

Case Number

4515

Application

Transcripts.

Small Exhibits

ETC.



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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 17, 1971

EXAMINER HEARING

IN THE MATTER OF:)
)
Application of Continental Oil Company)
for the reinstatement of cancelled)
underproduction, Lea County, New Mexico.)

Case No.
4515

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

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1 MR. NUTTER: Call Case 4515.

2 MR. HATCH: Application of Continental Oil Company
 3 for the reinstatement of cancelled underproduction, Lea County,
 4 New Mexico.

5 MR. KELLAHIN: If the Examiner please, may the
 6 record show the same appearance and witness as in Case 4514
 7 and the fact that the witness has been sworn and qualified?

8 MR. NUTTER: The record will show.

9 (Whereupon, Applicant's Exhibits 1, A through C, 2, A
 10 through C, 3, A & B, and 4 were marked for identification.)

11 VICTOR T. LYON,

12 having been first duly sworn, testified as follows:

13 DIRECT EXAMINATION

14 BY MR. KELLAHIN:

15 Q Would you state your name, please?

16 A Victor T. Lyon.

17 Q Are you the same Mr. Lyon that was sworn and qualified
 18 in Case 4514?

19 A Yes, I am.

20 Q Mr. Lyon, what's proposed by the Applicant in Case 4515?

21 A Case 4515 is the application of Continental Oil Company
 22 for reinstatement of allowable cancelled on January 1st,
 23 1971, from four gas wells or proration units which are
 24 State KN-12 No. 1 and State A-17 No. 5 in the Eumont
 25 Pool and the Meyer B-23, multi well unit, and State A-32

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1 No. 4 in the Jalmat Pool, both in Lea County, New Mexico.

2 At this time, we would like to withdraw our request
3 for reinstatement of allowable for State A-32 No. 4 in
4 the Jalmat Pool.

5 MR. NUTTER: That portion of the application is
6 dismissed, then?

7 THE WITNESS: Yes, sir.

8 Q (By Mr. Kellahin) Now, referring to what has been marked
9 as the Applicant's Exhibit No. 1-A, would you identify
10 that exhibit?

11 A Yes, sir. Exhibit No. 1-A is a plat showing outlined
12 in red the proration unit assigned to State KN-12 No.
13 1, which is circled in red. This unit consists of the
14 south half of Section 12, Township 19 South, Range 36
15 East, and the north half of the southwest quarter of
16 Section 7 in Township 19 South, Range 37 East; Lea
17 County, New Mexico.

18 Q The exhibit also shows the location and ownership of the
19 offsetting wells, does it not?

20 A To the best of our knowledge and belief, yes, sir, it
21 does.

22 Q Now, referring to Exhibit No. 1-B, would you identify
23 and discuss that exhibit?

24 A Yes, sir. Exhibit No. 1-B is a tabulation of data of
25 State KN-12 No. 1. It consists of six columns. The

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1 first column identifies the month, the second column
 2 identifies the allowable for each month, the third
 3 column represents the production for each month, the
 4 fourth column represents the over or under production
 5 for that month, the fifth column represents the status
 6 of the well as to accumulated underproduction or over-
 7 production.

8 You will note that the well entered the balancing
 9 period underproduced by 50,023 MCF. At the end of the
 10 period, the well was underproduced 31,204 MCF. The
 11 sixth column, headed "jeopardized allowable", is that
 12 amount of allowable which is subject to cancellation if
 13 not made up by overproduction during the balancing
 14 period.

15 You will note that it entered the period with
 16 50,023 MCF subject to cancellation and each time -- each
 17 month that the well overproduced this overproduction is
 18 credited against this jeopardized allowable so that that
 19 amount reduces each time there is overproduction during
 20 a month.

21 It does not increase when there is underproduction
 22 for a month. Consequently, the amount of allowable
 23 subject to cancellation was 23,298 MCF which was the
 24 amount cancelled on January 1st, 1972.

25 Going back to column three, there are three months

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1 that have an asterisk beside the production. These
 2 asterisks represent production during months that the
 3 well was evidently curtailed due to work in the field
 4 by the purchaser in changing his gathering system for
 5 the purpose of lowering pressure.

6 This work will enable these wells to better produce
 7 their allowable in the future, but, for this particular
 8 balancing period, the wells were curtailed due to this
 9 work. The amount of curtailment is estimated in the
 10 bottom figure on the exhibit as 38,453 MCF.

11 This was determined by taking the average production
 12 during the three months that the well was not curtailed
 13 and subtracting from that average for each month the
 14 amount of actual production during the month that it was
 15 curtailed.

16 Q Now, does the production for the three months that the
 17 well was not curtailed indicate that that particular
 18 well could have made up the underproduction that it
 19 entered the balancing period with?

20 A Yes. I think very definitely the well could make up
 21 the underproduction.

22 Q In your opinion, has that well been discriminated against
 23 because of work over which the operator had no control?

24 A Well, I don't know that I would say it was discriminated
 25 against. It was handicapped and it wasn't due to the

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1 well's fault and it wasn't due to our fault. It
 2 apparently was due to the pipe line company's fault, and
 3 we would just like to have the opportunity to produce
 4 this allowable which could have been produced had the
 5 well not been curtailed and I might add, it wasn't the
 6 Commission's fault, either.

7 Q Now, referring to what has been marked as Exhibit 1-C,
 8 would you identify that exhibit?

9 A Yes, sir. Exhibit 1-C is a graphical representation of
 10 the well's performance, that is the State KN-12 No. 1,
 11 during the year 1970. There is a pair of bars which
 12 represent each month during the year.

13 The bar on the left is the allowable; the bar on
 14 the right in each case is the production. The average
 15 allowable for each balancing period is shown by the
 16 dashed horizontal line.

17 You will note that during the first balancing
 18 period the well was rather consistently underproduced,
 19 at least during January and February; it just about
 20 produced its allowable in March. It overproduced in
 21 April, May and June. The only month that it under-
 22 produced, in the second balancing period, was during
 23 the month of November.

24 And, I think that this amply demonstrates that the
 25 well can produce its allowable and can produce the

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1 underproduction which was cancelled in the event that --
 2 if the Commission sees fit to reinstate it.

3 Q Now, turning to State A-17 lease, would you refer to
 4 Exhibit 2-A and identify that exhibit?

5 A Yes, sir. Exhibit 2-A is a location plat showing
 6 outlined in red the proration unit for State A-17 No. 5
 7 which is circled in red. Proration unit consists of
 8 the northeast quarter of Section 17, Township 19 South,
 9 Range 37 East.

10 Well No. 5 is located in Unit "G" of Section 17.
 11 The ownership and location of wells in the nearby area
 12 and the leases are shown to the best of our knowledge
 13 and belief. It appears that the names of the companies
 14 are a little bit old. I see Tidewater still on here
 15 and there may be some others. We have not --

16 Q Now, referring to what has been marked as Exhibit No.
 17 2-B, would you identify that exhibit?

18 A Exhibit No. 2-B is a tabulation showing the performance
 19 of the well during the second balancing period of 1970.
 20 Here again it consists of six columns. The first column
 21 identifying the month, the second column the allowable
 22 for that month, the third column the production for that
 23 month, the fourth column showing whether the well over-
 24 produced or underproduced and the amount and the fifth
 25 column the status of the well and you will note that

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1 it entered the period 32,892 MCF underproduced and
 2 completed the period 20,939 MCF underproduced. The
 3 sixth column is the amount of allowable subject to
 4 cancellation if not made up by overproduction during
 5 the period and it shows that 32,829 MCF was subject to
 6 cancellation at the beginning of the period and that the
 7 ending amount of allowable was that which was cancelled,
 8 16,209 MCF.

9 Here again we have shown an asterisk by the
 10 production for the months of September, October and
 11 November, when we feel that the well was curtailed due
 12 to work which was conducted on the pipe line gathering
 13 system, which held back the production of the well.

14 Had the well been able to produce at its indicated
 15 capacity for the months when it was not curtailed, we
 16 feel that it could have produced another 19,991 MCF,
 17 which would be more than the amount of allowable which
 18 was cancelled.

19 Q Now, how did you arrive at those figures to show how it
 20 was curtailed?

21 A We took the average production during the months that
 22 the well was not curtailed and subtracted from that
 23 average the actual production for the months when it was
 24 curtailed and accumulated them for the three months.

25 Q And this demonstrates that the well could have produced

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1 its allowable had the pipe line been able to take it?

2 A Yes, in my opinion, it could.

3 Q Now, referring to what has been marked as Exhibit No.
 4 2-C, would you identify that exhibit?

5 A Yes, sir. Exhibit No. 2-C is a graphical representation
 6 of the well's performance during the year 1970. Here
 7 again each month is represented by a pair of bars. The
 8 one on the left is the allowable; the one on the right
 9 is the production.

10 The average allowable for the proration period is
 11 shown by the horizontal dashed line. You will note that
 12 this well was rather consistently underproduced during
 13 the first balancing period, except in June, when it came
 14 alive; I believe that's when they lowered the line
 15 pressure.

16 During the second balancing period the well over-
 17 produced its allowable every month except in November.
 18 But, here again, you can see that the bars for September,
 19 October and November are shorter than the other three
 20 bars for that period, those bars representing production.

21 Q Curtailment in November was due to the pipe line
 22 situation, is this correct?

23 A Yes, sir.

24 Q Now, referring to what has been marked as Exhibit No.
 25 3-A, would you identify that exhibit?

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1 A Exhibit No. 3-A is a location plat showing the proration
 2 unit which is now assigned jointly to Wells Nos. 1, 2
 3 and 3 on our Meyer B-23 lease. The unit consists of
 4 the north half and the southeast quarter of Section 23.
 5 The unit is assigned jointly to Well No. 1 in Unit "C",
 6 No. 3 in Unit "E", and No. 2 in Unit "O", all in Section
 7 23.

8 Q Was that unorthodox unit approved by the Commission?

9 A Yes, sir, this was approved by Order No. R-4064.

10 Q Does that Order permit the production of the allowable
 11 from the unit from any or all of the wells in any pro-
 12 portion?

13 A Yes, sir, it does.

14 Q Now, referring to what has been marked as Exhibit 3-B,
 15 would you identify that exhibit?

16 A First, I would like to point out that we have shown by
 17 a dashed line the proration unit which previously had
 18 been assigned to Wells Nos. 2 and 3. No. 3 had the
 19 northwest quarter and the west half of the northeast
 20 quarter; No. 2 had the southeast quarter and the east
 21 half of the northeast quarter.

22 Now, Exhibit No. 3-B is a tabulation showing the
 23 performance of the two wells which previously had
 24 individual proration units and then the performance of
 25 the combined unit, so that there are three sections

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1 vertically; the top section represents No. 3, the middle
 2 section No. 2 and then the bottom section represents the
 3 combined unit.

4 The first column represents the month and the
 5 second the allowable for each month, the third column
 6 represents production for each month and I might call
 7 to your attention that the figures in parenthesis in the
 8 top two sections for the individual wells represent the
 9 allowable and production assigned to those two wells but
 10 this was after the effective date of Order R-4064.

11 The fourth column represents the over or under-
 12 production; underproduction is shown by the figures in
 13 parenthesis. The fifth column shows the status of the
 14 wells. You will note that No. 3 entered the period
 15 11,673 MCF underproduced. No. 2 entered the period
 16 37,439 MCF overproduced. The combined unit, going back
 17 to the beginning of the balancing period, had a net
 18 status of 74,234 underproduced.

19 The sixth column shows the amount of allowable
 20 which is subject to cancellation if not made up during
 21 the balancing period. Here again No. 3 had 111,673 MCF
 22 of which was subject to cancellation. Very small volumes
 23 of overproduction in September and October reduced this
 24 amount to 110,951 at the end of October.

25 No. 2, of course, was overproduced and had no

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allowable subject to cancellation. Going down to the third section, the way I feel that the well should be treated, I have combined the status of the wells at the beginning of the balancing period so far as cancellation is concerned, and No. 2 being overproduced at the -- in the early part of the balancing period was not produced at all.

Consequently, it did not help to reduce this underproduction so the figure stays constant at 74,234 until we get to November when the wells -- the three wells combined overproduced by 24,924 in November and 58,237 in December.

Using the figures shown in the sixth column, the overproduction has made up all the underproduction which existed at the beginning of the period. Now, the seventh column represents what I understand the Commission has interpreted to be the amount subject to cancellation which is the net status of the two units combined at the end of October.

No, my figures don't add up.

MR. UTZ: That figure should be 112,321, I believe.

Q (By Mr. Kellahin) Is it your understanding that the Commission, on consolidating the two units, took the overage and underage as of that date to determine the status of the unit?

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1 A Yes. This is my understanding that -- I added those
 2 figures myself, I don't know why they don't add up.
 3 Maybe that explains it.

4 MR. NUTTER: That's the explanation.

5 THE WITNESS: But, at any rate, there are -- I
 6 believe the Commission took the combined status at the end
 7 of the period and then credited against that the overproduction
 8 during the months of November and December and, if I have mis-
 9 represented this, Mr. Utz can straighten me out, I am sure,
 10 so it appears there are three different concepts underwhich
 11 you can cancel allowable; one is that which is shown in column
 12 six; another is that which was shown in column seven and then
 13 the computer cancelled all of the underproduction which
 14 remained at the end of the balancing period and this was some
 15 allowable which had accrued or some underproduction which
 16 had accrued during the balancing period which is -- I don't
 17 believe it's proper under the Commission's balancing.

18 Q (By Mr. Kellahin) What was the amount of that accrued
 19 underproduction which accrued during the current balancing
 20 period and was cancelled, as you say, by the computer?

21 A Well, if you will look at column four, the unit was
 22 underproduced 15,600 plus MCF in July, 17,000 in August,
 23 3,300 in September and nearly 2,000 in October. This is
 24 underproduction which had accumulated during this
 25 balancing period and should not be subject to cancellation

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- 1 until the following balancing period.
- 2 Q Do you know what the total of that would be, approximately
- 3 13,000?
- 4 A Oh, no, it would be more than that.
- 5 Q More than that?
- 6 A Be about 37,000.
- 7 Q Accrued during the balancing period?
- 8 A Yes, sir.
- 9 Q Now, how much was actually cancelled, was it 29,000 --
- 10 A 29,160 was actually cancelled.
- 11 Q Now, what's the significance of the 16,244 figure?
- 12 A This is -- was what I had thought was the Commission's
- 13 interpretation as to what really should have been
- 14 cancelled rather than the entire 29,000. I will need to
- 15 recheck my figures and correct that.
- 16 Q Would you do that and submit them to the Examiner,
- 17 please?
- 18 A Sure will.
- 19 Q Now, have you any observations on the manner in which
- 20 the Commission has handled this?
- 21 A Well, I would like to point out that when you change
- 22 proration units around or change wells, you can't treat
- 23 wells individually. You've got to treat the acreage,
- 24 the proration unit.
- 25 Q That's the manner in which the allowable is assigned, is

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1 it not, to the unit, not to the well?

2 A Yes, it's assigned on basis of the acreage. If this
 3 were not so, an operator could overproduce a well, shut
 4 it in, recomplete another well, and the well would not
 5 be charged with the overproduction, so the production
 6 has got to go to the acreage.

7 The allowable should go to the acreage and the
 8 status should go to the acreage. Consequently, in order
 9 to treat this combined unit in the same manner that
 10 other wells in the pool are treated, you need to look
 11 at the combined acreage at the beginning of the balancing
 12 period and look at it again at the end of the balancing
 13 period; otherwise, the unit hasn't had a full balancing
 14 period in which to balance.

15 Q The way it has been handled by the Commission, you only
 16 had two months in which to balance, is this correct, or
 17 three?

18 A Yes.

19 Q Now, if it was handled as you propose, what would the
 20 status of that particular proration unit be?

21 A It would be in balance.

22 Q It would be in balance?

23 A Yes. It would still be underproduced, but it would not
 24 have any allowable cancelled.

25 Q Now, that would have made up the underproduction, then,

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1 during the months of November and December; the over-
2 production would have balanced it, is this correct?

3 A Yes.

4 Q And it is your opinion, then, that there should be no
5 underproduction subject to cancellation from that
6 particular lease?

7 A Yes, sir, that is my opinion.

8 Q Now, have you contacted the pipe line purchaser in
9 connection with this case?

10 A Yes, I have.

11 Q Referring to Exhibit No. 4, would you identify that
12 exhibit, please?

13 A Exhibit No. 4 is a letter from El Paso Natural Gas
14 Company which states that the line pressure in the
15 Eumont Pool was substantially reduced in December as
16 result of the work that had been going on and that the
17 system, as it has been revised, should be able to permit
18 these wells to produce their current allowables and the
19 accumulated underproduction.

20 Q The purchaser indicates that he would make every effort
21 to take the allowable --

22 A Yes.

23 Q -- if it were reinstated?

24 A Yes, if the Commission sees fit to restore the allowable,
25 that he will take it.

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1 Q Have you anything to add to your testimony, Mr. Lyon?

2 A Yes. I would like to point out that in each of these
 3 cases under the -- each of these units that we have
 4 discussed, under the Commission's policies of redis-
 5 tributing allowable and so forth, that there were
 6 substantial volumes of allowable which were redistributed
 7 at the -- as result of cancellation at the end of the
 8 first balancing period.

9 Now, the way this operates, when the production
 10 for the month of June is in and the Commission makes its
 11 determination as to what is to be cancelled and what is
 12 to be -- both, for failure to make up underproduction
 13 and for reclassification, it is cancelled and redistributed
 14 and is a part of the schedule which goes with the August
 15 allowable schedule, so actually this allowable is not
 16 assigned until August.

17 According to the Commission's books, it is assigned
 18 as of June 30, so that it was given, on the basis of the
 19 book, at the end of the previous balancing period and is
 20 consequently subject to cancellation at the end of the
 21 present balancing period, but the operator doesn't know
 22 what this allowable is, how much it will be, if there is
 23 any redistribution, until August, so he has five months
 24 to make up this additional underproduction.

25 Now, this serves to help the overproduced wells

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1 because it tends to place them in balance. It reduces
 2 their overproduction, but it is an additional burden on
 3 the underproduced well and it gives the wells only five
 4 months in which to make up this additional underproduction.
 5 If it were distributed under the Commission's formula
 6 for allocating gas allowable, it would be assigned as a
 7 part of the August allowable and this could be done very
 8 easily just by the fact that nominations are adjusted by
 9 overproduction and underproduction.

10 If you cancel a lot of underproduction, then, this
 11 makes the overproduction that much greater on a net
 12 basis. Consequently, your nominations are adjusted up-
 13 ward and your allocation is adjusted upward and you get
 14 precisely the same result by putting it into that formula
 15 as you do by redistributing it in the redistribution
 16 schedule.

17 If it were allocated at that time, then, it would
 18 be allowable assigned in a present proration period and
 19 you would have not only the remainder of this proration
 20 period but the following proration period in which to
 21 make it up.

22 Q In other words, you would make it a part of your current
 23 allowable rather than reassignment of --

24 A Yes, sir.

25 Q -- underproduction?

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1 A Each of these wells were assigned substantial redis-
 2 tributed allowable in this manner so that it increased
 3 the burden of them to make up underproduction during the
 4 balancing period.

5 Q And without sufficient time in which to make up that
 6 underproduction, is that your position?

7 A Yes, sir.

8 Q In other words, you are saying that the present system
 9 helps the overproduced wells to the maximum extent but
 10 also penalizes the underproduced wells --

11 A To a considerable extent, yes.

12 Q -- to a considerable extent? Do you have anything further,
 13 Mr. Lyon?

14 A I believe that's all.

15 Q Were Exhibits 1 A, 1 B, 2 and on through 4 prepared by
 16 you or under your supervision?

17 A Yes, sir, except for four. This is just a letter which
 18 was received from El Paso and they have given their
 19 consent to offer this letter in evidence.

20 MR. NUTTER: I don't believe I have a stamped copy
 21 of Exhibit 4 over here.

22 MR. KELLAHIN: If the Examiner please, in connection
 23 with this case, I think it would be appropriate to ask the
 24 Examiner to take administrative notice of Commission Order
 25 R 4064.

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1 MR. NUTTER: What was the effective date of that
 2 order, Mr. Kellahin?

3 MR. KELLAHIN: November 1st, 1970, and I have a
 4 copy here.

5 MR. NUTTER: Thank you.

6 MR. KELLAHIN: Yes, sir.

7 MR. NUTTER: We will take note of Commission Order
 8 No. R 4064.

9 MR. KELLAHIN: That completes our case.

10 MR. NUTTER: You are offering your exhibits, Mr.
 11 Kellahin?

12 MR. KELLAHIN: Yes, sir.

13 MR. NUTTER: Continental's Exhibits 1 A, B, C, 2 A,
 14 B, C, 3 A, B and Exhibit 4 will be admitted in evidence.

15 CROSS EXAMINATION

16 BY MR. NUTTER:

17 Q Mr. Lyon, that's the first time I ever heard it referred
 18 to as a burden when the Commission gave a well some
 19 additional allowable.

20 A Well, it's -- you know, it really doesn't benefit you if
 21 you can't produce it. I realize that there is a problem
 22 of tying up underproduction to these wells and yet at
 23 the same time the amount of -- particularly in recent
 24 months, the amount of allowable which is redistributed
 25 is quite sizeable and if a well has been experiencing

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1 difficulty, it just makes it that much more difficult
 2 for it to balance.

3 Q Now, as I understand it, your case is divided into two
 4 parts, really, the State KN and the State --

5 A State A-17.

6 Q -- State A-17. You are asking for reinstatement of this
 7 underproduction because of some work by the pipe line
 8 which they reduced takes during a three-month period
 9 and, as a result, you didn't make up as much under-
 10 production as you had anticipated.

11 A Yes, sir.

12 Q Then, the second part of your case is directed to simply
 13 the procedural manner in which the Commission worked the
 14 allowable out on the two units after they were consoli-
 15 dated, one over produced and underproduced?

16 A Yes, sir.

17 Q Taking this first part here, where we have the pipe line
 18 situation, what were they actually doing, installing the
 19 pressures out there?

20 A I am not sure. I think Mr. Hoover went into a quite
 21 lengthy discussion at the hearing February 24 as to the
 22 work that was being done down in the Eumont Pool and I
 23 am not really personally familiar with what has been
 24 going on.

25 Q I thought his case involved Northern Natural?

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1 A I think both of them have been -- one of these wells
 2 is --

3 Q I thought these were all El Paso connections here?

4 A No, I believe one is --

5 Q What does your Exhibit 4 refer to in your El Paso letter?

6 A We had -- this refers to wells in the Eumont Pool.

7 MR. UTZ: Who is your purchaser, El Paso?

8 THE WITNESS: In which?

9 MR. UTZ: On your KN-12?

10 THE WITNESS: No, I am mistaken. Both those wells
 11 are producing into El Paso's system.

12 MR. NUTTER: And I believe Mr. Hoover was discussing
 13 Northern Natural installing compressor facilities in that
 14 case that he had in February.

15 MR. UTZ: Is your other unit still El Paso?

16 THE WITNESS: Yes, I believe that's correct, but I
 17 am informed that El Paso is making substantial changes in
 18 their gathering system for the purpose of lowering the pressure
 19 in the lines.

20 Q (By Mr. Nutter) But, you don't know what work they were
 21 actually doing in September, October and November of
 22 1970 and the actual reason why this production was
 23 curtailed during those three months?

24 A No, sir. We had asked them to provide this letter and
 25 it did not include all the information that we would

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- 1 like for them to have put in it and --
- 2 Q Well, now, may I ask you this, Mr. Lyon? Do you know
- 3 how many days in each one of the months as shown on
- 4 Exhibits 1 C and 2 C, how many days in each one of those
- 5 twelve months the well was on the line?
- 6 A I don't have that.
- 7 Q Would you get that information for me --
- 8 A Yes, sir, be glad to.
- 9 Q -- so I can jot it down on this Exhibit 1 C and 2 C? I
- 10 would like to know the number of days in each of the
- 11 twelve months that the well was on the line.
- 12 A Now, the statements that we get from them represent, as
- 13 I understand it, the number of days that the meter had
- 14 a measurable reading and this is not the same as the
- 15 number of days that it was on the line. If the well was
- 16 floating on the line and not passing gas through the
- 17 meter, it will not register as being produced on the
- 18 statement that we receive.
- 19 Q You mean zero production, if it's open, won't show as a
- 20 day of production?
- 21 A No, it will not.
- 22 Q Do you know how many days the wells were actually on the
- 23 line; could you find that out?
- 24 A I can find out through the purchaser, but we don't have
- 25 it on our statements.

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1 Q I would like to know the number of days that the well
 2 was there and capable of producing or incapable, as
 3 the case may be, but open.

4 A Okay.

5 Q Did you do any workover on either of these two wells?

6 A No, sir.

7 Q So, this flow here as shown on Exhibit No. 1 C and 2 C
 8 would represent the capability of the well flow into the
 9 pipe line under the existing conditions of the pipe line,
 10 without any changes as far as the well is concerned?

11 A Yes, sir.

12 MR. NUTTER: Are there further questions of Mr.
 13 Lyon?

14 MR. UTZ: Yes, I have some.

15 MR. NUTTER: Mr. Utz.

16 CROSS EXAMINATION

17 BY MR. UTZ:

18 Q Was the Order R 4064 the order which consolidated these
 19 two units?

20 A Yes, sir.

21 Q And that was effective 11-1 by virtue of the order?

22 A Yes.

23 Q On your Exhibit 3 B, is it my understanding that what
 24 you would do in your theory as to the manner in which
 25 balancing should be done on this combined unit which was

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1 effective 11-1, would be to combine the curtailment and
 2 cancellation statuses at the beginning of the period or
 3 July 1?

4 A Yes. This is the way I had thought that the Commission
 5 would do it.

6 Q Actually, they were legally two units, July, August,
 7 September and October, were they not?

8 A Yes, they were.

9 Q How do you feel that the Commission should retroactively
 10 combine the statuses?

11 A Well, in order to evaluate the performance of the unit
 12 during the balancing period, it seems to me that you have
 13 to go back to the beginning of the balancing period to
 14 see what the entire unit did.

15 Q Could you not determine the subject curtailment and the
 16 subject cancellation on each of the legally formed units
 17 up to November the 1st and then combine the statuses --

18 A Yes.

19 Q -- and then the combined status be charged to legally
 20 combined unit for the months of November and December?

21 A Yes, this is one way to do it.

22 Q I agree with you. I think that's the way to do it.

23 And, as a matter of fact, for the record, the 29,160 was
 24 arrived at by our idiot machines, as I call them, in a
 25 note to you, which I guess you didn't get, and it is in

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1 error and I think that a supplement has already been
 2 issued to the effect that, as I recall the figure, a little
 3 over 13,000 was actually subject to cancellation by using
 4 the method that we just explained here.

5 A Yes.

6 Q Now, would that change your attitude toward this appli-
 7 cation at all?

8 A Well --

9 Q You still lost 13,000?

10 A If I were doing it, I would still do it my way. The --
 11 and, really, the fact that No. 2 was underproduced during
 12 the first part of the period, it was underproduced
 13 because it was a separate unit and consequently it wasn't
 14 producing on a combined unit basis and so the unit has
 15 been a little bit handicapped because that well was shut
 16 in to balance it and had it -- had the unit been con-
 17 solidated at the beginning of the period, it would have
 18 been producing to help make up the underproduction.

19 Q Which unit are we talking about, the No. 2 unit?

20 A Yes, No. 2 proration unit.

21 Q At the beginning of the period that was underproduced?

22 A No, it was overproduced.

23 Q Overproduced? It was overproduced 37,439, is that
 24 correct?

25 A Right.

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1 Q And then your argument is that you curtailed it four
 2 months in order to prevent shut-in?

3 A Yes, sir.

4 Q Even though it was a legally constituted unit for those
 5 four months until November 1st?

6 A Yes, sir. I had thought that the three wells had made
 7 up the underproduction and I was a little surprised when
 8 I found out that it had had some cancellation.

9 Q Well, Mr. Lyon, apparently our machines, and I won't
 10 call them by that derogatory name again, can't handle
 11 this sort of a problem in the manner in which it should
 12 be handled, whether I am right or whether you are right,
 13 so the reason the cancellation was 29,160 was because it
 14 took the status, the combined status, total status, not
 15 the subject to cancellation or curtailment status, as of
 16 November 1st, combined that and considered it to be the
 17 subject to cancellation status; therefore, the cancellation
 18 was higher than it should have been.

19 A Right.

20 Q Now, to get in a little bit some of the theory that you
 21 testified to. As I understood, I don't know whether it
 22 was a complaint or recommendation --

23 A It was an observation.

24 Q -- is it your recommendation that we should not issue a
 25 redistribution schedule and then thereby charging the

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1 the ending underage as well as the ending overage the
 2 benefit of the redistribution?

3 A I never have understood the necessity of doing that.

4 Q Well, maybe I should explain. We have a rule that says
 5 the redistribution of the cancelled underage at the end
 6 of the period shall be charged to any well's over-
 7 production if he's overproduced, so, in order to do that,
 8 we have to charge it to the underproduced wells also, so
 9 that's the reason for redistribution; it is a rule.

10 Now, doesn't that redistribution help your cancel-
 11 lation figure, too, cancellation subject to cancellation
 12 at the end of a proration period; it's additional allowable.

13 A I don't follow you.

14 Q Well, let's say at the end of the period before redis-
 15 tribution you had a subject to cancellation figure of
 16 10,000. The redistribution was 5,000, then the cancel-
 17 lation would be 5,000, would it not; you would get credit
 18 for your redistribution allowable before cancellation?

19 A If the well is underproduced?

20 Q It would be underproduced, yes. Well, it might not be
 21 underproduced, but it would have underproduction subject
 22 to cancellation at the end of, say, June, the end of the
 23 period --

24 A Yes.

25 Q -- and that's before we redistribute the cancelled

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- 1 underage --
- 2 A Yes.
- 3 Q -- and the redistribution for that well, we will say,
- 4 for purposes of hypothetical case, was 5,000 in the form
- 5 of additional allowable. That would be credited against
- 6 your ten million before you received your cancellation?
- 7 A I don't think so, if I understand what you said. Say a
- 8 well is underproduced 10,000 before the redistribution
- 9 and then it's given an additional 5,000 allowable, then
- 10 it's underproduced 15,000 and there's that much more
- 11 allowable subject to cancellation at the next balancing
- 12 period.
- 13 Q Frankly, you may be right on underage, but, on overage,
- 14 it's charged against your curtailment, so I guess you are
- 15 right on underage. So, that your underage is -- the
- 16 redistribution is charged against the subsequent period?
- 17 A Yes, and it helps the overproduced wells because it
- 18 places them more nearly in balance.
- 19 Q The reason being, you can't determine cancellation or
- 20 redistribution until you have cancelled, I guess.
- 21 A Well, until you have the figures available.
- 22 Q You mentioned something about the underage accrued due
- 23 to this redistribution being a burden. How do you mean
- 24 that?
- 25 A Well, it -- it's just that much more underproduction

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1 that has to be made up during that balancing period to
 2 keep from having allowable cancelled. Now, to me, having
 3 allowable cancelled is a no no; you know, that's money
 4 lost.

5 Q I agree.

6 A So, if it were assigned in the regular allowable, then,
 7 it would be carried over to the following balancing
 8 period and you would have that much more time.

9 Unfortunately, some of these wells get in trouble
 10 and we don't know about it right away because we don't
 11 operate the wells and by the time we find out that they
 12 are in trouble the balancing period is upon us, and this
 13 is the situation in this particular case, that the well
 14 was in trouble and we came to the Commission and you
 15 very graciously combined the two units so that we could
 16 use the overproduction on the one well to help balance
 17 the underproduction on the other.

18 Q Then, I would gather you would rather have it issued to
 19 the wells in the form of current allowable --

20 A Yes.

21 Q -- which would cause the second month of the period to
 22 be an extremely high allowable month.

23 A It would be unusually high.

24 Q That would be pretty tough if you are trying to make up
 25 overage, wouldn't it?

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1 A That's when they get that allowable anyway; in the
 2 redistribution, they get it in the second month, and it
 3 may be credited back two months earlier, but they didn't
 4 get it until that second month.

5 Q They actually get it now in their ending period status?

6 A Right, but when do you know about the ending status; the
 7 second month.

8 Q The second month. We just can't get production from
 9 you people any faster than that.

10 A Right. They would get it the same time, but it's the
 11 effective date that it was given that makes a difference.

12 Q You didn't hear my testimony this morning at the gas
 13 allowable hearing.

14 A No, I'm sorry, I didn't.

15 Q We instituted a new system of balancing pools which the
 16 extent of is to equalize allowables on a monthly basis.
 17 Of course, what you recommend would be the opposite.

18 A Well, my remarks were, you know, directed purely at the
 19 system which has been used up to now and --

20 MR. NUTTER: We will take a 15-minute coffee recess.

21 (Whereupon, a 15-minute recess was taken.)

22 MR. NUTTER: The hearing will come to order, please.

23 Are there any further questions of Mr. Lyon?

24 MR. KELLAHIN: If the Examiner please, Mr. Lyon has
 25 redone these figures on Exhibit 3 B. I would like to straighten

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1 those out, if we may, for the record.

2 THE WITNESS: I have refreshed my memory on those
3 calculations and the figures in column seven represent the
4 sum of the jeopardized allowable for No. 3 at the end of
5 October, less the overproduction for No. 2 at the end of
6 October.

7 MR. KELLAHIN: The figures are correct?

8 THE WITNESS: Yes, the figures are correct. Mr.
9 Utz told me that that's what he had written the supplement
10 on already and we appreciate it.

11 MR. NUTTER: Are there any further questions of Mr.
12 Lyon? He may be excused.

13 (Witness excused.)

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

16 MR. KELLAHIN: That's all, Mr. Nutter.

17 MR. NUTTER: Does anyone have anything they wish to
18 offer in Case No. 4515? We will take the case under advisement.
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I N D E X

WITNESS

PAGE

VICTOR T. LYON

Direct Examination by Mr. Kellahin

2

Cross Examination by Mr. Nutter

20

Cross Examination by Mr. Utz

24

E X H I B I T S

Applicant's 1 A through C
2 A through C
3 A and B
4

2

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1 STATE OF NEW MEXICO)
2)
3 COUNTY OF BERNALILLO)

4 I, GLENDA BURKS, Court Reporter in and for the County
5 of Bernalillo, State of New Mexico, do hereby certify that
6 the foregoing and attached Transcript of Hearing before the
7 New Mexico Oil Conservation Commission was reported by me;
8 and that the same is a true and correct record of the said
9 proceedings to the best of my knowledge, skill and ability.

10 Glenda Burks
11 Court Reporter

22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the hearing held on case no. 4515
25 held by me on 3/17/71.

Glenda Burks, Court Reporter
New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

**GOVERNOR
BRUCE KING
CHAIRMAN**

**LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER**

**STATE GEOLOGIST
A. L. PORTER, JR.**

SECRETARY - DIRECTOR

March 31, 1971

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: Case No. 4515
Order No. R-4127
Applicant:

Continental Oil 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

ALP/ir

Copy of order also sent to:

Hobbs OCC x
 Artesia OCC _____
 Aztec OCC _____

Other _____

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. 4515
Order No. R-4127

APPLICATION OF CONTINENTAL OIL
COMPANY FOR THE REINSTATEMENT OF
CANCELLED UNDERPRODUCTION, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 17, 1971,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of March, 1971, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, 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, Continental Oil Company, is the
operator of three proration units dedicated to the following-
described wells in Lea County, New Mexico:

<u>Well Name and Number</u>	<u>Location</u>	<u>Pool</u>
State KN Well No. 1	P-12-19S-36E	Eumont
State A-17 Well No. 5	G-17-19S-37E	Eumont
Meyer B-23 Wells Nos. 1, 2 and 3	23-22S-36E	Jalmat

(3) That the State KN Well No. 1, a non-marginal well,
failed to produce during the gas proration period ending Decem-
ber 31, 1970, accrued underproduction amounting to 23,298 MCF
of gas which was consequently cancelled January 1, 1971.

-2-

CASE NO. 4515

Order No. R-4127

(4) That the State A-17 Well No. 5, a non-marginal well, failed to produce during the gas proration period ending December 31, 1970, accrued underproduction amounting to 16,209 MCF of gas which was consequently cancelled January 1, 1971.

(5) That the non-marginal proration unit dedicated to the Meyer B-23 Wells Nos. 1, 2, and 3 had 29,160 MCF of gas cancelled January 1, 1971.

(6) That the applicant seeks, as an exception to Rule 14(A) of the General Rules and Regulations for the prorated gas pools of Southeastern New Mexico, the reinstatement of the above-described unproduced allowable that was cancelled.

(7) That the non-marginal 480-acre consolidated proration unit dedicated to the Meyer B-23 Wells Nos. 1, 2, and 3 was created by Commission Order No. R-4064, dated November 23, 1970.

(8) That Order (2) of said Commission Order provided that the status of said consolidated unit would be the combined status as of October 31, 1970, of the two units being consolidated.

(9) That the combined status of the two units as of October 31, 1970, was 99,405 MCF of gas underproduced subject to cancellation.

(10) That only 16,244 MCF of unproduced allowable should have been cancelled for the consolidated unit and that the 12,916 MCF of excess cancellation has been reinstated.

(11) That Rule 14(A) provides that any non-marginal well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period and that any such allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

That such unproduced allowable is to be cancelled whether or not the wells are capable of producing said allowable.

(12) That the applicant has not shown that the subject wells were unreasonably discriminated against in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells.

-3-

CASE NO. 4515
Order No. R-4127

(13) That reinstatement of said allowable as an exception to said Rule 14(A) would give to the applicant an unfair advantage over other operators in the subject pool and would, therefore, violate the correlative rights of the other operators.

(14) That the application should be denied.

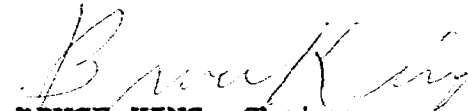
IT IS THEREFORE ORDERED:

(1) That the subject application is hereby denied.

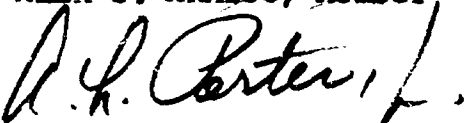
(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

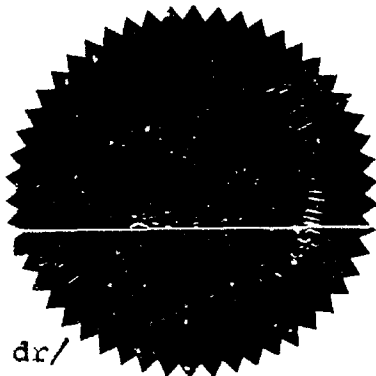
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


ALEX J. ARMIJO, Member


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



dr/

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 17, 1971

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, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for
April, 1971, from fifteen prorated pools in Lea, Eddy,
Roosevelt and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas from
nine prorated pools in San Juan, Rio Arriba and Sandoval
Counties, New Mexico, for April, 1971.

CASE 4490: (Continued from the February 3, 1971 Examiner Hearing)
Application of Texas Pacific Oil Company for an exception to
Order No. R-3221, as amended, Eddy County, New Mexico. Appli-
cant, in the above-styled, seeks an exception to Order No.
R-3221, as amended, which order prohibits the disposal of water
produced in conjunction with the production of oil on the
surface of the ground in Lea, Eddy, Chaves, and Roosevelt
Counties, New Mexico. Said exception would be for the applicant's
Wooley Federal Well No. 3 located in Section 21, Township 17
South, Range 30 East, Loco Hills-Abo Pool, Eddy County, New
Mexico.

CASE 4514: Application of Continental Oil Company for salt water disposal,
Lea County, New Mexico. Applicant, in the above-styled cause,
seeks authority to dispose of produced salt water into the
Seven Rivers formation through perforations in its Farney A-5
Well No. 5 located in Unit G, Section 5, Township 23 South,
Range 36 East, Jalmat Field, Lea County, New Mexico.

CASE 4515: Application of Continental Oil Company for the reinstatement of
cancelled underproduction, Lea County, New Mexico. Applicant,
in the above-styled cause, seeks an exception to the general
rules and regulations for prorated gas pools of Southeastern
New Mexico promulgated by Order No. R-1670, as amended, to
permit the reinstatement of underproduction accumulated by four
of its proration units and cancelled January 1, 1971, the wells
for the proration units being located as follows:

<u>WELL NAME AND NUMBER</u>	<u>LOCATION</u>	<u>POOL</u>
State KN-12 No. 1	12-19S-36E	Eumont
State A-17 No. 5	17-19S-37E	Eumont
Meyer B-23 Nos. 1, 2, and 3	23-22S-36E	Jalmat
State A-32 No. 4	32-22S-36E	Jalmat

from

V. T. LYON

March 19, 1971

To Dan Mutter - NMOC - SF

Per your request in case #4515
I list below the days the 2 Current
wells were "on the line" during the
balancing period.

State KN-12 #1

July	31.0
Aug.	30.8
Sept.	28.5
Oct.	30.5
Nov.	25.3
Dec.	28.1

State A-17 #5

July	31.0
Aug.	29.1
Sept.	23.3
Oct.	28.2
Nov.	12.3
Dec.	27.8

71 MAR 22 AM 8 29

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. 4460
Order No. R-4064

APPLICATION OF CONTINENTAL OIL COMPANY
FOR A NON-STANDARD GAS PRORATION UNIT,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:30 a.m. on November 18, 1970, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 23rd day of November, 1970, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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, Continental Oil Company, is the co-owner and operator of the Meyer B-23 Lease consisting of the N/2 and SE/4 of Section 23, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico.

(3) That the applicant has heretofore drilled and completed as Jalmat gas wells its Meyer B-23 Wells Nos. 1, 2, and 3, located in Units C, O, and E, respectively, of said Section 23.

(4) That by Order No. R-2093, dated October 13, 1961, the Commission approved a 240-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the SE/4 and E/2 NE/4 of said Section 23 to be dedicated to the aforesaid Meyer B-23 Well No. 2; that by Order No. R-2092, dated October 13, 1961, the

Commission approved a 240-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the NW/4 and W/2 NE/4 of said Section 23 to be dedicated to the aforesaid Meyer B-23 Well No. 3; and that the aforesaid Meyer B-23 Well No. 1 was shut in concurrently with the approval of said orders.

(5) That the applicant now seeks the consolidation of the two existing non-standard gas proration units to form one 480-acre non-standard gas proration unit in the Jalmat Gas Pool comprising the N/2 and SE/4 of said Section 23, to be simultaneously dedicated to the aforesaid Meyer B-23 Wells Nos. 1, 2, and 3.

(6) That the applicant further seeks authority to produce the allowable assigned to said unit from any of the aforesaid wells in any proportion.

(7) That the proposed non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid Meyer B-23 Wells Nos. 1, 2, and 3.

(8) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Jalmat Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

(9) That Orders Nos. R-2092 and R-2093 should be superseded.

IT IS THEREFORE ORDERED:

(1) That, effective November 1, 1970, a 480-acre non-standard gas proration unit in the Jalmat Gas Pool comprising the N/2 and SE/4 of Section 23, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby established and simultaneously dedicated to the Continental Oil Company Meyer B-23 Wells Nos. 1, 2, and 3, located in Units C, O, and E, respectively, of said Section 23.

(2) That the allowable assigned to the above-described non-standard gas proration unit shall be based upon the unit size of 480 acres; that the operator may produce the allowable assigned to the unit from the subject wells in any proportion; and that

-3-

CASE No. 4460
Order No. R-4064

the status of said consolidated unit shall be the combined status as of October 31, 1970, of the two units being consolidated.

(3) That Orders Nos. R-2092 and R-2093 are hereby superseded.

(4) 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

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

GBR/

RECEIVED HOBBS DIVISION	
MAR 12 '71	
Div. Manager	
Asst. Div. Mgr.	
Div. Engr.	
Div. Oil Mgr.	
Cons'v. Comm.	✓
SPS	✓

El Paso Natural Gas Company

El Paso, Texas 79909

March 10, 1971

Continental Oil Company
Post Office Box 460
Hobbs, New Mexico 88240

Attention: Mr. Stan Smith

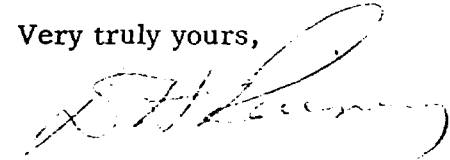
Gentlemen:

El Paso Natural Gas Company has been made aware of your application before the New Mexico Oil Conservation Commission in Case No. 4515 concerning the reinstatement of cancelled allowables to certain wells.

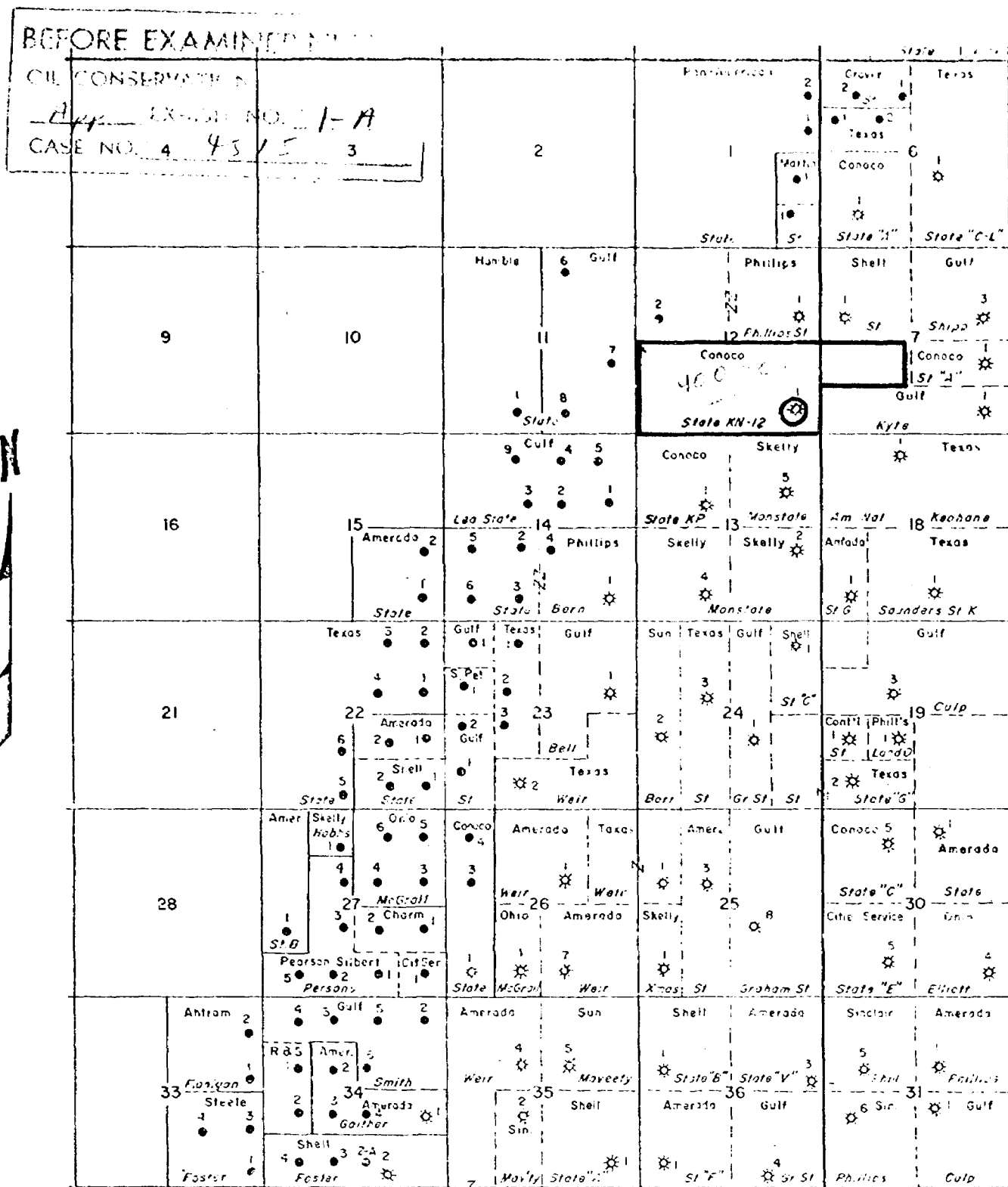
This is to advise you that the line pressure against which the Eumont wells produce was substantially reduced in December of 1970. This is to further advise you that should your application be granted, El Paso, as the purchaser of gas from these wells, will make every effort to produce the underproduction subject to the ability of the wells to produce necessary volumes over and above the current allowables.

It will be satisfactory with El Paso if you desire to offer this letter in evidence at the hearing.

Very truly yours,


D. H. RAINEY
Assistant Manager
Gas Proration Department

DHR ps



CONTINENTAL OIL COMPANY
PRODUCTION DEPARTMENT HOBBS DIVISION
LEA COUNTY, NEW MEXICO

STATE KN-12
GAS PRORATION EUMONT POOL

EXHIBIT 1-A

Scale: 1" = 4000'

ext

STATE KN - 12 NO. 1

Month	Allow.		Prod.		Over (Under)	Status	Jeop. Allow.
				<i>and delayed</i>		(50,023)	50,023
July	31,559	<i>51.0</i>	35,118	<i>1822</i>	3,559	(46,464)	46,464
August	28,545	<i>30.8</i>	34,018	<i>1104</i>	5,473	(40,991)	40,991
September	18,027	<i>28.5</i>	23,234*	<i>815</i>	5,207	(35,784)	35,784
October	24,064	<i>30.5</i>	28,963*	<i>950</i>	4,899	(30,885)	30,885
November	22,628	<i>25.3</i>	14,722*	<i>542</i>	(7,906)	(38,791)	30,885
December	28,649	<i>28.1</i>	36,236	<i>1290</i>	7,587	(31,204)	23,298

Amount Cancelled 23,298

Amount Curtailed in * Months 38,453

*Days on line for material 3/22
from the 2 you
New*

*4 - 3 years in which purchaser
was installing compressors and
reduced water while working.*

BEFORE EXAMINER NUTTER
OIL CONSERVATION CENTER
App EXHIBIT NO. *1-B*
CASE NO. *4515*

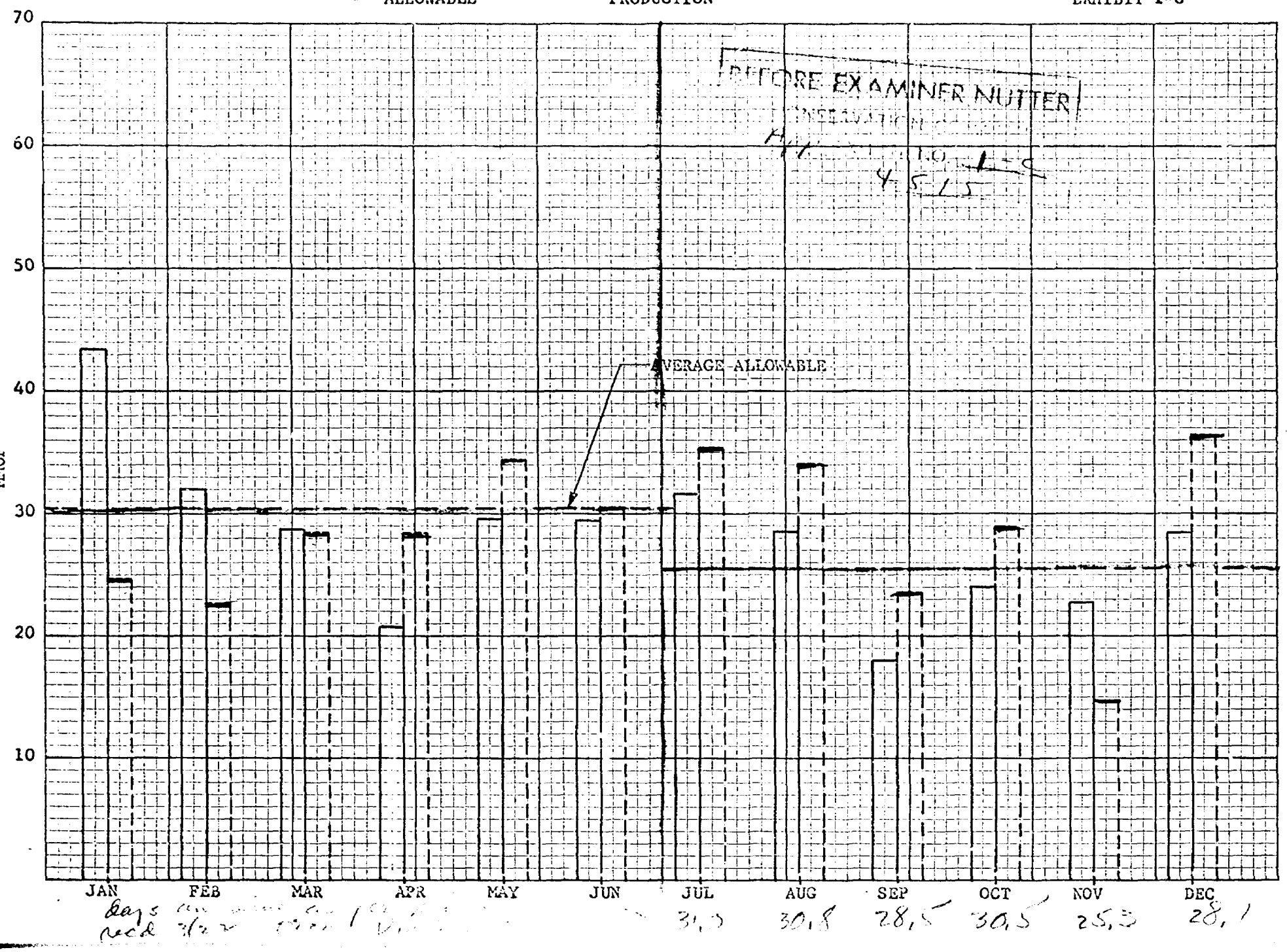
*23,298
16,000
7,900
25,667*

Exhibit 1-8



STATE KN-12 NO. 1
EXHIBIT 1-C

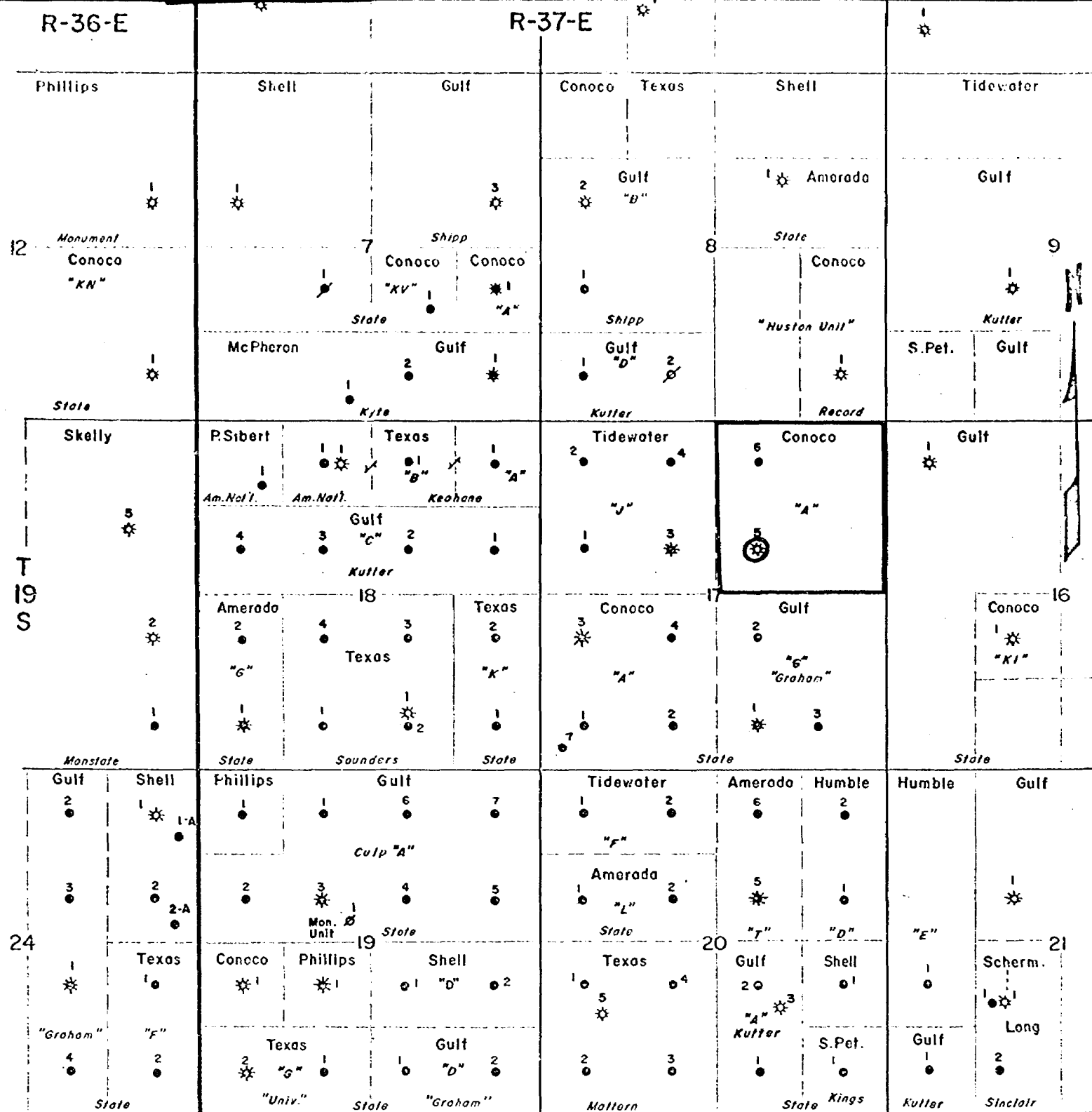
— ALLOWABLE — — — PRODUCTION



JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

Days in month 31, 28, 31, 30, 31, 30, 31, 30, 31, 30, 31

31, 28, 31, 30, 31, 30, 31, 30, 31, 30, 31



BEFORE EXAMINER NUTTER
 CONSERVATION OF
 APP. NO. 2-A
 4515
 EXHIBIT 2-A

CONTINENTAL OIL COMPANY
 PRODUCTION DEPARTMENT—HOBBS DIVISION
 LEA COUNTY, NEW MEXICO
 STATE A-17 LEASE
 EUMONT GAS POOL
 SCALE
 0 1000 2000

STATE A-17 NO. 5

<u>Month</u>	<u>Allow.</u>		<u>Prod.</u>		<u>Over (Under)</u>	<u>Status</u>	<u>Jeop. Allow.</u>
Bal pd.						(32,829)	32,829
July	12,624	31.0	16,220	520	3,596	(29,233)	29,233
August	11,418	29.1	15,022	510	3,604	(25,629)	25,629
September	7,211	25.2	9,539*	409	2,328	(23,301)	23,301
October	9,626	28.2	12,820*	455	3,194	(20,107)	20,107
November	9,051	12.3	4,321*	351	(4,730)	(24,837)	20,107
December	11,459	27.8	15,357	552	3,898	(20,939)	16,209

Amount Cancelled 16,209

Amount Curtailed During * Months 19,919

Days on line are
per note rec'd 3/22
from Vic Lopez

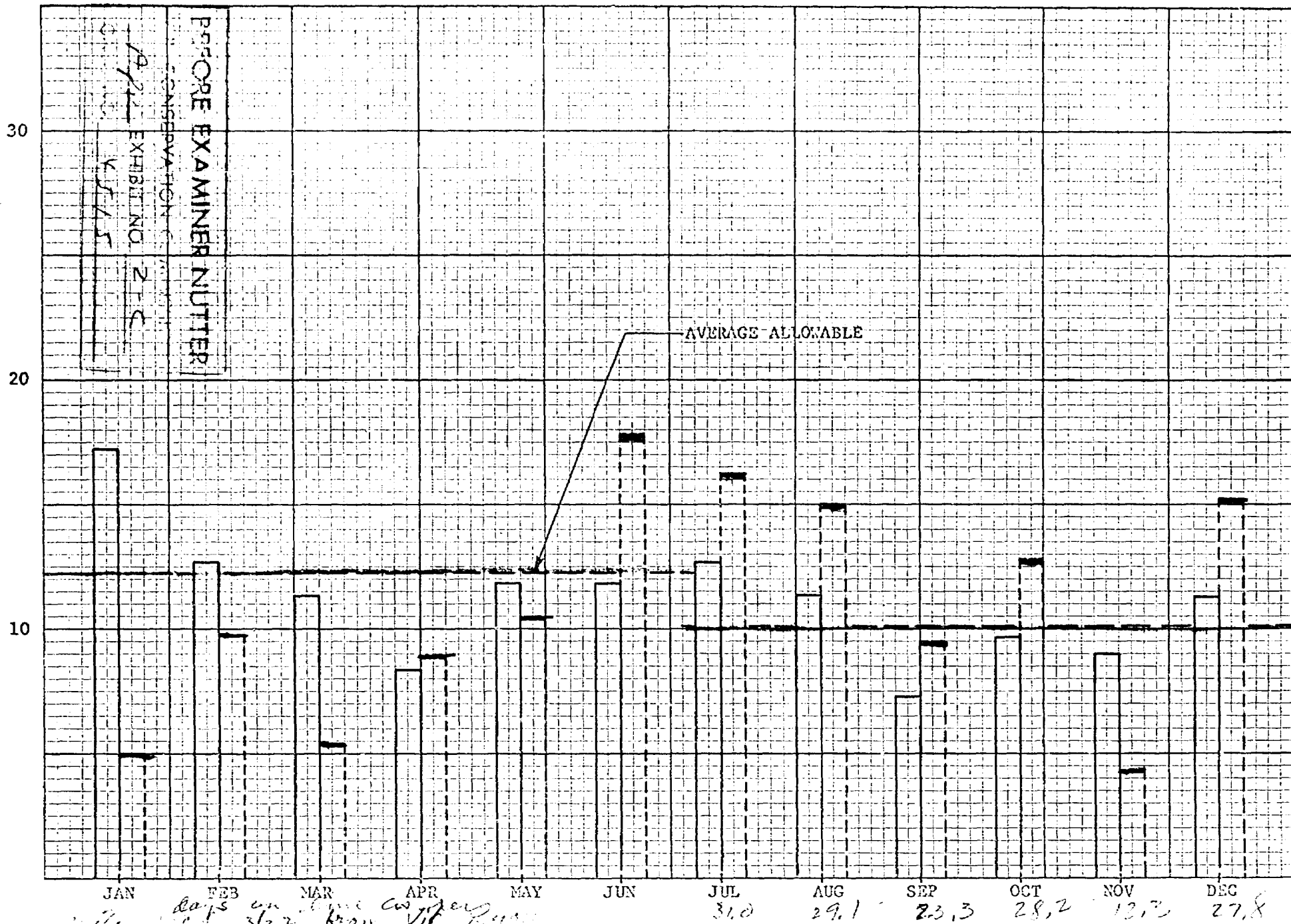
BEFORE EXAMINER NUTTER	
CIVIL CONSERVATION COMMISSION	
APP	EXHIBIT NO. 2-B
CASE NO. 4515	

Exhibit 2-B

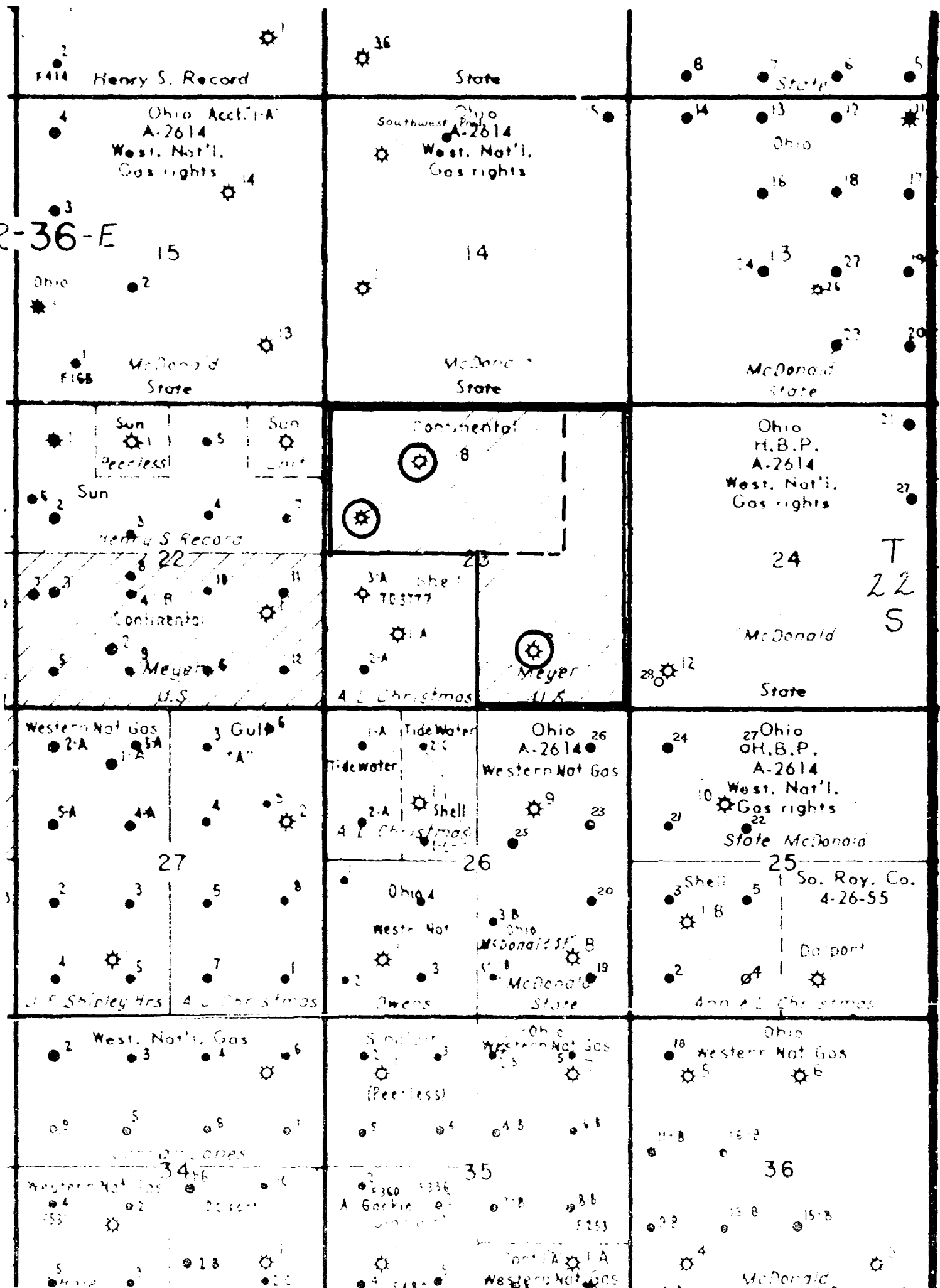


STATE A-17 NO. 5
EXHIBIT 2-C

— ALLOWABLE — — — PRODUCTION



R-36-E



BEFORE EXAMINER NUTTER

App. EXHIBIT NO. 3-A
Y-115

EXHIBIT

3-A

CONTINENTAL OIL COMPANY

PRODUCTION DEPARTMENT - HORBS & SION

RECORDED
INDEXED
FILED

MEYER B-23 LEASE
JALMAT GAS POOL

MEYER B-23 LEASE

Month	Allow.	Prod.	Over (Under)	Status	Jeop. Allow.	Alternate Jeop. Allow.
# 3						
Bal Per.				(111,673)	111,673	
July	9,800	3,931	(5,869)	(117,542)	111,673	
August	10,022	2,975	(7,047)	(124,589)	111,673	
September	3,807	4,253	446	(124,143)	111,227	
October	8,411	8,687	276	(123,867)	110,951	
November	(11,525)	(6,379)				
December	(19,325)	(4,419)				
# 2						
Bal Per.				37,439	0	
July	9,800	0	(9,800)	27,639	0	
August	10,022	0	(10,022)	17,617	0	
September	3,807	0	(3,807)	13,810	0	
October	8,411	6,147	(2,264)	11,546	0	
November	(11,525)	(30,977)				
December	(19,325)	(37,430)				
Combined						
Bal Per.				(74,234)	74,234	
July	19,600	3,931	(15,669)	(89,903)	74,234	
August	20,044	2,975	(17,069)	(106,972)	74,234	
September	7,614	4,253	(3,361)	(110,333)	74,234	
October	16,822	14,934	(1,988)	(112,321)	74,234	99,405
November	23,050	47,974	24,924	(87,397)	49,310	74,481
December	38,650	96,887	58,237	(29,160)	0	16,244
Amount Cancelled					29,160	

BEFORE EXAMINER NUTTER
 U.S. CONSERVATION COMMISSION
 APR. EXHIBIT NO. 3-8
 4515

29,160
 16,244
 12,916

Exhibit 3-B

RECEIVED	
HOBS DIVISION	
MAR 12 '71	
Div. Manager	
Asst. Div. Mgr.	
Div. Engr.	
Div. Off. Mgr.	
Cons'v. Coord.	✓
SPS	✓

El Paso Natural Gas Company

El Paso, Texas 79999

March 10, 1971

Continental Oil Company
Post Office Box 460
Hobbs, New Mexico 88240

Attention: Mr. Stan Smith

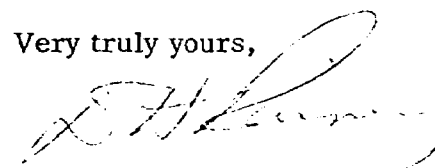
Gentlemen:

El Paso Natural Gas Company has been made aware of your application before the New Mexico Oil Conservation Commission in Case No. 4515 concerning the reinstatement of cancelled allowables to certain wells.

This is to advise you that the line pressure against which the Eumont wells produce was substantially reduced in December of 1970. This is to further advise you that should your application be granted, El Paso, as the purchaser of gas from these wells, will make every effort to produce the underproduction subject to the ability of the wells to produce necessary volumes over and above the current allowables.

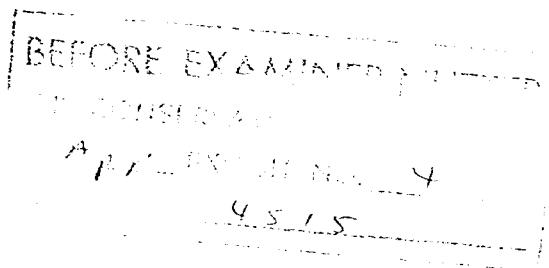
It will be satisfactory with El Paso if you desire to offer this letter in evidence at the hearing.

Very truly yours,



D. H. RAINEY
Assistant Manager
Gas Proration Department

DHR ps



94



CONTINENTAL OIL COMPANY

P. O. Box 460
HOBBS, NEW MEXICO 88240

PRODUCTION DEPARTMENT
HOBBS DIVISION
L. P. THOMPSON
Division Manager
G. C. JAMIESON
Assistant Division Manager

March 5, 1971

1001 NORTH TURNER
TELEPHONE 393-4141

Case 1-1575
[Signature]

New Mexico Oil Conservation Commission - 3
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention Mr. A. L. Porter, Jr.
Secretary Directory

Gentlemen:

Subject: Application for Restoration of Gas Allowable

Confirming our verbal request on February 24, 1971, we respectfully request that an Examiner Hearing be scheduled for March 17, 1971, to consider our request for restoration of cancelled allowable on the following wells:

<u>Well</u>	<u>Location</u>	<u>Pool</u>
State KN-12 No. 1	P-12-19-36	Eumont
State A-17 No. 5	G-17-19-37	Eumont
Meyer B-23 No. 1,2,3	23-22-36	Jalmat
State A-32 No. 4	F-32-22-36	Jalmat

Applicant feels that the cancellation of allowable was incorrect, in the case of the Meyer B-23 unit, or was the result of pipeline practices which failed to give the well an opportunity to make-up accumulated under-production.

Yours very truly,

[Signature]

VTL-RW
CC: NMFU Member Companies
RLA, JJB, JWK

DRAFT

GMH/dr
3-25-71

dv

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. 4515

Order No. R- 4127

RMH
APL
APPLICATION OF CONTINENTAL OIL COMPANY
FOR THE REINSTATEMENT OF CANCELLED
UNDERPRODUCTION, LEA COUNTY, NEW
MEXICO.
Chase

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 17, 1971,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of March, 1971, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, 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, Continental Oil Company, is the
operator of three proration units dedicated to the following-
described wells in Lea County, New Mexico:

<u>Well Name and Number</u>	<u>Location</u>	<u>Pool</u>
State KN Well No. 1	P-12-19S-36E	Eumont
State A-17 Well No. 5	G-17-19S-37E	Eumont
Meyer B-23 Wells Nos. 1, 2 and 3	23-22S-36E	Jalmat

~~(3) That each of the above-described proration units is
non-marginal.~~

~~(4) That each of the above-described proration units failed
to produce during the gas proration period ending December 31, 1970.~~

- (3) That the State KN Well No. 1, a non-marginal well, failed to produce during the gas proration period ending December 31, 1970, accrued underproduction amounting to 23,298 MCF of gas which was consequently cancelled January 1, 1971.
- (4) That the State A-17 Well No. 5, a non-marginal well, failed to produce during the gas proration period ending December 31, 1970, accrued underproduction amounting to ~~16,209~~ 16,209 MCF of gas which was consequently cancelled January 1, 1971.
- (5) That the ~~proration unit~~ non-marginal proration unit dedicated to the Meyer B-23 wells Nos. 1, 2, and 3 had 29,160 MCF of gas cancelled January 1, 1971

(under)

described unproduced allowable that was cancelled.

- (7) That the non-marginal 480-acre consolidated proration unit dedicated to the Meyer B-23 wells Nos. 1, 2, and 3 was created by Commission Order No. R-4064, dated November 23, 1970
- (8) That Order (2) of said Commission Order provided that the status of said 480-acre

(8) That Order (2) of said Commission Order provided that the status of said ~~480-acre~~ non-standard consolidated unit would be the combined status as of October 31, 1970, of the two units being consolidated.

(9) That the combined status of the two units as of October 31, 1970, was 99,405 MCF of gas underproduced subject to cancellation.

(10) That only 16,244 MCF of unproduced allowable should have been cancelled for the consolidated unit and that the 12,916 MCF of excess cancellation has been reinstated.

(11) ~~11~~ That Rule 14(A) provides that any non-marginal well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period and that any such allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

(12) ~~12~~ That such unproduced allowable is to be cancelled whether or not the wells are capable of producing said allowable.

(12) ~~13~~ That the applicant has not shown that the subject wells were unreasonably discriminated against in the price paid, the quantities purchased, the ^{basis} basis of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells.

13 14 (9) That reinstatement of said allowable ^{as} or an exception to said Rule 14(A) would give to the applicant an unfair advantage

-3-

CASE NO. ~~4504~~ 4515

Order No. R-

over other operators in the subject pool and would, therefore, violate the correlative rights of the other operators.

(14) (15) (16) That the application should be denied.

IT IS THEREFORE ORDERED:

(1) That the subject application is hereby denied.

(2) 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.

<u>LEASE</u>	<u>POOL</u>	<u>LOCATION</u>	<u>CANCELLED</u>
STATE K-12 #1	EUNONT	P-12-19-36	23298 (possible)
STATE A-17 #5	EUNONT	G-17-19-37	16209
MEYER B-23 1-23	JALMAT	23-22-36	29160
STATE A-32 #4	JALMAT	F-32-22-36	15521 (possible)