

CASE 2528: Application of R & G DRLG.

CO. for special allowances, San Juan
County, New Mexico.

432 / 10.

2528

dition, Transcript,
all Exhibits, Etc.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2528
Order No. R-2260

APPLICATION OF R & G DRILLING COMPANY,
INC. FOR PERMISSION TO OPERATE TWELVE
WELLS UNDER A PROJECT ALLOWABLE, SAN
JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 11, 1962, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 14th day of June, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, R & G Drilling Company, Inc., is the owner and operator of the following wells in the West Kutz-Pictured Cliffs Gas Pool, San Juan County, New Mexico:

Krause Well No. 5, SW/4, Section 32, Township 28 North,
Range 11 West;
Krause Well No. 7, SW/4, Section 33, Township 28 North,
Range 11 West;
Krause Well No. 18, NE/4, Section 28, Township 28 North,
Range 11 West;
Krause Well No. 19, NW/4, Section 28, Township 28 North,
Range 11 West;
Krause Well No. 22, SE/4, Section 32, Township 28 North,
Range 11 West;
Schlosser Well No. 12, NW/4, Section 10, Township 27
North, Range 11 West;
Schlosser Well No. 13, NW/4, Section 27, Township 28
North, Range 11 West;

CASE No. 2528
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Schlosser Well No. 15, NW/4, Section 34, Township 28
North, Range 11 West;
Schlosser Well No. 16, SE/4, Section 10, Township 27
North, Range 11 West;
Schlosser Well No. 20, NE/4, Section 10, Township 27
North, Range 11 West;
Schlosser Well No. 24, SW/4, Section 27, Township 28
North, Range 11 West;
Schlosser Well No. 25, SE/4, Section 27, Township 28
North, Range 11 West.

(3) That the applicant seeks permission to produce said wells under a project allowable of 3300 MCFD, to be produced from any well or combination of wells.

(4) That in order to evaluate the feasibility of installing compression facilities on said wells, the application should be granted for a 90-day period with provision made for a further 90-day extension by administrative procedure.

(5) That at the end of said period of evaluation, allowables should be assigned retroactively to the individual wells in the project on the basis of deliverability tests obtained at that time.

IT IS THEREFORE ORDERED:

(1) That the applicant, R & G Drilling Company, Inc., is hereby authorized to operate the following-described wells under a project allowable of 3300 MCFD for a period of 90 days beginning July 1, 1962, in order to evaluate the feasibility of installing compression facilities:

Krause Well No. 5, SW/4, Section 32, Township 28 North,
Range 11 West;
Krause Well No. 7, SW/4, Section 33, Township 28 North,
Range 11 West;
Krause Well No. 18, NE/4, Section 28, Township 28 North,
Range 11 West;
Krause Well No. 19, NW/4, Section 28, Township 28 North,
Range 11 West;
Krause Well No. 22, SE/4, Section 32, Township 28 North,
Range 11 West;
Schlosser Well No. 12, NW/4, Section 10, Township 27
North, Range 11 West;
Schlosser Well No. 13, NW/4, Section 27, Township 28
North, Range 11 West;
Schlosser Well No. 15, NW/4, Section 34, Township 28
North, Range 11 West;
Schlosser Well No. 16, SE/4, Section 10, Township 27
North, Range 11 West;
Schlosser Well No. 20, NE/4, Section 10, Township 27
North, Range 11 West;

-3-

CASE No. 2528
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Schlosser Well No. 24, SW/4, Section 27, Township 28
North, Range 11 West;
Schlosser Well No. 25, SE/4, Section 27, Township 28
North, Range 11 West;

West Kutz-Pictured Cliffs Gas Pool, San Juan County, New Mexico.

(2) That upon application showing the need for a 90-day extension of time, administrative approval of such extension may be obtained from the Secretary-Director of the Commission.

(3) That prior to the conclusion of the period of evaluation all wells shall be tested, and allowables shall be assigned retroactively to each individual well on the basis of its deliverability at the end of such period.

(4) That any overage accrued as the result of such retroactively assigned allowable shall be compensated for following the end of the period of evaluation, but no well shall be shut-in for overproduction during said period.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



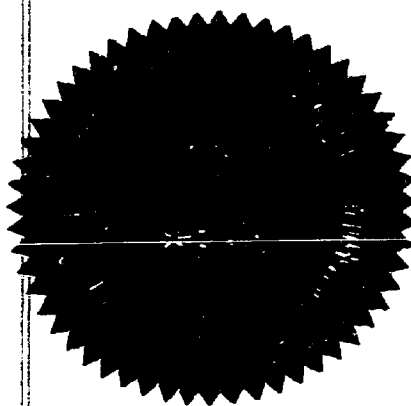
EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



A. L. PORTER, Jr., Member & Secretary



esr/

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER



STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 871
SANTA FE

June 15, 1962

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Box 1713
Santa Fe, New Mexico

Re: Case No. 2528

Order No. R-2260

Applicant:

R & G Drilling Company

Dear Sir:

is one copy
Enclosed herewith ~~are two copies~~ of the above-referenced
Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC x

OTHER Mr. Ben Howell for El Paso Natural Gas Co.

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

6/6
Date 5/25/62

CASE 2528

Hearing Date 9 am 4/11/62
DSN @ SF

My recommendations for an order in the above numbered cases are as follows:

Enter an order authorizing R & G Drilg Co to a project allowable of up to 3300 MCF of gas per day for a period not to exceed ~~two~~ 90 days ^(within an allowable 90-day pd administrative) for the purpose of evaluating the feasibility of installing compression facilities on the Krause No 5, 7, 18, and 19, and the Schlosser No 12, 13, 15, 16, 20, 24, and 25 wells. Provide that ^{prior to} the conclusion of the ~~90 day~~ test period all wells ~~will~~ ~~which have produced an average~~ ~~of~~ will be tested and allowables assigned retroactively to each well in the project area on the basis of the deliverability tests obtained at that time. Any overproduction on the basis of current tests would be made up on the basis of allowable assigned at the end of the test period. Exempt wells from being shut-in due to overproduction during the test period.

Staff Number

No. 11-62

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 11, 1962

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or
Elvis A. Utz, as Alternate Examiner:

- CASE 2521: Application of Pan American Petroleum Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 160-acre non-standard gas proration unit in the Basin-Dakota Gas Pool, comprising the NW/4 of Section 23, Township 29 North, Range 13 West, San Juan County, New Mexico, said unit to be dedicated to the Gallegos Canyon Unit Well No. 94 located 1850 feet from the North and West lines of said Section 23.
- CASE 2522: Application of Shell Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its State GA Well No. 2, located in Unit N of Section 16, Township 15 South, Range 36 East, Lea County, New Mexico, as a dual completion (conventional) in the Caudill Permo-Pennsylvanian and Caudill-Devonian Pools with the production of oil from the Permo-Pennsylvanian zone to be through a string of 1-inch tubing and the production of oil from the Devonian zone to be through a parallel string of 2 1/16-inch tubing, a hydraulic casing pump and the casing-tubing annulus.
- CASE 2523: Application of Consolidated Oil & Gas, Inc., for an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location in the Blanco-Mesaverde Gas Pool for its Tribal "C" Well No. 2-6 to be 1650 feet from the North line and 1550 feet from the West line of Section 6, Township 26 North, Range 3 West, Rio Arriba County, New Mexico.
- CASE 2524: Application of Cities Service Petroleum Company for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 320-acre non-standard gas proration unit in the Jalmat Gas Pool, comprising the E/2 of Section 19, Township 24 South, Range 37 East, Lea County, New Mexico; said unit is to be dedicated to

Docket No. 11-62

the Thomas Well No. 2 located at an unorthodox location 2310 feet from the North line and 2210 feet from the East line of said Section 19.

CASE 2525: Application of Cities Service Petroleum Company for conversion of two wells in the Drickey-Queen Sand Unit, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the conversion of the Drickey-Queen Sand Unit Wells Nos. 7-1 and 21-3 located, respectively, in the NW/4 NW/4 of Section 1 and the SE/4 NE/4 of Section 2, all in Township 14 South, Range 31 East, Chaves County, New Mexico, to water injection wells. Said wells have not received a response from the waterflood operations.

CASE 2526: Application of Texaco Inc., for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its State "R" (NCT-4) Well No. 2 located in Unit D, Section 7, Township 18 South, Range 35 East, Lea County, New Mexico, as a dual completion (tubingless) in an undesignated Drinkard pool and adjacent to the Vacuum-Abo Pool, with the production of oil from both zones to be through parallel strings of 2 7/8-inch casing.

CASE 2527: Application of Humble Oil & Refining Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its State "BO" Well No. 1, located in Unit H, Section 12, Township 18 South, Range 34 East, Lea County, New Mexico, as a dual completion (combination) in an undesignated Drinkard pool and adjacent to the Vacuum Abo Pool, with the production of oil from the Abo zone to be through tubing inside 4½-inch casing and the production of oil from the Drinkard zone to be through a parallel string of 2 7/8-inch tubing.

CASE 2528: Application of R & G Drilling Company for special allowables, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to produce 12 wells in the West Kutz-Pictured Cliffs Gas Pool and 2 wells producing from the Farmington formation, located in Sections 22, 27, 28, 32, 33 and 34, Township 28 North, Range 11 West, and in Section 10, Township 27 North, Range 11 West, San Juan County, New Mexico, under a project allowable of 3300 MCF of gas per day to be produced from any well or combination of wells in the project. Applicant further seeks approval to install compression equipment with which to produce said wells.

CASE 2529: Application of R & G Drilling Company for an exception to Order No. R-2046, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of the two following described non-standard gas proration units in the Basin-Dakota Gas Pool in San Juan County, as an exception to Order No. R-2046 which established a series of non-standard Dakota Units:

(1) Lots 3, 4, 5, 6 & 7, the SE/4 NW/4 and the E/2 SW/4 of Section 6, and Lots 1 and 2 and the E/2 NW/4 of Section 7, containing 342.51 acres;

(2) Lots 3 and 4 and the E/2 SW/4 of Section 7, and the W/2 of Section 18, containing 320.27 acres, all in Township 30 North, Range 13 West, San Juan County.

iqg/

4/11/60

BEFORE THE OIL CONSERVATION COMMISSION
OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
R & G DRILLING COMPANY, INC., FOR
APPROVAL OF THE INSTALLATION OF GAS
COMPRESSOR EQUIPMENT AND GRANTING OF
A PROJECT ALLOWABLE FOR CERTAIN MARGINAL
WELLS LOCATED IN THE WEST KUTZ-PICTURED
CLIFFS AND FOR TWO UNPRORATED FARMINGTON
WELLS

A P P L I C A T I O N

Comes now R & G Drilling Company, Inc., and applies to the Oil Conservation Commission for an order approving the installation and use of compressor equipment on fourteen wells, twelve of which are completed in the West Kutz-Pictured Cliffs Gas Pool, and two of which are completed in the Farmington formation, in an unprorated gas pool, all as is more fully shown on Exhibit 1, attached hereto and made a part hereof for all purposes.

In support of this application, applicant states, that all of the wells are presently marginal wells, unable to make an allowable assigned in the West Kutz-Pictured Cliffs Gas Pool against existing line pressures, and because of such inability to make their allowable, water encroachment, and other mechanical problems, said wells are no longer economical.

Applicant proposes to produce said wells by the use of compressor equipment.

In order to efficiently and economically produce said wells as proposed herein, and to prevent frequent watering-out of said wells it is necessary that a project allowable be assigned in an amount not to exceed 3,300 MCF of gas per day, to be produced from any well or combination of wells in the project.

Unless approval is given for the installation of compression

equipment and the assignment of a project allowable as herein proposed, it will no longer be economically feasible to produce said wells, and premature abandonment, with resultant waste, will occur.

Attached hereto and marked as Exhibit 2 is a plat of the area showing location of the wells subject to this application, and offsetting wells in the area.

Wherefore applicant prays that this application be set for hearing before the Commission or before its duly appointed and qualified examiner, and that after notice and hearing as provided by law the Commission enter its order approving the installation of compression equipment and the assignment of a project allowable as herein proposed.

Respectfully submitted

R & G DRILLING COMPANY, Inc.

By Jason W. Kellahin
Jason W. Kellahin

KELLAHIN & FOX
P. O. Box 1713
Santa Fe, New Mexico
Attorneys for Applicant

L. & C. DRILLING COMPANY, INC.
P. O. Box 327
Farmington, New Mexico

SAN JUAN BASIN NATURAL GAS WELLS -

Well Name	Location	Date Completed	Formation
#5 Krause	SW/4, Sec. 32, T28N, R11W-	8-5-55	P. C.
#7 Krause	SW/4, Sec. 33, T28N, R11W-	8-15-55	P. C.
#11 Krause	SW/4, Sec. 28, T28N, R11W-	10-7-55	Farmington
#12 Schlosser	NW/4, Sec. 10, T27N, R11W-	1-12-55	P. C.
#13 Schlosser	NW/4, Sec. 27, T28N, R11W-	11-8-55	P. C.
#15 Schlosser	NW/4, Sec. 34, T28N, R11W-	10-26-55	P. C.
#16 Schlosser	SE/4, Sec. 10, T27N, R11W-	11-2-55	P. C.
#18 Krause	NE/4, Sec. 28, T28N, R11W-	11-15-55	P. C.
#19 Krause	NW/4, Sec. 28, T28N, R11W-	4-12-56	P. C.
#20 Schlosser	NE/4, Sec. 10, T27N, R11W-	7-1-56	P. C.
#22 Krause	SE/4, Sec. 32, T28N, R11W-	12-11-55	P. C.
#24 Schlosser	SW/4, Sec. 27, T28N, R11W-	8-10-56	P. C.
#25 Schlosser	SE/4, Sec. 27, T28N, R11W-	8-30-56	P. C.
#27 Phillips	SW/4, Sec. 22, T28N, R11W-	11-10-56	Farmington

	1957 PRODUCTION		1958 PRODUCTION		1960 PRODUCTION		1961 PRODUCTION	
	MCF	DAYS	MCF	DAYS	MCF	DAYS	MCF	DAYS
#5	13,195	306	9,076	277	2,759	316	4,176	269
#7	9,403	362	7,307	330	3,923	364	2,125	264
#11	39,440	191	3,464	172	2,298	231	1,020	82
#12	1,452	52	7,115	237	619	48	0	0
#13	66,510	344	26,961	158	275	7	0	0
#15	9,557	174	4,339	73	0	0	0	0
#16	37,121	243	19,970	179	12,432	366	14,091	265
#18	11,358	318	8,652	326	6,344	341	3,899	294
#19	12,138	315	7,954	329	5,240	366	4,389	349
#20	4,368	226	612	141	2,108	308	1,311	228
#22	12,834	336	8,849	228	6,926	362	4,859	362
#24	46,085	362	16,623	174	16,489	175	10,259	147
#25	22,259	255	4,276	89	1,569	137	17	5
#27	25,822	118	36,598	347	20,920	344	9,002	173
	311,542		161,796		81,902		55,148	

Ridge // west

	7	8	9	10	11	12
			Red Lion		S.O.	Angels Peak
	14	17	16	15	14	13
			Red Lion	Chic	S.O.	Angels Peak
	19	20	21	22	23	24
				Chic	Chic	Angels Peak
Township 28 North	30	29	28	27	26	25
			11	24	25	S.O.
		R & G Drilling Company		15		
	31	32	33	34	35	36
	Pan. Am.	6	7		Potash Co. Am.	Pan. Am.
	Hancock	EPNG	EPNG		T.G.T.	Potash Co. Am.
	4	5	4	3	2	1
	Hancock	EPNG	EPNG	12	20	Brit. Am.
	7	8	9	10	11	12
	Hancock	S.O.	EPNG	EPNG	Brit. Am.	
Township 27 North	18	17	16	15	14	13
		Yockey	EPNG	Western Dev.	Brit. Am.	
	19	20	21	22	23	24
		Hancock	Raymond	Brit. Am.	Brit. Am.	Brit. Am.
	30	29	28	27	26	25
			EPNG			
		Folsom KUTZ P.C.				Brit. Am.
	31	32	33	34	35	36
		West KUTZ P.C.				EPNG

A. K. MONTGOMERY
OLIVER SETH
WM. FEDERICI
FRANK ANDREWS
FRED C. HANNAHS
GEORGE A. GRAHAM, JR.

SETH, MONTGOMERY, FEDERICI & ANDREWS
ATTORNEYS AND COUNSELORS AT LAW
301 DON GASPAR AVENUE
SANTA FE, NEW MEXICO



J. O. SETH
COUNSEL

POST OFFICE BOX 828
TELEPHONE YU 3-7315

April 11, 1962


New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Re: Case No. 2528
El Paso Natural Gas Company

Gentlemen:

Please consider this letter to be our entry of appearance in Case No. 2528 on behalf of El Paso Natural Gas Company. We will have associated with us Mr. Ben Howell and Mr. Garrett Whitworth, attorneys for El Paso Natural Gas Company.

SETH, MONTGOMERY, FEDERICI & ANDREWS

By: 

OS:wcl

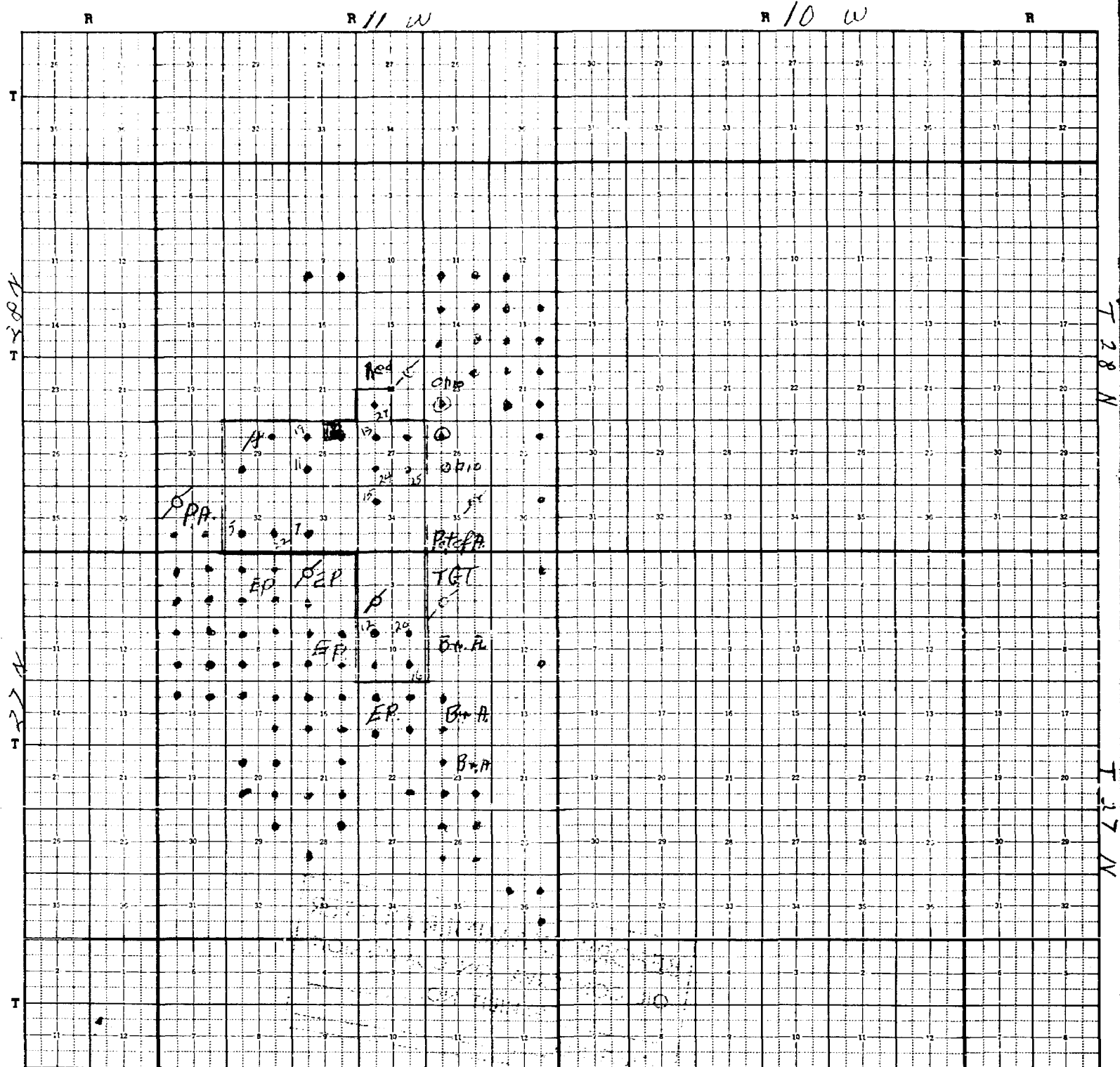
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P. O. Box 327
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#12 Schlosser	NW/4, Sec. 10, T27N, R11W	1-12-55	P. C.
#13 Schlosser	NW/4, Sec. 27, T28N, R11W	11-3-55	P. C.
#15 Schlosser	NW/4, Sec. 34, T28N, R11W	10-25-55	P. C.
#16 Schlosser	SE/4, Sec. 10, T27N, R11W	11-1-55	P. C.
#18 Krause	NE/4, Sec. 28, T28N, R11W	11-15-55	P. C.
#19 Krause	NW/4, Sec. 26, T28N, R11W	4-12-56	P. C.
#20 Schlosser	NE/4, Sec. 10, T27N, R11W	7-1-56	P. C.
#22 Krause	SE/4, Sec. 12, T28N, R11W	12-11-55	P. C.
#24 Schlosser	SW/4, Sec. 27, T28N, R11W	8-10-56	P. C.
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#11 39,440	191		3,464	172		2,298	231		1,020	82	
#12 1,452	52		7,115	237		619	48		0	0	
#13 66,510	344		26,961	158		275	7		0	0	
#15 9,557	174		4,339	73		0	0		0	0	
#16 37,121	243		19,970	179		12,432	366		14,091	265	
#18 11,358	316		8,652	326		6,344	341		3,899	294	
#19 12,138	315		7,954	329		5,240	366		4,389	319	
#20 4,368	226		612	141		2,108	308		1,311	228	
#22 12,834	336		8,849	228		6,926	362		4,859	362	
#24 46,085	362		16,623	174		16,489	175		10,259	147	
#25 22,259	255		4,276	84		1,569	137		17	5	
#27 25,822	118		36,598	347		20,920	344		9,002	173	
311,542			161,796			81,902			55,140		

County _____ State _____



Four Township Island plat (1/2" to the mile)

λ Julian Katy P.C.
X West Katy P.C.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 11, 1962

EXAMINER HEARING

IN THE MATTER OF:

Application of R & G Drilling Company for special allowables, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to produce 12 wells in the West Kutz-Pictured Cliffs Gas Pool and 2 wells producing from the Farmington formation, located in Sections 22, 27, 28, 32, 33 and 34, Township 28 North, Range 11 West, and in Section 10, Township 27 North, Range 11 West, San Juan County, New Mexico, under a project allowable of 3300 MCF of gas per day to be produced from any well or combination of wells in the project. Applicant further seeks approval to install compression equipment with which to produce said wells.

CASE 2528

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF PROCEEDINGS

MR. NUTTER: We will take next Case 2528.

MR. WHITFIELD: Case 2528: Application of R & G Drilling Company for special allowables, San Juan County, New Mexico.

MR. KELLAHIN: Jason Kellahin, Kellahin and Fox, Santa Fe, representing the Applicant.

MR. HOWELL: El Paso Natural Gas Company would like to

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691

enter an appearance, represented by New Mexico Counsel, Seth, Montgomery, Federici and Andrews; and Ben Howell of El Paso.

MR. NUTTER: Are there any other appearances in Case 2528? Would you proceed, Mr. Kellahin?

MR. KELLAHIN: We have one witness I would like to have sworn. Mr. Russell, please.

(Witness sworn.)

WILLIAM C. RUSSELL

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A William C. Russell.

Q Are you connected with R & G Drilling Company in any way, the Applicant in this case?

A I am the President and General Manager.

Q As President and General Manager, Mr. Russell, do you have anything to do with the operation of R & G Drilling Company's wells?

A Yes, I do. I have practically everything to do with the operation of them.

Q Have you ever testified before the Oil Conservation Commission?

A Never have.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1192

ALBUQUERQUE, N. M.
PHONE 243 6691

Q Have you had any training or experience in the oil business?

A Yes.

Q State briefly what experience you have had.

A Well, I have been drilling and completing wells for the past eight years in the San Juan Basin.

Q Did you have anything to do with the drilling and completion of the wells in the West Kutz-Pictured Cliffs Gas Pool and the Farmington wells which are involved in this application?

A I personally supervised the drilling and completion of all of those wells.

Q Since their drilling and completion, have you had anything to do with the operation of those wells?

A Well, yes. I'm familiar with the day-to-day operation of the wells.

Q Do you keep a record of the production and expenses on the wells, too?

A I do.

Q Are you personally familiar with those records?

A I am.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, sir, Mr. Russell is qualified to speak regarding his wells.

MR. KELLAHIN: I would like to point out that this



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1112ALBUQUERQUE, N. M.
PHONE 243 6691

application includes some fourteen wells, twelve Pictured Cliffs wells and two Farmington wells. We are, of course, aware of the fact that of all the wells, only two presently have an allowable assigned; they are Pictured Cliffs wells. The remaining wells in the Pictured Cliffs are marginal wells, and the two Farmington wells are, of course, not prorated.

The reason we have included them in this case is, if an order is secured, we want a continual order that would apply for the economic life of the wells; and we included the Farmington wells in the event that at some future date they might possibly be prorated, and we could have an order covering them at the present time, if the Commission sees fit to grant this application.

MR. NUTTER: What do you mean, of the Pictured Cliffs only two have allowables assigned? All of the Pictured Cliffs wells have allowables assigned, but only two are non-marginal?

MR. KELLAHIN: Yes, I didn't state it correctly. Yes, only two are non-marginal.

Q (By Mr. Kellahin) Mr. Russell, you are familiar with the application of R & G Drilling Company in this case, are you not?

A I am.

Q Would you state what is proposed?

A Well, as you've stated, there are fourteen wells, twelve of which are Pictured Cliffs. The Pictured Cliffs wells are approximately 1800 to 2,000 feet deep, and the two Farmington wells



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are about 700 feet deep. We have a total cost of approximately \$300,000 in drilling and completion of these wells. That is, the twelve Pictured Cliffs wells cost approximately \$22,000 each; the Farmington wells approximately \$15,000 each, completed and equipped. These wells were drilled and completed in 1955 and the early part of 1956. It costs us approximately \$5,000 a year to operate these wells.

Q That's rather high cost for operation, is it not?

A Well, these are rather difficult wells to operate.

Q Would you state briefly what your problems are in that connection?

A Well, there's a high water content in the Pictured Cliff sands, and this makes them most difficult to operate, and when I say \$5,000 a year operation, I don't mean workover or remedial work at all. That's administrative and day-to-day operation of these wells, they cost approximately five thousand.

Q Have you had any water problems?

A Yes.

Q You'll come to that later?

A I will.

Q Would you continue, please?

A Well, as I say, these wells were completed in 1955 and '56; and 1957 was the first full year of production and these fourteen wells produced 311 million cubic feet of gas.

MR. NUTTER: What was that figure again?



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A 311.

Q Was a tabulation showing these production figures attached to your application in this case?

A I believe it was, yes.

Q Do you have additional copies of it?

A I do.

Q Let's have it marked as an exhibit.

(Whereupon, Applicant's Exhibit 1 marked for identification.)

Q Now, referring to what has been marked as Exhibit No. 1, would you identify that exhibit, please?

A That gives the names or legal description and date of completion, and the producing formation of the fourteen wells, together with the calendar year production, '57, '58, '60, and '61. In '57, as I said, there was 311 million cubic feet produced; in '58 161; '60, 61,000; 1961, there's 55,000 MCF; and the first four months of this year the wells have produced at a rate of 45 million for the year '62.

MR. NUTTER: Mr. Russell, 1960 production was 61,000 or 81,000?

A It is 81.

MR. NUTTER: 81,902 is on this exhibit.

A It looks like 61,902.

MR. KELLAHIN: It's 81.

A Yes, it would have to be 81.

Q (By Mr. Kellahin) On the basis of that production, Mr.



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Russell, have you recovered your well costs?

A Hardly, because our income for 1961 was less than our operating cost, and of the sum \$300,000 that we've spent, we've recovered about 25 percent of that. As I compute it, roughly, we have recovered \$70,000 of the \$300,000 that we've put into that piece of property.

Q You say you operated at a loss in 1961. Do you know what your loss was?

A Yes, we had an actual operating loss of \$700. In addition to that, we had further losses for attempted remedial work that wasn't successful out there, of another \$5,000. The water problem is so great out there, I'm not sure that we'll ever lick the water problem, but there is some gas; the pressures are very low now, the Pictured Cliff pressures shut in at something less than 250 pounds and the Farmington is shut in at something less than 200 pounds.

Q What kind of line pressures do you have in this area?

A Well, our contract calls for maximum line pressure of 250 pounds; however, El Paso Natural Gas is the sole purchaser of these wells, and they operate at something less than 200, ordinarily 170, 175 pounds, because a five or ten pound pressure increase will kill all the wells and shut them in.

Q You said that you are not sure that the water problem can be solved. Do you think that what you propose in this application will help solve that problem?



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A Well, we think so, and we hope so, and we are so advised by some engineers that want to undertake to lick this problem. Our position is, we have to do one or the other of two things. We can't continue with this loss, we are going to have to plug the wells and write them off, or do what work we can and try to sell some gas and salvage it. Even if this application were granted, it would be no more than a salvage operation. I can't see that, at best, that we'd ever realize anything.

Q You testified a moment ago that you had recovered approximately \$70,000. Was that a gross or a net figure you are talking about?

A Well, that's a gross figure.

Q On the basis of your operating cost, then, what would you say your net has been on this \$300,000 operation?

A Well, there's been considerable remedial work out there, to the extent that our net would be less than 50 percent of our gross.

Q Less than 50 percent?

A Yes.

Q Or \$35,000, in that neighborhood, is that correct?

A Yes.

Q Do you consider it economically feasible to operate these wells on the present basis?

A Not at all, no.

Q If the Commission does not grant this application,



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what is your alternative?

A To plug and abandon.

Q Do you have a plat showing the area involved here?

A I do.

(Whereupon, Applicant's Exhibit 2
marked for identification.)

Q Referring to what has been marked as Exhibit No. 2,
would you identify that?

A Exhibit No. 2 is a plat showing the eight Sections
covered by our lease in Township 27 North, Range 11 West, and
28 North, 11 West.

Q Does it show the offsetting ownership?

A Yes, it does.

Q Is there a plat attached to the application which shows
that ownership in somewhat more detail?

A Yes, there is.

Q Now, Mr. Russell, your application calls for the in-
stallation of pressure equipment. What do you propose in that
connection?

A We propose, at least the engineers have proposed to me
that they install compressors, I believe they call it a two-stage
compression system, by which they will be able to unload the water
from the well bore; at the same time they'll be able to compress
the gas and put it into the gathering system. They tell me that
it will cost some \$10,000 per well to so equip these wells.

Q On the basis of the allowables presently available to



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you, would that be an economic operation?

A Not at all, no.

Q What do you propose, then, as an alternative?

A Well, we would have to have an order of this Commission directing that we were free of any allowables now or in the future; that any gas that we can salvage from this operation, we would be able to produce, and it would take such an order before we could undertake this.

Q You say you would be free from any allowables. Could you set an upper limit as to how much gas you can produce and if so, what would that limit be?

A Well, the upper limit, I wouldn't want to set, but the lower limit I would like to set not less than 3,300,000 a day.

Q Your application is in an amount not to exceed 3,300,000 a day, isn't that correct?

A Yes. That's the application, but of course, what I would like is something else.

Q You understand, of course, that the Commission cannot grant anything in excess of the amount applied for?

A Yes.

Q But in your opinion, can you operate this project under such an allowable figure?

A Under such an allowable, we can operate it, yes.

MR. UTZ: Is this 3300 per well a day, or for the project?



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MR. KELLAHIN: For the project.

MR. UTZ: And includes your Farmington wells?

MR. KELLAHIN: Yes.

Q (By Mr. Kellahin) That is correct, it would include all the wells in the project?

A Yes, all fourteen; the twelve Pictured Cliffs and two Farmington.

Q Would you produce that from all of the wells, or from individual wells or combinations of wells?

A Well, of course, at this stage we have no idea; we would propose to produce that from any combination of wells we saw fit.

Q And operate the entire area as a single project?

A As a single project, yes.

Q Is the ownership of this land common throughout?

A That it is, yes.

Q Is the overriding royalty common?

A It's common and it's constant to four Sections, and constant again as to the other four Sections. There's two leases involved, four Sections each.

Q Do you anticipate there would be any difficulty in unitizing the area for a project of this nature?

A No, no difficulty.

Q Do you have anything to add to your statement, Mr. Russell?



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A Yes, I do. I would just like to summarize this briefly. We have spent some \$300,000 out there. We have recovered about \$30,000 net. If we undertake this project, it will be because we think we can recover more than three billion cubic feet of gas out there. We have been so advised, the engineers think so, and it would have to be something in excess of three billion cubic feet before we could even recover our present costs there. If we install this compression system, it's going to cost not less than \$10,000 per unit, I'm so advised. If we make these additional expenses out there, and we are successful in recovering gas, I know of my own personal experience out there that if the well is ever shut in, that they will water up and it will be a terrible job and maybe impossible to ever get them producing again because there's one well in particular here, No. 13, that was the most prolific of all the wells out there; that hasn't produced more than two years, and on five different occasions we have had swabbing units and pulled the tubing, and the water production is so great we cannot get the gas production back.

We do think that with the compression unit we will overcome the water problem and produce a considerable amount of gas out of there. We are going to have to be free to operate as we see fit and salvage whatever gas we can get out of this reservoir.

Q Have you plugged some wells already in this area?

A Yes, we have plugged two wells. The names and descrip-



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tions don't appear here, but there is two wells that have been plugged.

Q You say if you can get three billion cubic feet out of the reservoir, this project would be justified?

A Yes, it would be justified, but it would still be a salvage operation.

Q You are willing to spend the money in an effort to get that much gas?

A That we are.

Q If this project is not approved, will that gas be produced?

A It won't be produced by us. I personally have no interest in the well, other than a General Manager of R & G Drilling Company, the operator. I can tell you in all sincerity that if this is not granted, I am going to go back and systematically plug all these wells within the next six months.

Q Would that, in your opinion, constitute waste of a natural resource by leaving it in the ground?

A I think it would constitute waste, because the wells did produce 300 million cubic feet in 1957. The engineers tell me that there's considerable amount of gas in this reservoir. It's just low pressure and it's hard and tight, and the water is so great it's just difficult to produce it.

Q I believe you testified that El Paso is the purchaser?

A Yes.



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Q Have you contacted them in connection with this?

A No, I haven't.

Q Were Exhibits 1 and 2 prepared by you or under your supervision?

A They were.

MR. KELLAHIN: I would like to offer in evidence Exhibits 1 and 2.

MR. NUTTER: R & G Exhibits 1 and 2 will be admitted in evidence.

MR. KELLAHIN: That's all the questions I have, Mr. Nutter.

MR. NUTTER: Any questions of Mr. Russell?

MR. MORRIS: Yes, sir.

MR. NUTTER: Mr. Morris.

CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Russell, do you have a meter installed on each well at the present time?

A Well, it's El Paso's equipment, but there is a meter on each well.

Q If the Commission should see fit to approve your application, the gas from each well could still be metered before it was compressed, could it not?

A Yes. I see no reason why it couldn't.

Q I'm at a loss, then, to understand why you need a project



allowable, and why the wells couldn't be produced under individual well allowables.

A Well, you misunderstand me altogether, then. I do not want to go into the reservoir, the pressures, the gas that can be produced or can't be produced. I want to point out to this Commission the economic facts of life in connection with these fourteen wells. If we are not given permission to produce them and get gas out of there any way we see fit, any way whatsoever, we are going to plug the well. I think it's a crime to plug them.

Q In other words, Mr. Russell, you might be producing some of your -- I think you said you had two non-marginal Pictured Cliffs wells. You might be producing those two wells in excess of their present allowables, is that correct?

A Well, yes, because there again, you mentioned the present allowables for the month of February, the present allowable on the greater of the two non-marginal wells was 1,450,000.

MR. KELLAHIN: What was the well?

A Well No. 16. It's the greatest producer of the fourteen; and you check back for the month of January, that well was given an allowable of 1,296,000; and the same thing was true in February, very slight allowable, but 703,000. See, that's less than a hundred dollars. How in the World this Commission can expect us to operate that well, that would be \$80.00 worth of gas that was allowed; we have got 70 percent of it and that's the biggest well out of the fourteen.

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Q Would you still keep all fourteen wells on the line, producing what they could?

A There's only been two or three of them on the line producing at all. I'm trying to get them all back on the line and producing them, if at all possible. But it's a tough proposition at best.

Q Do you think it would boil down to this, Mr. Russell, do you think that these two good wells that you have might end up producing the whole 3300 MCF?

A That's entirely possible. If that were to occur, I would certainly -- I want it understood at the outset and in the order that we can produce the project allowable from any one well or any combination of the wells at all. I don't think so, because there's some other wells producing a little bit here. There's one other well besides the 16 that is non-marginal, No. 24, it has an allowable of 954,000.

MR. MORRIS: Thank you, I believe that's all.

BY MR. HOWELL:

Q Mr. Russell, would you explain in more detail just exactly how you plan to put the compressor units in, that is, where do you expect to put them?

A I expect to put them anywhere the engineers think they will be effective. Now the application I am making is an economic application. If there's any way in the World that the engineers can get the gas out of the wells, I want to be free to get it out

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in that way. I want not to be restricted to any sort of equipment or any type of operations whatsoever.

Q Would you plan to put the compressor at the well or at some place in the gathering system?

A Well, we're not going to interfere with El Paso's gathering system.

Q That's one thing I wanted to find out.

A We don't own a gathering system, so we certainly can't interfere with that.

Q That's right. Then your project would envision compression right at the well, or if you hooked several wells to one compressor, you would have to put in some pipe to connect them, wouldn't you?

A Well, I'm not going to attempt to say what we are going to have to do. I am going to leave it up to engineers. They approached me with this thing, they say they can make it work. If they can make it work, well and good, any way they can do it. Of course, we can't interfere with anybody else's property.

Q That is one of the points that concerns us, would be just where the compression -- compressors would be installed as to whether the program was envisioning tying the compressors into our gathering system. As I understand you, why, your proposal would not include putting the compressor or connecting the compressors into any portion of our gathering system?

A Well, I'm afraid I don't understand your question. If

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we are going to compress the gas, we have to put it into your gathering system, I don't know where else we are going to put it.

Q That, then, would constitute a use of El Paso's property to some extent, wouldn't it?

MR. KELLAHIN: If the Commission please, I object to that question.

A Here we go.

MR. KELLAHIN: It calls for a conclusion, in the first place, and it is obvious if we are going to compress the gas, we have to put it in some line in order to dispose of it. It is certainly no more use to put compressed gas into a line than if you put uncompressed gas into the line, assuming the line is adapted for the purposes it is being used. We have nothing to do with El Paso's gathering system, and the witness has testified that he doesn't propose to use it, but he's certainly going to have to have a market for his gas. I don't think the question is proper at all.

BY MR. NUTTER:

Q Mr. Russell, I would like to ask a couple of questions at this time. You stated it's going to cost \$10,000 per well, approximately, to put this system in.

A Yes.

Q Where did the engineers get this figure of \$10,000 per well? They must have done some planning and some preliminary design work to come up with this figure, haven't they?



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A Yes, they have. They have designed this compressor, which I won't attempt to describe because I don't know that much about the compressors, but the cost of the compressor itself and the engine to drive it will be somewhere around \$7500.00, they said. The other \$2500.00 will come in installation and in additional equipment and workover unit on the well; but they think for approximately \$10,000 they can do it.

Q In other words, you don't contemplate putting your own gathering system in with a manifold connecting all of the wells, and then put one big compressor to put the gas into El Paso's line?

A No, this is going to be a well-by-well project.

Q You do contemplate a small compressor on each of the various wells?

A Yes.

Q And then there actually would be no commingling of the gas from any of the wells --

A Oh, no.

Q -- except after it has gone through a meter and into El Paso's line?

A That's right. As far as El Paso is concerned, there will be the same operation we have now. We are not going to touch their equipment.

Q Will these compressors actually put a vacuum on the wells?

A That I don't know, how he's going to do it.



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Q It's going to be a two-stage compressor, the first is to evidently put some sort of a low pressure of some sort to try to unload the water in the well?

A Right.

Q Then I presume you would separate the water from the gas and then compress the gas?

A Right.

Q In this second stage?

A I would think so. You see, that phase of it I don't want to get into at all, because I don't understand compressing gas and dehydrating it and getting it into the system at all. The one thing I wanted to point out to the Commission are the economic facts of life in connection with these wells. We are not going to disturb El Paso, they won't know the difference, as though the wells were producing at 250 pounds.

Q What is your planned output pressure?

A Our output pressure?

Q On your compressors.

A It's going to be something -- I don't know what it will be, but it can't exceed 250 pounds. I think there are several limitations, one is on the size and the cost of your equipment. On the other hand, it has to exceed El Paso's gathering pressure.

Q Would your initial plans call for putting fourteen compressors in?

A Not at all. We are going to put one compressor, we



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don't know that this will work. I am not convinced of it myself, before I undertake it with one well, I'm going to have to have an order of this Commission saying if it is successful, that we can go ahead and do it in connection with the other wells. Believe me, in all seriousness, I am going to plug and abandon these wells, because I'm sick and tired of trying to operate them. It's practically impossible, under the present setup, because of the water problem and the lower pressure. We can go out and pull the tubing, swab it, get it producing in four days, and El Paso comes and shuts it in, switches it, and the well is logged again. If we are not free to take gas out of the wells any way we see fit, I am going to plug and abandon all the wells.

Q In other words, your initial plan is to put one compressor on one well?

A Yes, and if it works, fine, and we move to the other one. If it doesn't work so well, we will have to modify something. Believe me, I think it's criminal to go out there and plug those wells.

Q If this one compressor on the one well makes the allowable of one million MCF, would you bother putting the compressor on the other well?

A We would be down here for more relief if it was that successful. I know that's not going to happen, because the initial IP didn't amount to that in any one of these wells. They IP'd about a million, a million and a quarter, the better ones. That's



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not going to happen, believe me, and it may be that five or six of these wells might produce this project allowable. That's the problem I hope we have.

MR. NUTTER: Do you have any further questions, Mr. Howell?

MR. HOWELL: Yes.

BY MR. HOWELL:

Q Then am I correct in understanding, Mr. Russell, that your proposal is that you would use your compressor unit with the well, and that the compressor would not be placed downstream at a point on our system? That's the point I wanted to understand clearly.

A Understand me, we're not going to touch anything that belongs to El Paso. I want nothing to do with it whatsoever.

Q That's fine on that point. Do you know how many wells in the West Kutz?

A No, sir, I don't know.

Q Would 203 be an approximate number?

A Well, I'm not going to hazard a guess as to how many wells. I can readily determine how many wells are in the West Kutz, if I need to know.

Q Are you familiar with the March allocation to the West Kutz of 410,825,000; would you say that figure sounds approximately correct?

A I would not comment on it at all, because I don't know



what you are getting at. I don't know what you are talking about.

Q Assuming that that is the correct March allocation to the West Kutz, which is a matter that can readily be determined from the schedule there, to allow your project 3300 per day would, for the month, give you an allowable of 102,300 MCF, would it not?

A I don't think I follow you at all.

MR. KELLAHIN: That would be a matter of calculation.

Q (By Mr. Howell) What would 31 times your 33 amount to?

A Compute it if you want to know. What you trying to ask me this question for?

Q I'm trying to learn about your project. I'm not necessarily opposing it, I am trying to find out what you propose.

A There's another thing I would like to point out to this Commission, is that this is very rough terrain country out there, just as bad as it gets in the San Juan. No doubt it costs El Paso to tie into each one of the wells, as it did to drill and complete. Why in the World El Paso would be anything but cooperative, because if we plug the wells, you have a gathering system out there that's gone to pot real quick. Now go ahead with your question.

Q Now, Mr. Russell, I'm not trying to argue with you. I'm just trying to find out where we would get on this proposal. As you have testified, you have not discussed it with the company, and we are here trying to find out something. For thirty-one days in March, at 3,300 MCF a day, you would come up with a figure for the month of 102,300 MCF, do you not?

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A Right.

Q If the March allowable is, for the West Kutz Field is 410,825, that would give to your wells roughly 25 percent of the entire production of the field, would it not?

A I can't answer that, because I don't know. If I want all these figures, I know where they are available. They are at hand somewhere.

Q For the purpose of answering the question, will you assume --

A No, I won't assume anything. If that's a fact, you tell me it's a fact.

MR. NUTTER: I think it would be apparent that 100,000 is approximately 25 percent of 410,000. Would you answer the question, please?

A Yes, that's apparent.

MR. NUTTER: Proceed.

Q (By Mr. Howell) That would apply to twelve of your wells which are in the West Kutz, would it not, you having two Farmington wells, I believe?

A Yes.

Q So there are twelve Pictured Cliffs wells of yours in the West Kutz.

MR. HOWELL: I think that's all.

MR. NUTTER: Are there any further questions of Mr. Russell?



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MR. UTZ: Yes, sir.

MR. NUTTER: Mr. Utz.

BY MR. UTZ:

Q Mr. Russell, as I understand this thing now, you are going to have individual well compressors somewhere between the wellhead and El Paso's meter?

A Yes.

Q And you are asking for a maximum allowable of 3300 MCF per well per day?

A No, not per well.

MR. KELLAHIN: Mr. Utz, the application is for --

MR. UTZ: All fourteen wells get 3300 per day.

MR. KELLAHIN: That's right.

Q (By Mr. Utz) Now we can't, I judge from your answers to some of the questions, we can't even arrive at a per well allowable, not only among the Pictured Cliff wells, but also among the two Farmington wells, but you want to produce them however they'll produce?

A Yes, just any way that we are able to produce these wells.

Q Would you meter each of these wells as they are metered now?

A That's right.

Q I gather that you have gone far enough with this project that you know that this is the least amount of gas that you can



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get by with?

A Yes, that's the economic side of it.

Q You are throwing the whole thing in as one operation, even though each well will be a separate operation?

A That's correct.

Q So do you have a figure as to what you would have to have on any well to make it an economic operation? In other words, to set this compressor, that you must know about what it covers now, how much gas you are going to have to have from each well.

A Oh, yes, it's going to have to be not less than 300,000 per day before we'll even go ahead with the project. But even there, I don't know that we'll be able to operate it at that. I think it's going to have to exceed 400,000 per day before it will be economical, but it will certainly have to be 300,000 a day before we would even attempt it.

Q Mr. Russell, your 3,300 for the fourteen wells only figures about 235 MCF per day per well.

A Well, believe me, some of these wells are not going to respond to anything.

Q I believe your answer was 300,000 a day, or 400,000 a day, which was it?

A I say if a well won't produce 300,000 a day, I know that we couldn't go ahead with the operation of it. We think it's going to take around 400,000 a day to pay for the equipment and make the operation economic. 300,00 and less, we know already



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PHONE 325.1182

ALBUQUERQUE, N. M.
PHONE 243.6691

would not be economical.

Q There will be an individual well expenditure, will it not?

A That's right.

Q If you can't produce 300,000 a day from a well, are you going to continue to leave this compressor in operation and produce less than that?

A No. As I say, if it won't produce 300,000 a day, we would have to take the compressor off and move it to another well.

Q So what this really boils down to is, according to the way I understand it, is you are asking for allowable of 300,000 per day minimum per well?

A Mr. Utz, this is exactly what I didn't want this application to turn into. I'm not asking for that. I'm trying to present the picture to this Commission that here are fourteen wells that I'm going to plug and abandon unless the Commission tells me to go ahead and get some gas out of there if you can, any way you see fit, for any one or more of the fourteen wells. That's what I want. If you give me that permission, I'll go ahead with this project, but as far as the engineering side of it and the well-by-well aspect, I don't want to go into that because I don't know and you don't know, and certainly nobody else knows what we are going to be able to do out there with these sorry wells in the West Kutz Field.

Q I'm trying to find out here how many of the fourteen



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wells, if this is granted, that you are actually going to produce.

A Well, I wish I knew. I wish I could answer that.

Q You answered me that you would not produce them for less than 300,000 a day?

A That's right.

Q Actually, when this is all said and done, we won't have fourteen wells on the line, since you have only asked for 300,000 or an average of 235 per day?

A Yes.

Q So a minimum allowable which the Commission is now considering of something like that, two million a month or 1500 a month, well, we'll say two million a month per well, wouldn't help you in this matter at all?

A No.

MR. UTZ: That's all I have.

MR. NUTTER: Any further questions of Mr. Russell? He may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: That's all.

MR. NUTTER: Does anyone have anything they wish to offer in Case 2528?

MR. MORRIS: Yes, sir. If the Examiner please, the Commission has received a telegram from the Pan American Petroleum Corporation opposing the establishment of a project allowable as



proposed by the subject application. This telegram will be made part of the record.

MR. HOWELL: On behalf of El Paso Natural Gas Company, I would like to make a very brief statement of our position. First, we're thoroughly and completely sympathetic with the problem that Mr. Russell has, and insofar as putting any compression in, with the explanation which he has given here that it would not involve our gathering system, we certainly would have no objection to that being done.

We do merely wish to point out that, assuming that the figure of 410,825, which I'm sure the Commission can verify by looking at the March allocation is that for the entire pool, that to grant this project allowable will give to twelve out of 203 wells in the pool approximately 25 percent of the total market demand; and the repercussions from that are such that there may be others in here, and if there's any way that it can be figured out and some way in which reasonable help can be given to help prevent premature abandonment of wells, we would like to help if there's any way it can be done; but just by giving the increased proportion of this pool's allowable to these twelve wells seems to us to probably create more problems than it solves.

MR. NUTTER: Mr. Howell, may I ask you this question: If the deliverability, so to speak, of the pool, would be increased by additional applications similar to this, would that not also increase the market demand for the pool, or is the market demand a

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market demand, or is it a reflection of the inability of most of the wells in this pool to make very much gas?

MR. HOWELL: I think probably I should refer that question to the man that handles proration here. I think I know the answer, but I think I would rather have the authority answer the question rather than I. Mr. Woodruff, what would be your reply?

MR. WOODRUFF: The market demand could be influenced by an increased availability of gas from this field. At the present time it reflects an actual market demand attributable from this field, from the entire San Juan Basin.

MR. KELLAHIN: May I ask a question? Isn't your market demand, at least to some extent, involved with the ability of the pool to produce?

MR. WOODRUFF: Not the market demand from the San Juan Basin. The manner in which it could be apportioned might be influenced by that.

MR. KELLAHIN: That's the point of my question. I'm talking about the West Kutz Pool, and that is affected by the ability of the pool to produce.

MR. WOODRUFF: It could be.

MR. NUTTER: Any further questions of anyone? We'll take this case under advisement.



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FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243 6691

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, and that the same is a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

DATED this 19th day of April, 1962, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley
NOTARY PUBLIC

My Commission Expires:
June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2528, heard by me on 4/11, 1962.
[Signature], Examiner
New Mexico Oil Conservation Commission



CASE 2522, (DE NOVO) JULY 18, 1962

id

NY

13

Check telegram
from Ben Amos
from reporter

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2528
Order No. R-2260-A

APPLICATION OF R & G DRILLING COMPANY, INC.,
FOR A HEARING DE NOVO IN THE MATTER OF ITS
APPLICATION FOR PERMISSION TO OPERATE TWELVE
WELLS UNDER A PROJECT ALLOWABLE, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing de novo at 9 o'clock a.m. on July 18, 1962, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 3rd day of August, 1962, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That this case came before the Commission on the application of R & G Drilling Company, Inc., and was heard by Daniel S. Mutter, duly appointed Commission Examiner, on April 11, 1962.

(3) That the Commission, on June 14, 1962, entered its Order No. R-2260 authorizing the applicant to operate twelve wells under a project allowable for a period of 90 days beginning July 1, 1962, and providing for administrative approval of a 90-day extension of time upon application showing the need therefor.

(4) That this case is presently before the Commission on application of R & G Drilling Company, Inc. for a hearing de novo.

(5) That upon motion by applicant's counsel, the record of the April 11, 1962, Examiner hearing, including all testimony and other evidence presented therein, was incorporated into the record of the hearing de novo by reference.

-2-

CASE No. 2528
Order No. R-2260-A

(6) That additional testimony and evidence was received in the hearing de novo.

(7) That the preponderance of all of the evidence shows that Order No. R-2260, issued by the Commission on June 14, 1962, in Case No. 2528, should be fully approved, ratified, and confirmed.

IT IS THEREFORE ORDERED:

That Order No. R-2260, issued by the Commission on June 14, 1962, in Case No. 2528, is hereby fully approved, ratified, and confirmed.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



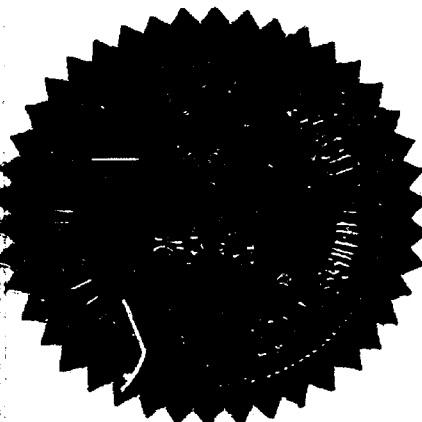
EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



A. L. PORTER, Jr., Member & Secretary



esr/

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER



STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 871
SANTA FE

August 24, 1962

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Box 1713
Santa Fe, New Mexico

Re: Case No. 2528
Order No. R-2260-B
Applicant:
R & G Drilling Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC X

Artesia OCC

Aztec OCC X

OTHER Mr. Garrett Whitworth (El Paso Natural)

Mr. J. F. Neill (Texaco Inc.)

Mr. Kenneth J. Barr (Pan American)

JASON W. KELLAHIN
ROBERT E. FOX

KELLAHIN AND FOX
ATTORNEYS AT LAW
54 1/2 EAST SAN FRANCISCO STREET
POST OFFICE BOX 1713
SANTA FE, NEW MEXICO

TELEPHONES
983-9396
982-2991

August 17, 1962

Oil Conservation Commission
of New Mexico
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

Enclosed find an original and two copies of application
for rehearing of R & G Drilling Company, Inc., in
Case No. 2528, for filing.

Very truly yours,

Jason W. Kellahin
JASON W. KELLAHIN

jwk:mas
enclosures

cc with enclosure: El Paso Natural Gas Company
Mr. W. C. Russell

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

APPLICATION OF R & G DRILLING COMPANY,
INC., FOR A REHEARING IN THE MATTER OF
ITS APPLICATION FOR PERMISSION TO OPERATE
TWELVE WELLS UNDER A PROJECT ALLOWABLE,
SAN JUAN COUNTY, NEW MEXICO.

Case No. 2528

APPLICATION FOR REHEARING

Comes now R & G Drilling Company, Inc., applicant in the above case, and applies to the Oil Conservation Commission of the State of New Mexico for a rehearing as provided by Section 65-3-22, New Mexico Statutes Annotated, 1953 Compilation, and in support thereof would show the Commission the following:

1. This matter came on to be heard on the application of R & G Drilling Company, Inc., and was heard by Daniel S. Nutter, duly appointed Commission Examiner, on April 11, 1962, and thereafter the Commission entered its Order No. R-2260.

2. Applicant filed its application for a hearing de novo before the Commission, as provided by law, alleging that said Order No. R-2260 was not responsive to the application of R & G Drilling Company, Inc.; that said order was not in accord with the evidence presented at the hearing of Case No. 2528 before the examiner, would result in waste, impare the correlative rights of applicant, and would not prevent premature abandonment of applicant's wells.

3. A hearing de novo was held before the Commission on July 18, 1962, and thereafter the Commission entered its order, dated the 3rd day of August, 1962, being Order No. R-2260-A, which order approved, ratified and confirmed the provisions of Order No. R-2260.

4. Commission Order No. R-2260, as affirmed by Order No. R-2260-A is not supported by substantial evidence, and there is no evidence in the record before the Commission to support said order.

5. Wastewill occur as a result of the order of the Commission, for the reason recoverable gas will have to be abandoned in the reservoir unless the relief prayed for in the application in this case or some other relief is granted.

6. The correlative rights of applicant are not protected by the Commission's order, and it will be denied the right to recover its just and equitable share of the gas in place under the tracts dedicated to its wells.

7. Unless some relief is afforded applicant, it will be impossible to continue to operate its wells, resulting in premature abandonment of wells capable of producing gas, and resultant waste.

8. To the extent that the applicable proration orders of this Commission prevent the production of gas on an economical basis, applicant is deprived of its property without due process of law.

9. The order of the Commission results in waste and correlative rights are not protected, contrary to the provisions of the law.

WHEREFORE, applicant prays this matter be set for rehearing, and after such rehearing, the Commission enter its order granting the relief prayed for in the original application herein.

Respectfully submitted,

R & G DRILLING COMPANY, INC.

By Jason W. Kellahin
KELLAHIN & FOX
P. O. Box 1713
Santa Fe, New Mexico

ATTORNEYS FOR APPLICANT

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

APPLICATION OF R & G DRILLING COMPANY,
INC., FOR A REHEARING IN THE MATTER OF
ITS APPLICATION FOR PERMISSION TO OPERATE
TWELVE WELLS UNDER A PROJECT ALLOWABLE,
SAN JUAN COUNTY, NEW MEXICO.

Case No. 2528

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1. This matter came on to be heard on the application of R & G Drilling Company, Inc., and was heard by Daniel S. Nutter, duly appointed Commission Examiner, on April 11, 1962, and thereafter the Commission entered its Order No. R-2260.
2. Applicant filed its application for a hearing de novo before the Commission, as provided by law, alleging that said Order No. R-2260 was not responsive to the application of R & G Drilling Company, Inc.; that said order was not in accord with the evidence presented at the hearing of Case No. 2528 before the examiner, would result in waste, impair the correlative rights of applicant, and would not prevent premature abandonment of applicant's wells.
3. A hearing de novo was held before the Commission on July 18, 1962, and thereafter the Commission entered its order, dated the 3rd day of August, 1962, being Order No. R-2260-A, which order approved, ratified and confirmed the provisions of Order No. R-2260.

4. Commission Order No. R-2260, as affirmed by Order No. R-2260-A is not supported by substantial evidence, and there is no evidence in the record before the Commission to support said order.

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WHEREFORE, applicant prays this matter be set for rehearing, and after such rehearing, the Commission enter its order granting the relief prayed for in the original application herein.

Respectfully submitted,

R & G DRILLING COMPANY, INC.

By Jason W. Kellahin
KELLAHIN & FOX
P. O. Box 1713
Santa Fe, New Mexico

ATTORNEYS FOR APPLICANT

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

APPLICATION OF R & G DRILLING COMPANY,
INC., FOR A REHEARING IN THE MATTER OF
ITS APPLICATION FOR PERMISSION TO OPERATE
TWELVE WELLS UNDER A PROJECT ALLOWABLE,
SAN JUAN COUNTY, NEW MEXICO.

Case No. 2528

APPLICATION FOR REHEARING

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the above case, and applies to the Oil Conservation Commission
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Compilation, and in support thereof would show the Commission
the following:

1. This matter came on to be heard on the application
of R & G Drilling Company, Inc., and was heard by Daniel S.
Hutter, duly appointed Commission Examiner, on April 11, 1962,
and thereafter the Commission entered its Order No. R-2260.

2. Applicant filed its application for a hearing de novo
before the Commission, as provided by law, alleging that said
Order No. R-2260 was not responsive to the application of R & G
Drilling Company, Inc.; that said order was not in accord with
the evidence presented at the hearing of Case No. 2528 before
the examiner, would result in waste, impair the correlative
rights of applicant, and would not prevent premature abandonment
of applicant's wells.

3. A hearing de novo was held before the Commission on
July 18, 1962, and thereafter the Commission entered its order,
dated the 3rd day of August, 1962, being Order No. R-2260-A,
which order approved, ratified and confirmed the provisions
of Order No. R-2260.

4. Commission Order No. R-2260, as affirmed by Order No. R-2260-A is not supported by substantial evidence, and there is no evidence in the record before the Commission to support said order.

5. Waste will occur as a result of the order of the Commission, for the reason recoverable gas will have to be abandoned in the reservoir unless the relief prayed for in the application in this case or some other relief is granted.

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WHEREFORE, applicant prays this matter be set for rehearing, and after such rehearing, the Commission enter its order granting the relief prayed for in the original application herein.

Respectfully submitted,

R & G DRILLING COMPANY, INC.

By Jason W. Kellahin
KELLAHIN & FOX
P. O. Box 1713
Santa Fe, New Mexico

ATTORNEYS FOR APPLICANT

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER



STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 671
SANTA FE

August 3, 1962

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Box 1713
Santa Fe, New Mexico

Re: CASE NO. 2528
ORDER NO. R-2260-A
APPLICANT:
R & G Drilling Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.
A. L. PORTER, JR.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC x

OTHER Mr. Garrett Whitworth
Texaco Inc
Pan American

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

APPLICATION OF R & G DRILLING COMPANY, INC.,
FOR A REHEARING IN THE MATTER OF ITS APPLICATION FOR PERMISSION TO OPERATE TWELVE WELLS UNDER A PROJECT ALLOWABLE, SAN JUAN COUNTY, NEW MEXICO.

CASE No. 2528
Order No. R-2260-B

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," upon application of R & G Drilling Company, Inc. for a rehearing in Case No. 2528, Order No. R-2260 entered by the Commission on June 14, 1962, as affirmed by Order No. R-2260-A entered by the Commission on August 3, 1962.

NOW, on this 24th day of August, 1962, the Commission, a quorum being present, having considered the application and being otherwise fully advised in the premises,

FINDS:

- (1) That the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the application for rehearing does not allege that R & G Drilling Company, Inc. has any new or additional evidence to present in this case.
- (3) That the Commission has carefully considered all the evidence presented in this case and is otherwise fully advised in the premises.
- (4) That the Commission has previously considered all matters presented in the application for rehearing.
- (5) That the findings contained in Order No. R-2260 and Order No. R-2260-A are proper and no additional findings should be made.
- (6) That the application for rehearing should be denied.

-2-

CASE No. 2528

Order No. R-2260-B

IT IS THEREFORE ORDERED:

That the application of R & G Drilling Company, Inc. for a rehearing is hereby denied.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



E L Mechem

EDWIN L. MECHEM, Chairman

E S Walker

E. S. WALKER, Member

A L Porter, Jr.

A. L. PORTER, Jr., Member & Secretary

esr/

DOCKET: REGULAR HEARING - WEDNESDAY - JULY 18, 1962

OIL CONSERVATION COMMISSION - 9 A.M., MORGAN HALL - STATE LAND OFFICE
BUILDING, SANTA FE, NEW MEXICO

- ALLOWABLE:
- (1) Consideration of the oil allowable for August, 1962.
 - (2) Consideration of the allowable production of gas for August, 1962, from ten prorated pools in Lea and Eddy Counties, New Mexico, also consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for August, 1962.

CASE 2528: (De Novo)

Application of R & G Drilling Company, Inc., for a hearing de novo in the matter of its application for permission to operate twelve wells under a project allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a hearing de novo in the matter of its application for permission to produce twelve wells in the West Kutz-Pictured Cliffs Gas Pool, located in Sections 22, 27, 28, 32, 33 and 34, Township 28 North, Range 11 West, and Section 10, Township 27 North, Range 11 West, San Juan County, New Mexico, under a project allowable of 3300 MCF of gas per day to be produced from any well or combination of wells in the project. Applicant further seeks approval to install compression equipment with which to produce said wells.

CASE 2601:

Southeastern New Mexico Nomenclature case calling for an order creating new pools and extending and contracting certain existing pools in Eddy, Lea and Roosevelt Counties, New Mexico.

- (a) Create a new oil pool for Wolfcamp production, designated as the Baish-Wolfcamp Pool, and described as:

TOWNSHIP 17 SOUTH, RANGE 32 EAST, NMPM
Section 22: NW/4

- (b) Create a new oil pool for San Andres production, designated as the Mescalero-San Andres Pool, and described as:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM
Section 22: SE/4

- (c) Create a new oil pool for Wolfcamp production, designated as the Tonto-Wolfcamp Pool, and described as:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 22: SE/4

- (d) Contract the Eumont Gas Pool by the deletion of:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 32: S/2 SE/4
Section 33: SW/4

- (e) Extend the Arkansas Junction-Queen Gas Pool, to include:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM
Section 12: NE/4
Section 13: SW/4
Section 24: NW/4

- (f) Extend the Blinebry Oil Pool, to include:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 19: E/2 SW/4 & N/2 NE/4

- (g) Extend the Bronco-Wolfcamp Pool, to include:

TOWNSHIP 13 SOUTH, RANGE 38 EAST, NMPM
Section 2: W/2 SE/4

- (h) Extend the Cedar Lake-Abo Pool, to include:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM
Section 19: E/2 SW/4

- (i) Extend the Corbin-Abo Pool, to include:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
Section 35: S/2

- (j) Extend the South Eunice Pool, to include:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 32: S/2 SE/4
Section 33: SW/4

- (k) Extend the North Hackberry-Yates Pool, to include:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM
Section 30: SW/4 SW/4

- (l) Extend the Jackson-Abo Pool, to include:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 22: NE/4 SE/4
Section 23: S/2 NW/4

- (m) Extend the Jalmat Gas Pool, to include:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 32: S/2 SE/4
Section 33: SW/4

- (n) Extend the Justis-Blinebry Pool, to include:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 35: NE/4

- (o) Extend the Loco Hills Pool, to include:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 19: S/2 SW/4

- (p) Extend the Milnesand-San Andres Pool, to include:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM
Section 12: SW/4

- (q) Extend the East Millman Queen-Grayburg Pool, to include:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM
Section 7: SE/4 SW/4

- (r) Extend the Oil Center-Blinebry Pool, to include:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 4: Lots 11, 12, 13 & 14

- (s) Extend the Quail Ridge-Bone Springs Pool, to include:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 16: SW/4

- (t) Extend the Reeves-Devonian Pool, to include:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 13: S/2 SW/4

- (u) Extend the Salado Draw-Delaware Pool, to include:

TOWNSHIP 26 SOUTH, RANGE 33 EAST, NMPM

Section 10: SW/4

- (v) Extend the Shugart Pool, to include:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM

Section 13: E/2 SE/4

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

Section 28: NW/4

- (w) Extend the North Square Lake Grayburg-San Andres Pool, to include:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM

Section 3: SW/4

Section 6: Lot 15

- (x) Extend the Vacuum-Abo Pool, to include:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM

Section 26: S/2

Section 35: NW/4

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM

Section 12: SE/4 NE/4

CASE 2602:

Northwestern New Mexico nomenclature case calling for an order extending existing pools in Rio Arriba and San Juan Counties, New Mexico.

- (a) Extend the Aztec-Pictured Cliffs Pool, to include:

TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM

Section 30: NE/4

- (b) Extend the Gavilan-Pictured Cliffs Pool, to include:

TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM

Section 25: NW/4

- (c) Extend the Tapacito-Pictured Cliffs Pool, to include:

TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM
Section 6: NW/4

- (d) Extend the Blanco-Mesaverde Pool, to include:

TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM
Section 4: E/2

- (e) Extend the Flora Vista-Mesaverde Pool, to include:

TOWNSHIP 30 NORTH, RANGE 12 WEST, NMPM
Section 21: E/2

- (f) Extend the Puerto Chiquito-Gallup Oil Pool, to include:

TOWNSHIP 27 NORTH, RANGE 1 EAST, NMPM
Section 29: S/2 NW/4 & SW/4 NE/4

iqg/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 2528

ORDER NO. R-2260

APPLICATION OF R. & G DRILLING COMPANY,
INC., FOR PERMISSION TO OPERATE TWELVE
WELLS UNDER A PROJECT ALLOWABLE, SAN
JUAN COUNTY, NEW MEXICO

APPLICATION FOR HEARING DE NOVO

Comes now R & G Drilling Company, Inc., and applies to the Oil Conservation Commission of the State of New Mexico for hearing de novo before the Commission, in the above captioned case, as provided by Section 65-3-11.1, New Mexico Statutes Annotated, 1953, as amended, and in support thereof would show:

1. This matter came on to be heard on the application of R & G Drilling Company, Inc., and was heard by Daniel S. Nutter, duly appointed Commission examiner, on April 11, 1962.
2. On the 14th day of June, 1962, the Commission entered its order authorizing the operation of twelve of applicant's wells under a project allowable for a period of 90 days, beginning July 1, 1962, with a provision for administrative approval for an extension of time for another 90-day period, upon showing a need for such extension.
3. That said order further provides that allowables will be assigned to said wells retroactively on the basis of its deliverability at the end of the period of evaluation, and any overage accrued as the result of such retroactively assigned allowable shall be compensated for following the period of evaluation.

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Mack
7/6/62
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4. That the provisions of said Order No. R-2260 are not responsive to the application of R & G Drilling Company, Inc., in said Case No. 2528.

5. That the provisions of said Order No. R-2260 are not in accord with the evidence presented at the hearing of Case No. 2528, will result in waste, impair the correlative rights of applicant, and will not protect against premature abandonment of applicants wells.

WHEREFORE, Applicant prays that this matter be set for hearing before the Oil Conservation Commission of New Mexico as provided by law, and that after hearing de novo as required by law, the Commission enter its order granting the relief prayed for by the applicant in Case No. 2528.

Respectfully submitted,

R & G DRILLING COMPANY, INC.

By Jason W. Kellahin

KELLAHIN & FOX
P. O. Box 1713
Santa Fe, New Mexico

Attorneys for Applicant

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 18, 1962

REGULAR HEARING

IN THE MATTER OF:

Application of R & G Drilling Company, Inc.,
for a hearing de novo in the matter of its appli-
cation for permission to operate twelve wells
under a project allowable, San Juan County, New
Mexico. Applicant, in the above-styled cause,
seeks a hearing de novo in the matter of its appli-
cation for permission to produce twelve wells in
the West Kutz-Pictured Cliffs Gas Pool, located in
Sections 22, 27, 28, 32, 33 and 34, Township 28
North, Range 11 West, and Section 10, Township 27
North, Range 11 West, San Juan County, New Mexico,
under a project allowable of 3300 MCF of gas per
day to be produced from any well or combination of
wells in the project. Applicant further seeks
approval to install compression equipment with which
to produce said wells.

CASE 2528
(De Novo)

BEFORE: Governor Edwin L. Mechem, Chairman.
A. L. "Pete" Porter, Jr., Secretary-Director.

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: The Commission will take up next Case 2528.

Application of R & G Drilling Company, Inc., for a hearing de
novo in the matter of its application for permission to operate
twelve wells under a project allowable, San Juan County, New
Mexico.

MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, represent-
ing the Applicant.

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FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691



MR. PORTER: Mr. Kellahin, you may proceed with any statement.

MR. KELLAHIN: If the Commission please, there is an application for hearing de novo before the Commission on a case originally heard before the Commission's Examiner. The Application of R. & G. Drilling Company as filed in Case 2528 was for the Commission to determine whether the Applicant was to install compressor equipment on some 12 wells in the West Kutz-Pictured Cliffs Gas Pool and for the assignment of a project allowable of 3300 MCF of gas per day to be produced from any well or combination of wells within the project. The Application was based upon the contention that unless the approval was given for the installation of that equipment and the assignment of an allowable which would equally justify this type of operation, it could be no longer economically operated and produced and would result in waste and loss of gas in the reservoir. The Case was heard before the Commission's Examiner and after hearing the Commission entered its order granting permission to install the compressor equipment and utilize it on the 12 wells involved. The order also assigned a project allowable of 3300 MCF per day as requested but for a period of 90 days. Beginning July 1, 1962, in order to evaluate this project, and with the provision for an extension of an additional 90 days in the event it was necessary. But, that at the conclusion of the period of evaluation, all the wells would be tested and an allowable assigned on the basis of deliverability as found

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during the test period, so that an overage which accrued as a result of this retroactively assigned allowable contained for during the period of the evaluation, but that no well would be shut in for over production during the period of the test period.

Actually, in my opinion, the only thing the Commission granted in that case, and with the good faith of the Commission for one minute more, as I say, at this date here, and we know it is a serious case to the Commission and to the correlative rights and I know that an effort was being made to give R & G something and evaluated this project and see if they could promise something.

We propose to show they can not operate under this order. The only thing the order gives R & G Drilling Company is that no well would be shut in for over production during the test period. On that basis, anyway during the test period, under the present rules, on that basis we have now filed an application for hearing de novo and contended in this application the same and we propose to show that the order is not extensive to the application which was originally filed and that the order is not in accordance with the evidence which was presented and that the correlative rights of the Applicant will not be protected against premature involvement.

I would like to request, at this time, that the order in Case Number 2528 as heard all before the Examiner, together with all exhibits introduced and points made, both for and against



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the production, be entered into the record here.

MR. PORTER: The motion has been made by Mr. Kellahin that the record of the Examiner Hearing had in these proceedings be made a part of the record. Does anyone care to comment concerning counsel's motion? If there are not any objections, the record in the Examiner Hearing will be made a part of the present proceedings.

MR. KELLAHIN: At this time, I would like to call Mr. W. C. Russell.

(Witness Sworn.)

W. C. RUSSELL

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you- -

MR. PORTER: Mr. Russell, would you take the stand at the end of the table, please?

Q (By Mr. Kellahin) Would you state your name, please?

A William C. Russell.

Q Are you the same William C. Russell who testified in Case 2528 at the original hearing?

A I am.

Q Mr. Russell, are you familiar with the application that was originally filed in this case?



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A Yes, sir. I am.

Q And have you received a copy of the Order Number R-2260 which was concerned in that case, the subject in that hearing?

A Yes, sir. I have.

Q Have you evaluated the order in regard to the the project allowables produced in your original application?

A Yes, sir. I have.

Q Will you state what the result of the order would be on your operations?

A Well, in as much as these compressors and equipment that we want to put on the wells would cost in excess of \$10,000.00, per well, for a period of 90 days it wouldn't be practical. We don't know they would work. We feel that within 90 days we would determine this, but as far as putting expensive equipment on a well for 90 days, it wouldn't make any sense at all.

If we are limited to any time or limit, it would be experimenting with expensive equipment on our part. We want to be able to do this any way we see fit to salvage any gas.

If it can't be legally be done, but we have been advised so, and it's strictly looking at the economic side of the thing, we think we can get some gas out of all the paying units, but we will have to have complete freedom in every respect to attempt it.

Q Would a period of 180 days be of any benefit to you?

A I wouldn't undertake it with any limitations at all.



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Q In the event you are not permitted to install the compressors, and equipment, what action will you take?

A I am going to plug all wells immediately.

Q Do you have any interest there?

A None whatsoever.

Q What is your occupation and position with R & G?

A I am president and general manager of R & G and I drilled the wells and plotted them for R & G Drilling Company and I am convinced, as some other people are, that there is gas in a paying quantity there and I just hate to plug the wells and lose the gas for all time.

Q Is that a situation that exists generally in the western area?

A As I understand it, it is.

Q Have you any other suggestion that might relieve the situation in this pool?

A No. I haven't.

Q Do you have anything you want to add to your testimony?

A I just want to impress upon the Commission that we are not attempting to go into the engineering aspect at all. The gas reserve in there is not phenomenal. We are going on a strictly economic side of this. We know we can put compressors on there and in effect get our money back out of the compressors and the wells. We have lost \$700.00 on the operation of 12 gas wells and that we are not going to do for another year.



MR. KELLAHIN: That is all I have.

MR. PORTER: Does anyone have a question of Mr. Russell?

CROSS EXAMINATION

BY MR. UTZ:

Q Do you feel that if you install compressors on these wells, it will increase deliverability?

A We know it would. We wouldn't attempt it otherwise. The engineers that have looked at the deliverability of the well feel it would. The general deliverability now is strickly nil.

Q With an increase in deliverability, you don't feel the increase- - I will rephrase the question. With the increased deliverability, you don't feel that the allowables would be as much as you are asking for?

A Well, I don't understand the question.

Q Well, if you increase the deliverability of your wells to 75 deliverability in the formula you will receive more deliverability than you are receiving now, would you not?

A That is right.

Q Do you feel that the increase on compressors would be enough to give you what you want?

A No. It won't.

Q In your opinion if you can produce, well I believe, 3300 MCF for 12 wells, it would be pretty close to 300,000 a day, maybe a little less?

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A Yes.

Q Do you feel that you can produce that much gas from these wells and the purchaser would buy it?

A I think so.

MR. UTZ: That is all I have.

MR. PORTER: Does anyone else have a question of Mr. Russell?

BY MR. PORTER:

Q Mr. Russell, I notice you made a statement here and at the Examiners Hearing that you would need complete freedom of operation for these 12 wells?

A Complete freedom in every respect.

Q That includes the allowable, I suppose. In other words, you wouldn't want any limit on the allowables?

A None whatsoever. No.

MR. KELLAHIN: If the Commission please, may I state that we filed an application for a different allowable and production scale and we certainly don't propose to exceed that. I don't believe he quite understood your phrase.

Q (By Mr. Porter) The question that occurred to me, Mr. Kellahin, was that if we imposed a limit on the 3300 MCF as requested in the application, you still would not have complete freedom of operation?

A We would have 3300 MCF out of one well, two wells or three wells. We want to get it anyway we see fit. That is what



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we are asking the Commission for, to give us complete freedom to get this 3300 MCF.

Q You don't want it on a temporary basis, you want a permanent order?

A Permanent order. Yes, sir.

MR. PORTER: Does anyone else have a question? The witness may be excused.

(Witness Excused.)

Does anyone desire to make a statement in the case?

MR. WHITWORTH: Garrett Whitworth representing El Paso Natural Gas Company. Since the record in the Examiner Hearing, has been made a part of the record in this case and Mr. Ben Howell representing El Paso Natural Gas Company made a statement in the previous case setting out El Paso's position, we wish to urge a reiteration of that statement and state that we rely on it.

MR. PORTER: Does anyone else have a statement?

MR. DURRETT: I would like to read into the record the fact the Commission has received two telegrams concerning the case. We have a telegram from Texas Company stating that they are opposed to R & G Drilling Company's application for this production allowable.

I also have a telegram that we have received from Pan American, that they have asked I read in the record and I would like to do so at this time.



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MR. PORTER: You may proceed, Mr. Durrett.

MR. DURRETT: This telegram reads as follows:

"Reference is to the de novo Hearing on Case No. 2528 on the application of R and G Drilling Company for a project allowable in the West Kutz-Pictured Cliffs-Gas Pool which is docketed for the Regular Hearing on July 18, 1962. By Mr. T. M. Curtis' telegram of April 10, 1962, Pan American Petroleum Corporation opposed the granting of a project allowable as requested by the Applicant at the Examiner Hearing held April 11, 1962. This is to advise that Pan American Petroleum Corporation still opposes the granting of a permanent project allowable as requested by the Applicant. It is felt that the granting of the Applicant's request would exclude him from the requirements of established field rules for the West Kutz-Pictured Cliffs-Gas Pool and, consequently, would afford possible violation of correlative rights within this field. Pan American has no objection to Order No. R-2260 entered by the Commission as a result of the April 11, 1962, Examiner Hearing in that our interpretation of this order is that it is temporary in nature and only affords Applicant an opportunity to test wells under varying conditions after which allowables will be assigned in accordance with existing field rules for the West Kutz-Pictured Cliffs-Gas Pool. Please read this telegram into the record of the hearing.

KENNETH J. BARR PAN AMERICAN PETROLEUM CORPORATION."

MR. PORTER: They didn't send that collect did they,



Mr. Durrett?

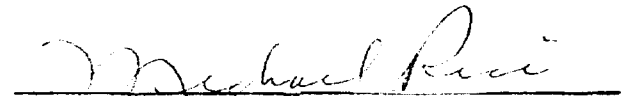
MR. DURRETT: No, sir. It is a pre-paid telegram.

MR. PORTER: If there is nothing further to be offered in Case 2528, the Commission will take the Case under advisement.

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

I, MICHAEL RICE, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings was reported by me in Stenotype and reduced to typewritten transcript by me, and that the same is a true and correct record to the best of my knowledge, skill and ability.

DATED this 4th day of August, 1962, in the City of Santa Fe, County of _____, State of New Mexico.


Notary Public

My Commission Expires:

May 11, 1966

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WESTERN UNION

TELEGRAM

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SYMBOLS

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LA208 KB362

JUL 18 4 29 PM '62

JUL 18 4 14 PM '62

K DVG234 PD=FAX DENVER COLO 16 343P MST=

NEW MEXICO OIL CONSERVATION COMM=

STATE LAND OFFICE BLDG SANTA FE NMEX=

RE CASE 2528 WEST KUTZ-PICTURED CLIFFS GAS POOL HEARING
JULY 18. TEXACO IS OPPOSED TO THE R&G DRILLING COMPANY'S
APPLICATION FOR 3300 MCFD PROJECT ALLOWABLE. TEXACO IS
IN FAVOR OF TERMINATION OF THE PROJECT ALLOWABLE AND
OPERATION OF THE TWELVE R&G DRILLING COMPANY WELLS IN
ACCORDANCE WITH THE REGULAR PRORATION FORMULA=

J F NEILL TEXACO INC 1570 GRANT DENVER COLO==

2528 18 3300 MCFD...!

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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WESTERN UNION TELEGRAM

W. P. MARSHALL, President

1220
R-4-60

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LA070

D FWB152 LONG PD=WUX FORT WORTH TEX 16 1040A CST=

A L PORTER JR=

NEWMEXICO OIL CONSERVATION COMMISSION SANTA FE NMEX=

REFERENCE IS TO THE DE NONO HEARING ON CASE NO. 2528 ON
THE APPLICATION OF R AND G DRILLING COMPANY FOR A PROJECT
ALLOWABLE IN THE WEST KUTZ /PICTURED CLIFFS/ GAS POOL
WHICH IS DOCKETED FOR THE REGULAR HEARING ON JULY 18,
1962. BY MR. T M CURTIS TELEGRAM OF APRIL 10, 1962,
PAN AMERICAN PETROLEUM CORPORATION OPPOSED THE GRANTING
OF A PROJECT ALLOWABLE AS REQUESTED BY THE APPLICANT AT
THE EXAMINER HEARING HELD APRIL 11, 1962. THIS IS TO
ADVISE THAT PAN AMERICAN PETROLEUM CORPORATION STILL
OPPOSES THE GRANTING OF A PERMANENT PROJECT ALLOWABLE
AS REQUESTED BY THE APPLICANT. IT IS FELT THAT THE
GRANTING OF THE APPLICANT'S REQUEST WOULD EXCLUDE HIM
FROM THE REQUIREMENTS OF ESTABLISHED FIELD RULES FOR
THE WEST KUTZ /PICTURED CLIFFS/ GAS POOL AND, CONSEQUENTLY,
WOULD AFFORD POSSIBLE VIOLATION OF CORRELATIVE RIGHTS
WITHIN THIS FIELD. PAN AMERICAN HAS NO OBJECTION TO
ORDER NO. R-2260 ENTERED BY THE COMMISSION AS A RESULT OF
THE APRIL 11, 1962, EXAMINER HEARING IN THAT OUR
INTERPRETATION OF THIS ORDER IS THAT IT IS TEMPORARY

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1220
R-4-00

SYMBOLS

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IN NATURE AND ONLY AFFORDS APPLICANT AN OPPORTUNITY TO
TEST WELLS UNDER VARYING CONDITIONS AFTER WHICH
ALLOWABLES WILL BE ASSIGNED IN ACCORDANCE WITH EXISTING
FIELD RULES FOR THE WEST KUTZ /PICTURED CLIFFS/ GAS POOL.
PLEASE READ THIS TELEGRAM INTO THE RECORD OF THE HEARING=
KENNETH J BARR PAN AMERICAN PET CORP...

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE
This is a fast message
unless its deferred char-
acter is indicated by the
proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

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LA127 SSK444

1962 APR 10 PM 3:37

1962 APR 10 PM 2:53

L FRA052 DL PD=FARMINGTON NMEX 10 241P MST=

NEW MEXICO OIL CONSERVATION COMMISSION=

CAPITOL BLDG SANTA FE NMEX=

ATTENTION: MR. A. L. PORTER, JR. CASE 2528 ON THE
EXAMINER DOCKET FOR APRIL 11, 1962, IS THE APPLICATION
OF R & G DRILLING COMPANY FOR A PROJECT ALLOWABLE IN
THE WEST KUTZ-PICTURED CLIFFS GAS POOL. PAN AMERICAN
PETROLEUM CORPORATION AS AN OPERATOR IN THE WEST
KUTZ-PICTURED CLIFFS POOL IS OPPOSED TO THE
ESTABLISHMENT OF A PROJECT ALLOWABLE AS PROPOSED IN
THE APPLICATION. PLEASE READ THIS TELEGRAM INTO THE
RECORD IN THIS CASE=

PAN AMERICAN PETROLEUM CORP T M CURTIS...