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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
June 28, 1972

EXAMINER HEARING

IN THE MATTER OF:

Application of El Paso Natural
Gas Company for capacity production,
San Juan County, New Mexico.

CASE NO. 4735

BEFORE: Elvis A. Utz
Examiner

TRANSCRIPT OF HEARING

1 MR. UTZ: Case 4735.

2 MR. HATCH: The Application of El Paso Natural
3 Gas Company for capacity production, San Juan County, New
4 Mexico.

5 MR. BUELL: Sumner Buell of Montgomery, Federici,
6 Andrews, Hannahs, & Morris, appearing on behalf of the
7 Applicant. We are associated with Mr. James C. Considine
8 who will handle the matter and present it to the Examiner.

9 MR. UTZ: You may proceed.

10 MR. CONSIDINE: First, I would like to give you
11 our Exhibits, Mr. Examiner.

12 MR. UTZ: Have they been marked?

13 MR. CONSIDINE: Yes, they have. We have additional
14 copies of the Exhibits, if anyone would like to see them.

15 EUGENE R. MANNING,
16 was called as a witness and after being duly sworn, testified
17 as follows:

18 DIRECT EXAMINATION

19 BY MR. CONSIDINE:

20 Q Would you please state your name, where you reside,
21 and by whom and in what capacity you are employed?

22 A Eugene R. Manning, I reside in El Paso, Texas, and am
23 an employee of El Paso Natural Gas Company as an
24 administrative assistant in the gas operations department.

25 Q Have you testified previously before this Commission and

1 have your qualifications been accepted?

2 A Yes, I have testified before and my qualifications were
3 accepted at that time.

4 MR. CONSIDINE: Mr. Examiner, are the witness'
5 qualifications accepted?

6 MR. UTZ: He is qualified to testify at any time.

7 Q (By Mr. Considine, continuing) Mr. Manning, would you
8 please state briefly exactly what El Paso Natural
9 Gas Company is seeking in this Application?

10 A Well, El Paso is the operator of nine units in northwest
11 New Mexico and we desire to be allowed to complete a
12 testing involving seven wells in Section 32, Township
13 32 North, Range 9 West.

14 Q What kind of test will El Paso make?

15 A Tests involving the various pressures below the normal
16 Blanco-Mesaverde line.

17 The purpose of the test is to allow us to evaluate
18 the performance characteristics of the test wells.

19 Q When was this test commenced and when do you expect it
20 to be completed?

21 A We commenced testing on January 11, 1972 and we hope to
22 have the test completed some time in the early part of
23 1973.

24 Q What action on the part of the Commission are you
25 requesting in order to be able to complete this test?

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1 A El Paso respectfully requests that throughout the test
2 period, this Commission will exempt six of the test
3 wells from the provisions of the Rules applicable to
4 the Mesaverde gas pool, thus allowing the wells to be
5 produced at full capacity throughout the test period.

6 We also request that, at the end of the test
7 period, all overproduction be accrued in the following
8 manner: First, with the amount of overproduction which
9 would have been attributable to all the wells in the
10 unit, marginal wells, during this period that they be
11 classified as prorated wells. Now, if the total amount
12 of accumulated underage exceeds the overproduction
13 accumulated by the test wells, all the overproduction
14 will then be considered as offset.

15 Second, if there is overproduction remaining after
16 the previously described process, then the remaining
17 overproduction will be offset by underproduction
18 attributable to the underproduced wells in the unit.

19 Q At this poing, Mr. Manning, I would like you to explain
20 Exhibit A which is a map of the San Juan, 32, 9, unit.

21 A This is a map of our San Juan 32, 9, unit, in San Juan
22 County, New Mexico. The heavy dash line outlined in the
23 delineated area shows the extent of the San Juan 32,
24 9 unit. The solid orange line delineates the participating
25 area of the San Juan 32, 9 unit.

1 The green in approximately the center of the unit
2 shows the El Paso Natural Gas Company's gathering trunk.

3 The blue rectangle indicates where our test pressure
4 has been set and tied into the trunk and the test wells
5 are circled in red.

6 Q Is it correct that although the map indicates seven test
7 wells, El Paso is requesting Commission action with
8 regard to only six of these wells?

9 A Yes, this is true. The seventh well is the M.P. Number
10 20 El Paso on the Exhibit and is outside the participating
11 area of the 32, 9, unit, and is presently classified
12 as marginal and we calculate that although this well may
13 be helped to some extent by this lowered line pressure,
14 we do not think it will be necessary for an exemption
15 on this well -- we do feel it will be helped and that
16 there will have to be an exemption, but my testimony
17 today refers to the wells, the six wells, within the
18 participating unit.

19 Q Exclusive of the M.P. Number 20?

20 A Yes, sir, exclusive of the M.P. Number 20.

21 Q Would you review the classifications of the other wells,
22 the six test wells?

23 A Well Number 29, which is located in the SW/4 of Section
24 30 is presently classified by the New Mexico Oil
25 Conservation Commission as a non-marginal well.

Well Number 30 is located in the NE/4 of this same Section and is also classified as a non-marginal well.

Well Number 40, which is located in the SE/4 of Section 30, in Township 32, North, Range 9 West, is classified as a non-marginal well.

Well Number 41, which is located in the NW/4 of Section 31 is presently classified as a marginal well.

Well Number 51 which is located in the SE/4 of Section 29, is classified as a non-marginal well.

Well Number 37, located in the NE/4 of Section 32 is classified as a marginal well.

Q Mr. Manning, I ask you to look at Exhibit B and identify and explain that Exhibit.

A Exhibit B is a two-page Exhibit which is a list of the participating wells in the San Juan 32, 9, unit as of April 30, 1972. This list is arranged in numerical meter code order. The first column indicates the well name, the second column is the location, and the third column entitled "status" indicates the status of the well and whether it is shut-in or overproduced or underproduced.

The fourth column is entitled "April, 1972, Y.A.C.", which is the average producing ability of these wells.

The next column is entitled -- no, the fifth column

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1 is the accumulative status of the wells. A minus
2 indicates that the well is underproduced, the absence
3 of a minus sign indicates the well is overproduced.

4 The next column, which is entitled, "1972, Days
5 Operated," is the number of days in 1972 that the wells'
6 head valves were open and the wells were given an
7 opportunity to produce. The final column is the meter
8 code number.

9 Q Mr. Manning, I ask you to look at Exhibit C and make a
10 summary explanation of this Exhibit.

11 A Exhibit C is the projected 1972 allowable for the test
12 wells. The third column is the size of the unit and the
13 fourth column is its current state. The fifth column
14 is the 1972 Y.A.C. and the sixth column is the 1972
15 projected non-marginal allowable. The seventh column
16 is the projected production and the eighth column is
17 the projected overproduction. The ninth column is the
18 production that these wells have experienced through
19 April 30, 1972.

20 Now, the sixth column projects that the six test
21 wells will have a total non-marginal allowable of some
22 808 million cubic feet of gas.

23 The seventh column shows that we anticipate that,
24 during this test period, these wells will produce
25 approximately one trillion, three hundred twenty-one

1 billion, three hundred twenty-one million cubic feet
2 of gas and this will result in an overproduction and
3 this is the overproduction that we request be offset
4 to the underproducing marginal wells in the San Juan 32,
5 9, unit.

6 Q Looking now at Exhibit D, will you please explain that
7 Exhibit?

8 A Column seven of Exhibit D shows the projected 1972 non-
9 marginal allowables, for marginal wells in the San Juan
10 32, 9, units.

11 Now, when this column is compared to the projected
12 1972 marginal production shown in column six, then we
13 can obtain the additional allowables shown in column
14 eight. These figures represent the allowable available
15 to these unit wells which they are not expected to
16 produce because of their low producing ability. You will
17 note that the projected marginal wells will have a total
18 production of one billion, one hundred twenty-one million
19 cubic feet of gas for 1972.

20 You will also note that the non-marginal total
21 allowable will be some two billion, three hundred nine
22 million cubic feet, and the difference constitutes some
23 one billion, eighty-eight million cubic feet of
24 overproduction.

25 Q Mr. Manning, looking now at Exhibit E, the final Exhibit,

1 would you please explain that Exhibit?

2 A Well, Exhibit E is a list of the 32, 9, unit wells,
3 which are underproduced from a standpoint of accumulative
4 status as of April 30, 1972.

5 They are listed in their order of increasing
6 underproduction. This Exhibit shows ten wells listed
7 and these wells have a total of 371 million cubic feet
8 of gas assigned to them as underproduction.

9 Q Mr. Manning, how do the working interest owners participate
10 in production in the San Juan 32, 9, unit wells?

11 A They receive a share of the production of each well in
12 proportion to their participation in the unit.

13 Q Will the royalty owners likewise share in the over-
14 production?

15 A Yes, they will share on the same basis.

16 Q Do you think that the granting of this Application would,
17 in any way, violate correlative rights or create waste
18 of natural resources?

19 A No, it will not violate correlative rights or create
20 waste of natural resources. It will not create any
21 waste.

22 Q Were these Exhibits, A through E, prepared by you?

23 A Yes, they were.

24 MR. CONSIDINE: Mr. Examiner, at this time, I move
25 for the introduction of our Exhibits. I would also like to

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1 point out that El Paso has received letters of support which
2 have been directed to the Commission from Amoco and Mobil.
3 I will call your attention to these letters.

4 MR. UTZ: Without objection, Exhibits A through E
5 will be accepted into the record of this Case.

6 Mr. Manning, you said that Exhibits D and E were
7 offered for the purpose of showing the participating areas
8 of the unit will not overproduce their non-marginal allowable,
9 you are not asking anything for these wells listed on Exhibits
10 D and E, are you?

11 MR. MANNING: No, sir, this was merely to show that
12 these wells on Exhibits D and E will not be overproduced.

13 MR. UTZ: The participating area as a whole would
14 not overproduce?

15 MR. MANNING: That's right.

16 MR. UTZ: You are not asking for any transfer
17 allowables for any of these wells?

18 MR. MANNING: No, sir.

19 MR. UTZ: Just the six wells involved?

20 MR. MANNING: Yes, sir.

21 MR. UTZ: Now, Mr. Manning, there are two marginal
22 wells, at the present time, and the next classification under
23 our new one-year proration period will be January 1st, it is
24 your request, is it not, that this transfer be made at the
25 completion of the test?

1 MR. MANNING: That is our request.

2 MR. UTZ: So the marginal wells that will be
3 marginal until the 1st of January, will not have to have any
4 allowable assigned to them until after the reclassification
5 period?

6 MR. MANNING: Yes, sir.

7 MR. UTZ: And, from the projected figures here, it
8 looks as though the two marginal wells very likely will be
9 reclassified as non-marginal?

10 MR. MANNING: Yes, sir.

11 MR. UTZ: In which case it would be normal
12 procedure to transfer more than non-marginal allowable to the
13 wells if you so desired? In other words, what I am saying is,
14 as marginal wells, you cannot transfer any more allowable to
15 the well than is equal to the non-marginal allowable?

16 MR. MANNING: Yes, sir.

17 MR. UTZ: I just want to be sure we understand you.

18 MR. MANNING: Yes, sir.

19 MR. UTZ: Let me ask you, Mr. Manning, it is my
20 understanding, and correct me if I am wrong, that this test
21 is designed to determine the effect of low-line pressure on
22 the producing characteristics of the Mesaverde wells in the
23 32, 9, unit?

24 MR. MANNING: Yes, sir, this is the purpose of the
25 test.

1 MR. UTZ: Will the results of the test be offered
2 to the Commission at the completion of the test?

3 MR. MANNING: I see no reason why we shouldn't make
4 it available. We have agreed to make the information available
5 to Amoco and Mobil and I see no problem as to why this
6 information should be so privileged.

7 MR. KENDRICK: Did you answer that yes or no?

8 MR. CONSIDINE: He answered, "yes."

9 MR. UTZ: In a roundabout way.

10 What pressure do you anticipate using?

11 MR. MANNING: We really don't know, at this time.
12 We are looking for the critical pressure in there somewhere,
13 we think it is there and we are trying to find it. There is
14 a possibility that we will take it on down to a 50 pound gage
15 and, if that has an adverse affect on the wells, we may use
16 a little higher pressure. We don't know, at this time, but
17 we are sort of playing it by ear, Mr. Examiner. We certainly
18 do not want to damage any wells in there.

19 MR. UTZ: Exactly what are you looking for?

20 MR. MANNING: This critical pressure that may
21 bring on an influx of fluid.

22 MR. UTZ: Do you mean water or water and hydrocarbons?

23 MR. MANNING: All fluids.

24 MR. UTZ: I believe you stated that these wells are
25 all in the participating area, the 32, 9, unit, would you

1 consider this acreage on which these wells are located as
2 being one lease?

3 MR. MANNING: Yes, sir.

4 MR. UTZ: So no correlative rights would be
5 disturbed?

6 MR. MANNING: No, sir.

7 MR. UTZ: Any other questions?

8 (No response.)

9 MR. UTZ: The witness may be excused.

10 (Witness excused.)

11 MR. UTZ: Any statements in this Case?

12 (No response.)

13 MR. UTZ: The Case will be taken under advisement.
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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, RICHARD E. McCORMICK, a Certified Shorthand Reporter,
in and for the County of Bernalillo, State of New Mexico,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me; and that the same is a true and correct
record of the said proceedings to the best of my knowledge,
skill and ability.

Richard E. McCormick
CERTIFIED SHORTHAND REPORTER

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Oil Conservation Commission

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I N D E X

<u>WITNESS:</u>	<u>PAGE</u>
<u>EUGENE R. MANNING</u>	
Direct Examination by Mr. Considine	3

E X H I B I T S

<u>APPLICANT'S</u>	<u>OFFERED</u>	<u>ADMITTED</u>
El Paso Natural Gas Company		
Exhibit A	5	10
Exhibit B	7	10
Exhibit C	8	10
Exhibit D	9	10
Exhibit E	9	10