancing would be done not only in accordance  
3 with the exception, but within accordance with this  
4 recommendation, if the Commission adopts it.

5 Q So you would, in fact, be treating 1972 prorationing  
6 under that procedure?

7 A That is correct.

8 Q What underage -- you say the first balancing period  
9 will be January 1, 1973, what underage would be  
10 subject to cancellation, at that time?

11 A The first of 1973, was that your question?

12 Q I believe the first balancing period would be  
13 January 1, 1973?

14 A That is correct. The entire status as of January 1,  
15 1972, in Southeast New Mexico, and February 1, 1972,  
16 in Northwest New Mexico, would be subject to cancellation  
17 and redistribution under our suggested rules.

18 On January 1, 1973, the underage then accrued  
19 during this current proration period, the one we  
20 are in now, would not be subject to cancellation until  
21 the end of 1973.

22 Q I believe those are all the questions, I have. Do  
23 you have anything further you want to add to your  
24 testimony?

25 A I have a suggestion which I will not make as a

1 recommendation, I will only throw it out as a  
2 suggestion to be considered. Had I been a little  
3 more serious about the thought I would have made  
4 it in the form of a recommendation and that is to  
5 put up bi-monthly prorationing schedules, if the  
6 Commission adopts the twelve month prorationing  
7 period rather than the monthly schedules.

8 In my opinion, it would be just as satisfactory  
9 as far as assignments of allowables are concerned  
10 and it would preclude a substantial amount of  
11 printing and a substantial amount of work on the  
12 machines, and it would be just as satisfactory as  
13 monthly proration periods -- proration schedules,  
14 I'm sorry.

15 MR. PORTER: Does anyone have any questions of  
16 the witness?

17 MR. ARNOLD: You are not recommending any  
18 changes of the six times rule?

19 THE WITNESS: I am recommending that the six  
20 times rule stay as it is.

21 MR. PORTER: Does anyone else have any questions  
22 of the witness?

23 (No response)

24 MR. PORTER: If not, the witness may be excused.

25 (Witness excused.)

1 MR. HATCH: The Commission has received a  
2 telephone call from Amoco Production Company in favor  
3 of the revision of Rule 13 to allow a one year prorating  
4 period.

5 MR. PORTER: Are there any other communications?

6 MR. HATCH: I haven't received any.

7 MR. PORTER: Does anyone else desire to give  
8 any testimony in this case?

9 MR. MANNING: E. R. Manning of El Paso Natural  
10 Gas. El Paso Natural Gas, in the matter of the hearing  
11 called by the Oil Conservation Commission in Case 4691,  
12 El Paso Natural Gas concurs with the proposed amendment  
13 to the General Rules and Regulations governing prorating  
14 gas pools.

15 El Paso Natural Gas is of the opinion that the  
16 amendments to Rule 9D and Rule 13 permitting the establish-  
17 ment of one year proration periods beginning January 1st  
18 of each year will permit a greater flexibility in the  
19 balancing of gas wells as well as eliminating burdensome  
20 and unnecessary paperwork.

21 El Paso has no objection to the amendment to  
22 Rule 11 to establish a minimum allowable of 1,000 MCF  
23 per gas per month for each prorating unit in the  
24 prorated gas pools of Northwest New Mexico.

25 El Paso also believes that it would be appropriate

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to remove any reference to C-114 in Rule 21D.

Thank you, sir.

MR. PORTER: Any other statements?

MR. HAGAN: I represent Southern Union Gas Company and Southern Union concurs with the Commission's motion to adopt a one year prorationing.

MR. PORTER: Anyone else?

(No response.)

MR. PORTER: The Commission will take the Case under advisement. As to the suggestion at the end of Mr. Utz' testimony, of course, that would have to be the subject of another hearing, I suppose, or at least given some thought before anything like that was instituted by the Commission.



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