

Case Number

4775

Application

Transcripts

Small Exhibits

ETC.

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BASIC COMPARATIVE DATA
BLINEBRY POOL - 1971
OIL AREAS VS GAS AREA

	<u>OIL AREA</u>	<u>GAS AREA</u>
Blinebry gas wells	36	103
Blinebry oil wells	311	39
TOTAL WELLS	347	142
Gas acreage	2,508	14,916
Oil acreage	12,440	1,560
TOTAL ACREAGE	14,948	16,476
1971 Production		
Oil	956,314 bbls.	127,045 bbls.
Gas Liquids	24,713 bbls.	106,229 bbls.
Dry Gas	2,448,217 MCF	16,273,596 MCF
Casinghead Gas	18,084,688 MCF	2,262,004 MCF
TOTAL LIQUIDS	981,027 bbls.	233,274 bbls.
TOTAL GAS	20,572,905 MCF	18,535,600 MCF
Average daily per well	7.75 bbls. 162.4 MCF	4.50 bbls. 357.6 MCF
Average daily per 40 acre	7.19 bbls. 150.8 MCF	1.55 bbls. 123.3 MCF
BHP Average	763.5	1185.5

I. ALLOCATION UNDER VARIOUS VOLUMETRIC FORMULAE

	<u>VOL. FORM</u>	<u>AC. RATIO</u>	<u>AC-BHP RATIO</u>
Top oil allow. B/D	99	99	99
Casinghead gas allow. MCF/D	594	594	594
Oil prod. for oil areas	956,314	956,314	956,314
Gas prod. for oil areas	20,572,905	20,572,905	20,572,905
Gas allow. for gas area	22,066,955	22,675,888	35,208,094
Alloc. to Marg.	2,569,968	2,569,968	2,569,968
Alloc. to N.M. wells	19,496,987	20,105,920	32,638,126
Daily Alloc. to N.M. 160 acre well	650 MCF	670 MCF	1,087 MCF
Daily Alloc to N.M. 40 acre well	162 MCF	168 MCF	272 MCF

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION

EXHIBIT NO. 11

CASE NO. 4775

Submitted by Continental Oil Co

Hearing Date July 26, 1972

Exhibit No. 11

4775

Continental Oil Co.

Effective Date July 26, 1972

PROPOSED SPECIAL POOL RULES - BLINEBRY POOL - LEA COUNTY, NEW MEXICO

The pools heretofore designated as the Blinebry Oil Pool, Blinebry Gas Pool, and Terry Blinebry Pools are hereby re-designated the Blinebry Pool. The area of said pool shall be as shown on Exhibit A attached hereto and shall be revised from time to time in accordance with the Commission's usual procedure for pool nomenclature. The vertical limits of the Blinebry Pool shall extend from a point 75' above the "Blinebry Marker" to a point 100' above the "Tubb Marker". The Blinebry Marker shall be that point encountered at a depth of 5457' (elevation 3380, sub-sea datum -2077) and the Tubb Marker shall be that point encountered at a depth of 5921' (elevation 3380, sub-sea datum -2541) in the Humble Oil and Refining Company State "S" Well No. 20, SW/4 NW/4 Section 2, T22S, R37E, Lea County, New Mexico.

The Blinebry Pool shall be divided for proration purposes into a gas area, or gas areas, and an oil area or areas, as described on Exhibit B attached hereto and as revised from time to time by the Director according to the rules established herein for that pool.

The gas area of the Blinebry Pool shall be governed by the general rules and regulations governing prorated gas pools in southeastern New Mexico promulgated by Order No. R-1670, as amended, insofar as said general rules and regulations are not inconsistent with the special rules and regulations hereinafter set forth.

That special rules and regulations for the Blinebry Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS FOR THE BLINEBRY POOL

(A) WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 1: Any well drilled to the Blinebry formation within, or within one mile outside, the boundary of the Blinebry Pool, and not nearer to nor within the boundaries of another pool producing from the Blinebry formation shall be spaced, drilled, operated, and prorated in accordance with the rules for the Blinebry Pool as set forth herein.

RULE 2: (a) After the effective date of this order, each well drilled or recompleted in the areas designated as oil areas shall be located not closer than 330' to the outer boundary of any governmental quarter-quarter section or subdivision boundary line.

(b) After the effective date of this order, no well drilled within a designated gas area shall be located nearer than 660' to the outer boundary of its proration unit or of the quarter section and not nearer than 330' to any governmental quarter-quarter section line or subdivision line.

(c) The Secretary-Director of the Commission may grant an exception to the footage requirements of Rule 2(a) or 2(b) without notice and hearing when an application has been filed for an unorthodox location necessitated

by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application. Such unorthodox location, if approved, may necessitate an allowable adjustment.

RULE 3(a) Each oil well within the Blinebry Pool shall be located on a standard unit consisting of approximately 40 acres which shall comprise a governmental quarter-quarter section or lot.

(b) Each gas well within the Blinebry Pool shall be located on a standard proration unit consisting of approximately 160 acres which shall comprise a governmental quarter section. For purposes of these rules, a unit consisting of between 156 and 164 contiguous surface acres shall be considered a standard unit.

(c) The Secretary-Director may grant an exception to the requirements of Rule 3(b) without notice and hearing where an application has been filed in due form and where the unorthodox size and shape of the tract is due to a variation in legal subdivision of the United States Public Lands Survey or where the following facts exist and the following provisions are complied with:

1. The non-standard unit consists of contiguous quarter-quarter sections or lots.
2. The non-standard unit consists of not more than 164 acres and lies wholly within a single governmental section.
3. The entire non-standard unit may reasonably be presumed to be productive of gas from the Blinebry Pool.
4. The applicant presents written consent in the form of waivers from all offset operators, and from all operators owning interests in the quarter section in which any part of the non-standard unit is situated and which acreage is not included in the non-standard unit.
5. In lieu of Paragraph 4 of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of its intent to form such non-standard unit. The Secretary-Director may approve the application

if, after a period 30 days, no such operator has entered an objection to the formation of the non-standard unit.

6. The Secretary-Director may grant an exception to Provision 1 above if a completion, re-completion, or reclassification of a Blinebry well results in dedication of acreage to an oil well on a previously approved gas proration unit, and thereby severs acreage contained in said unit from the gas well which produced for the unit. In such event, the previously approved proration unit shall remain intact, except that the acreage dedicated to the oil well, or wells, shall be subtracted from the gas proration unit.

RULE 4(a) A gas well in the Blinebry Pool shall mean a well producing from within the vertical and horizontal limits of the Blinebry Pool which:

1. Produces liquid hydrocarbons possessing a gravity of 51° API or greater, or
2. Produces liquid hydrocarbons possessing a gravity of less the 51° API but with a producing gas-liquid ratio of 32,000 cubic feet of gas or more per barrel of liquid hydrocarbons.

(b) A well producing from within the horizontal and vertical limits of the Blinebry Pool and not classified as a gas well, as defined in Section (a) of this rule shall be classified as an oil well in the Blinebry Oil Pool.

(c) The Proration Manager, on or before November 20 of each year, shall review production data, gas-oil ratio tests and other pertinent data and reclassify a well under Rule 4 if production data, gas oil ratio tests or other evidence reflects the need for such reclassification.

The Proration Manager will notify the operator of the reclassified well of such reclassification at least 30 days before the effective date thereof: provided, however, that operator may appeal such reclassification to the Secretary-Director of the Commission in writing.

(d) In the event an oil well in the Blinebry Pool is reclassified as a gas well, the operator of such well will be afforded the opportunity to form a non-standard gas proration unit for the well; provided, however, that, until such unit is formed, such well shall be allocated a gas allowable commensurate with the acreage contained in the unit formerly dedicated to the oil well.

In the event such reclassification should cause the occurrence of two gas wells producing from the Blinebry Pool within a single proration unit, the sum total of the allowables allocated to the two wells shall be equivalent to the volume of gas allocated to a single proration unit; provided, however, that the operator of such wells shall have the option to determine the proportion of the assigned allowable to be produced by each individual well.

B. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5(a) Oil wells within areas designated as oil areas of the Blinebry Pool shall receive oil and casinghead gas allowables as provided in Statewide Rules 503, 505, and 506. The limiting gas-oil ratio for the Blinebry Pool shall be 6,000 cubic feet per barrel of oil.

(b) Gas wells within areas designated as oil areas in the Blinebry Pool shall receive a gas allowable as determined in Rule 5(a) except that the gas allowable shall be increased or decreased by the ratio that the acreage dedicated to said gas well bears to 40 acres.

(c) Oil wells located within areas designated as gas areas shall receive casinghead gas allowables equal to the gas allowables assigned a gas well having a 40 acre proration unit in the gas area.

(d) The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the Blinebry Pool.

RULE 6(a) The date of 7 a.m. January 1st shall be known as the balancing date and the period of time bounded by this date from year to year shall be known as the gas balancing period for the gas area.

(b) The allowable for the gas area of said pool shall be determined each proration period for the six-month period in accordance with the following formula:

$$V \text{ equals } Q \times \frac{(A \text{ plus } \Delta A)}{(a \text{ plus } \Delta a)} \times \frac{P_g}{P_o}$$

where:

V : The gas allowable for the gas area for the six-month period.

Q : total gas production from the oil area during the latest available six-month period, MCF.

(A plus ΔA): total acres dedicated to wells in gas area during the preceding six-month period.

(a plus Δa): total acres dedicated to wells in oil area during the preceding six-month period.

(Note: "A" and "a" represent acreage dedicated to gas wells and to oil wells respectively for the entire six-month period. ΔA and Δa represent acreage so dedicated for only a portion of the six-month period. In the event a well is completed or reclassified during a six-month period ΔA and/or Δa shall be computed as follows:

$$\Delta A \text{ equals } A \frac{(d)}{(D)} \quad \Delta a \text{ equals } a \frac{(d)}{(D)}$$

where:

ΔA or Δa : acreage to be added to gas or oil area, respectively.

A or a : acreage dedicated to the well.

d : number of days during proration period during which well was completed as gas well or as oil well and was so classified.

D : total number of days in proration period.

Po : average reservoir pressure of oil area based on most recent bottom-hole survey as provided in Special Rule 28.

Pg : average reservoir pressure of gas area based on most recent bottom-hole pressure survey as provided in Special Rule 28.

RULE 8(a) The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal wells in the pool.

RULE 8(b) Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing Form C-104 and a plat (Form C-102), whichever date is the later.
(Also see Rule 29 below.)

G. GENERAL

RULE 22. No gas, either dry gas or casinghead gas, shall be flared, vented or otherwise wasted in the Blinbry Pool at any time after ninety (90) days from the date of completion of a well in said pool.

Any operator desiring to obtain an exception to the foregoing provision of this rule shall submit to the Secretary-Director of the Commission an application for such exception accompanied by a sworn statement setting forth the facts and circumstances which justify such exception. The Secretary-Director is hereby authorized to grant such exception when the granting of such is necessary to protect correlative rights, prevent waste, or prevent undue hardship on the applicant.

The Secretary-Director shall (a) grant the exception within 15 days following receipt of the application and statement, or (b) set the application for hearing before the Commission at a regularly scheduled hearing; provided, however, that no such applicant shall incur any penalty by reason of a delay in setting the application for hearing. Public notice of the hearing on the application shall be published in the manner provided by law.

Should the Secretary-Director grant an exception to the provision of Rule 22, notification of such exception shall be distributed to the Commission's regular mailing list.

RULE 25. Any well drilled and completed in good faith prior to April 11, 1955, which well is situated within the horizontal boundaries of the Blinebry Pool as herein defined, but which produces gas from a depth interval exceeding the vertical limits of the Blinebry Pool as herein defined, is hereby validated and shall be classified as a gas well in the Blinebry Pool, provided that said well conforms to the definition of a gas well in said pool as set out in these rules, and provided that the well is classified as a gas well in the Blinebry Pool under the rules, regulations and orders in effect on April 10, 1955.

RULE 26. Acreage dedicated to a gas well in the Blinebry Pool shall not be simultaneously dedicated to an oil well in the Blinebry Pool, and the dual completion of a well so as to produce separate gas and oil allowables from the Blinebry Pool is hereby prohibited.

RULE 27. Gas-liquid ratio tests and determination of the gravity of the liquid hydrocarbon recovered from wells in the Blinebry Pool shall be conducted annually during the month of October on all wells located in and producing from the Blinebry Pool. Results of such tests will be reported to the Commission on Form C-116 on or before the 15th day of November of each calendar year.

RULE 28. Bottomhole pressure tests will be conducted annually during the month of October on all gas wells and flowing oil wells producing from within the vertical and horizontal boundaries of the Blinebry Pool. Results of such tests will be reported to the Commission on Form C-124 on or before the 25th day of November of each calendar year.

All bottomhole pressure tests, except tests on dually completed wells producing from the Blinebry Pool, will be conducted in accordance with Rule 302 of the Rules of the Commission. Shut-in period will be 48 hours, datum elevation will be 2400 feet subsea, (-2400), and base temperature will be 100° Fahrenheit.

Bottomhole pressures on dually completed wells producing gas from the Blinebry Pool may be calculated from a 72-hour shut-in pressure at the wellhead, provided that an accurate determination of the fluid level in the hole is made employing sonic or other methods of equivalent accuracy. The gravity of the fluid in the hole shall be that gravity determined by averaging the gravities of those fluids produced on official test in the Blinebry Pool during the regular annual gas-liquid ratio and gravity testing period next preceding the subject bottomhole pressure test period. The gravity to be employed in the calculation of bottomhole pressures during a particular testing period shall be determined by the Commission. All interested operators shall be duly notified of such determination by the Commission.

RULE 29. The following shall apply to all producing gas wells in the Blinebry Pool:

(A) Distillate from the Blinebry Pool may be commingled with other distillate produced by any other well or wells producing from the Blinebry or Tubb Gas Pools following its separation from the gas in the separator, provided gas-distillate test facilities are available and periodic tests are made.

If two-stage separation is used, the low-pressure gas shall be directed into a low-pressure gas gathering system, and said low-pressure gas need not be measured separately from other low-pressure gas produced on the lease, provided that certain test facilities are available and certain periodic tests made.

(B) In submitting Form C-115 (Operator's Monthly Report) on wells producing from the Blinebry zone in which distillate is commingled and/or the low-pressure gas is commingled with other low-pressure gas produced on the lease, the operator shall estimate if necessary the volume produced by each well in each pool by using the ratios as reflected in the most recent test submitted.

(C) The Secretary-Director of the Commission shall have authority to grant exception to the provisions set forth in this rule, where it can be shown that compliance with these rules is not economic or is impractical. Applications for exception shall be submitted in triplicate to the Oil Conservation Commission, P. O. Box 2088, Santa Fe, New Mexico, with a copy of each application being furnished offset operators.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

EXHIBIT "A"

Area Designated as the Blinebry Pool

TOWNSHIP 20 SOUTH, RANGE 38 EAST

SECTION 32: SE/4
33: S/2, NE/4
34: S/2, NW/4
35: S/2
36: W/2

TOWNSHIP 21 SOUTH, RANGE 36 EAST

SECTION 24: E/2
25: SE/4
36: NE/4

TOWNSHIP 21 SOUTH, RANGE 37 EAST

SECTION 1: Lots 4, 5, 9 thru 16, S/2
2: All
3: All
4: All
8: NE/4
9: All
10: All
11: All
12: All
13: All
14: All
15: All
16: All
17: All
19: All
20: All
21: All
22: All
23: All
24: All
25: N/2, SW/4
26: All
27: All
28: All
29: All
30: All
32: E/2
33: All
34: All
35: All
36: All

TOWNSHIP 22 SOUTH, RANGE 37 EAST

SECTION 1: All
2: All
3: All
4: All
5: N/2
8: N/2, SE/4
9: All
10: All
11: All
12: All
13: All
14: All
15: All
16: All
22: All
23: All
24: All
25: All
26: N/2 NE/4, SE/4 NE/4, NE/4 SE/4
36: N/2, SE/4

EXHIBIT "A"
(Continued)

TOWNSHIP 22 SOUTH, RANGE 38 EAST

SECTION 6: S/2, NW/4
7: W/2
18: W/2, W/2 SE/4
19: All
20: S/2, NW/4
29: All
30: All
31: All
32: All

TOWNSHIP 23 SOUTH, RANGE 38 EAST

SECTION 5: NW/4
6: N/2

EXHIBIT "B"

Designation of Oil and Gas Areas of Blinebry Pool

The following areas are designated as oil areas:

TOWNSHIP 20 SOUTH, RANGE 38 EAST

SECTION 32: SE/4
33: S/2, NE/4
34: S/2, NW/4
35: S/2
36: W/2

TOWNSHIP 21 SOUTH, RANGE 36 EAST

SECTION 24: E/2
25: SE/4
36: NE/4

TOWNSHIP 21 SOUTH, RANGE 37 EAST

SECTION 1: Lots 4, 5, 9 thru 16, S/2
2: A11
3: A11
4: A11
8: NE/4
9: A11
10: A11
11: A11
12: A11
13: A11
14: A11
15: A11
16: A11
19: A11
21: A11
22: N/2
23: A11
24: A11
26: A11
28: N/2
30: A11
35: N/2

TOWNSHIP 22 SOUTH, RANGE 37 EAST

SECTION 36: N/2, SE/4

TOWNSHIP 22 SOUTH, RANGE 38 EAST

SECTION 6: S/2, NW/4
7: W/2
18: W/2, W/2, SE/4
20: S/2, NW/4
29: A11
30: E/2
31: A11
32: A11

TOWNSHIP 23 SOUTH, RANGE 38 EAST

SECTION 5: NW/4
6: N/2

EXHIBIT "B"
(Continued)

The following areas are designated as the gas areas:

TOWNSHIP 21 SOUTH, RANGE 37 EAST

SECTION 17: A11
20: A11
22: S/2
25: N/2, SW/4
27: A11
28: S/2
29: A11
32: E/2
33: A11
34: A11
35: S/2
36: A11

TOWNSHIP 22 SOUTH, RANGE 37 EAST

SECTION 1: A11
2: A11
3: A11
4: A11
5: N/2
8: N/2, SE/4
9: A11
10: A11
11: A11
12: A11
13: A11
14: A11
15: A11
16: A11
22: A11
23: A11
24: A11
25: A11
26: N/2 NE/4, SE/4 NE/4, NE/4 SE/4

TOWNSHIP 22 SOUTH, RANGE 38 EAST

SECTION 19: A11
30: W/2

PRELIMINARY ESTIMATE OF INCREASED GAS ALLOWABLES IN BLINEBRY POOLS

	<u>1971*</u>	<u>Continental Proposal**</u>	<u>Gulf Proposal*</u>
Allowable (and 1971 Average Daily Production)	51,402	109,602	102,891
Ability of Wells to Produce	152,335	129,509	152,335
Number of Marginal Wells	27	127	73
Number of Non-Marginal Wells	129	17	83
	<u>156</u>	<u>144</u>	<u>156</u>

* Wells in Blinebry Gas Pool

** Oil and Gas Wells in Continental's Proposed Gas Area

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
Northern Natural Gas EXHIBIT NO. 1
CASE NO. 4775
Submitted by _____
Hearing Date 8-23-72

Northern Natural Gas
Exhibit No. 1

SPECIAL POOL RULES FOR THE BLINEBRY POOL,
LEA COUNTY, NEW MEXICO

(Gulf Oil Corporation's Counter-Proposal NMOCC Case No. 4775)

The pools heretofore designated as the Blinebry Oil Pool, Blinebry Gas Pool, and Terry Blinebry Pool are, effective as of September 1, 1972, re-designated the Blinebry Pool. The area of said pool shall be as follows:

TOWNSHIP 20 SOUTH, RANGE 38 EAST

SECTION 32: SE/4
33: S/2, NE/4
34: S/2, NW/4
35: S/2
36: W/2

TOWNSHIP 21 SOUTH, RANGE 36 EAST

SECTION 24: E/2
25: SE/4
36: NE/4

TOWNSHIP 21 SOUTH, RANGE 37 EAST

SECTION 1: Lots 4, 5, 9 thru 16, S/2
2: All
3: All
4: All
8: NE/4
9: All
10: All
11: All
12: All
13: All
14: All
15: All
16: All
17: All
19: All
20: All
21: All
22: All
23: All
24: All
25: N/2, SW/4
26: All
27: All
28: All
29: All
30: All
32: E/2
33: All
34: All
35: All
36: All

TOWNSHIP 22 SOUTH, RANGE 37 EAST

SECTION 1: All
2: All
3: All
4: All
5: N/2
8: N/2, SE/4
9: All
10: All
11: All
12: All
13: All
14: All
15: All
16: All
22: All
23: All
24: All
25: All
26: N/2 NE/4, SE/4 NE/4,
NE/4 SE/4
36: N/2, SE/4

TOWNSHIP 22 SOUTH, RANGE 38 EAST

SECTION 6: S/2, NW/4
7: W/2
18: W/2, W/2 SE/4
19: All
20: S/2, NW/4
29: All
30: All
31: All
32: All

TOWNSHIP 23 SOUTH, RANGE 38 EAST

SECTION 5: NW/4
6: N/2

The area of said pool shall be revised from time to time in accordance with the Commission's usual procedure for pool nomenclature. The vertical limits of the Blinebry Pool shall extend from a point 75' above the "Blinebry Marker" to a point 100' above the "Tubb Marker". The Blinebry Marker shall be that point encountered at a depth of 5457' (elevation 3380, sub-sea datum -2077) and the Tubb Marker shall be that point encountered at a depth of 5921' (elevation 3380, sub-sea datum -2541) in the Humble Oil and Refining Company State 'S' Well No. 20, SW/4 NW/4 Section 2, T-22-S, R-37-E, Lea County, New Mexico.

RULE 1

Any well drilled to the Blinebry formation within, or within one mile outside, the boundary of the Blinebry Pool, and not nearer to nor within the boundaries of another pool producing from the Blinebry formation shall be spaced, drilled, operated, and prorated in accordance with the rules for the Blinebry Pool as set forth herein.

RULE 2

(a) After the effective date of this order, each well drilled or recompleted as an oil well shall be located not closer than 330' to the outer boundary of any governmental quarter-quarter section or subdivision boundary line.

(b) After the effective date of this order, no well drilled as a gas well shall be located nearer than 660' to the outer boundary of its proration unit or of the quarter section and not nearer than 330' to any governmental quarter-quarter section line or subdivision line.

(c) The Secretary-Director of the Commission may grant an exception to the footage requirements of Rule 2 (a) or 2 (b) without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or, if no offset operator has entered an objection to the unorthodox location, within 20 days after the Secretary-Director has received the application. If any written objection is received, or at the direction of the Secretary-Director any such application may be set for hearing. An unorthodox location may be subject to an allowable adjustment if it is directly offsetting another producing well.

RULE 3

(a) Each oil well within the Blinebry Pool shall be located on a standard unit consisting of approximately 40 acres which shall comprise a governmental quarter-quarter section or lot.

(b) Each gas well within the Blinebry Pool shall be located on a standard proration unit consisting of approximately 160 acres which shall comprise a governmental quarter section. For purposes of these rules, a unit consisting of between 158 and 162 contiguous surface acres shall be considered a standard unit.

(c) The Secretary-Director may grant an exception to the requirements of Rule 3 (b) without notice and hearing where an application has been filed in due form and

where the unorthodox size and shape of the tract is due to a variation in legal subdivisions of the United States Public Lands Survey or where the following facts exist and the following provisions are complied with:

- (1) The non-standard unit consists of contiguous quarter-quarter sections or lots.
- (2) The non-standard unit consists of not more than 162 acres and lies wholly within a single governmental section.
- (3) The entire non-standard unit may reasonably be presumed to be productive of gas from the Blinebry Pool.
- (4) The applicant presents written consent in the form of waivers from all offset operators, and from all operators owning interests in the quarter section in which any part of the non-standard unit is situated and which acreage is not included in the non-standard unit.
- (5) In lieu of Paragraph 4 of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of its intent to form such non-standard unit. The Secretary-Director may approve the application if, after a period of 20 days, no such operator has entered an objection to the formation of the non-standard unit.
- (6) The Secretary-Director may grant an exception to Provision 1 above if a completion, re-completion, or reclassification of a Blinebry well results in dedication of acreage to an oil well on a previously approved gas proration unit, and thereby severs acreage contained in said unit from the gas well which produced for the unit. In such event, the previously approved proration unit shall remain intact, except that the acreage dedicated to the oil well, or wells, shall be subtracted from the gas proration unit.

RULE 4

(a) A gas well in the Blinebry Pool shall be a well producing from within the vertical and horizontal limits of the Blinebry Pool ~~which produces liquid hydrocarbons possessing a gravity of 51° API or greater, or produces liquid hydrocarbons possessing a gravity of less than 51° API, but~~ with a producing gas-liquid ratio of 100,000 cubic feet of gas or more per barrel of liquid hydrocarbons. Provided, however, that any well which, on the effective date hereof, was classified as a gas well in the Blinebry Gas Pool shall continue to be classified as a gas well as long as it shall continue ~~to produce liquid hydrocarbons possessing a gravity of less than 51° API and a producing gas-liquid ratio of 32,000 cubic feet of gas or more per barrel of liquid hydrocarbons.~~

(b) A well producing from within the horizontal and vertical limits of the Blinebry Pool and not classified as a gas well, as defined in Section (a) of this rule shall be classified as an oil well.

(c) The Proration Manager, on or before November 20 of each year, shall review production data, gas-oil ratio tests and other pertinent data and reclassify a well under Rule 4 if production data, gas-oil ratio tests or other evidence reflects the need for such reclassification. In such event, the Proration Manager will

notify the operator of such reclassification at least 30 days before the effective date thereof. Any operator so notified may request a hearing if he has reason and evidence to object to such reclassification and such request is filed not later than 10 days after such notification of reclassification.

(d) In the event an oil well in the Blinebry Pool is reclassified as a gas well, the operator of such well will be afforded the opportunity to form a non-standard gas proration unit for the well; provided, however, that, until such unit is formed, said well shall be allocated a gas allowable commensurate with the acreage contained in the unit formerly dedicated to the oil well. In the event such reclassification should cause the occurrence of two gas wells producing from the Blinebry Pool within a single proration unit, the sum total of the allowables allocated to the two wells shall be equivalent to the volume of gas allocated to a single proration unit; provided, however, that the operator of such wells shall have the option to determine the proportion of the assigned allowable to be produced by each individual well.

RULE 5

(a) Oil wells within the Blinebry Pool shall receive oil and casinghead gas allowables as provided in Statewide Rules 503, 505 and 506. The limiting gas-oil ratio for the Blinebry Pool shall be 3,000 cubic feet of gas per barrel of oil.

(b) A standard gas well within the Blinebry Pool shall receive a gas allowable equal to 3,000 cubic feet of gas times the number of barrels of oil allowed for a top allowable Blinebry oil well times four, it being provided that the said gas allowable shall be decreased for a non-standard unit by the ratio that the acreage dedicated to said gas well bears to 160.

(c) The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the Blinebry Pool.

RULE 6

There shall be no purchaser nominations covering gas wells in the Blinebry Pool. If for any reason any gas purchaser is unable to take the full allowable fixed for any well without waste such fact shall immediately be reported to the Secretary-Director and to the operator or operators of the well involved and the matter shall be set for a hearing to consider whether an adjustment of allowables is deemed necessary or advisable. The Commission may in addition enter any emergency order deemed appropriate.

RULE 7

No supplemental nominations from purchasers shall be entertained by the Commission.

RULE 8

Allowables to newly completed or reclassified gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (P. O. Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing Form C-104 and a plat (Form C-102), whichever date is the later.

RULE 9

(a) and (b) [No change from General Pool Rule No. 9 defining "Acreage Factor" and providing for increased allowables under certain circumstances.]

RULE 10

(a) [No change from General Pool Rule No. 10, providing that a marginal well shall be assigned an allowable equal to its maximum production.]

(b) There shall be no reallocation of unproduced allowables among the non-marginal gas wells in the Blinebry Pool.

RULE 11

Minimum allowables for gas wells in the Blinebry Pool need not be assigned.

RULE 12

The production of intermediate or low pressure gas derived from the staging of the well fluids need not be charged against the well's gas allowable, provided that the said intermediate or low pressure gas is utilized in accordance with the provisions of Rule 26 below.

RULE 13

The date of 7:00 a. m. January 1 of each year shall be known as the balancing date and the period of time bounded by this date from year to year shall be known as the balancing period or the gas proration period for gas wells in the Blinebry Pool. There shall be no balancing of production of oil wells in the Blinebry Pool other than the daily and monthly tolerances provided in Statewide Rule 502.

RULE 14

(a) and (b) [No change from the General Rules and Regulations for the Prorated Gas Pools of Southeastern New Mexico which provide for carrying forward of underproduction.]

RULE 15

(a), (b), (c) and (d) [No change from the General Rules regarding overproduction.]

RULE 16

(a) and (b) [No change from the General Rules regarding classification of wells as marginal or non-marginal.]

RULE 17

[No change from the General Rules which provide that marginal wells shall not be permitted to accumulate underproduction.]

RULE 18

[No change from the General Rules regarding reclassification of non-marginal wells.]

RULE 19

[No change from the General Rules providing that a reworked or recompleted well may be reclassified under certain circumstances.]

RULE 20

[No change from the General Rules which provides that any well not classified as a marginal well shall automatically be classified as a non-marginal well.

RULE 21

(a), (b), (c) and (d) [No change from the General Rules requiring the reporting of production.]

RULE 22

No gas, either dry gas or casinghead gas, shall be flared, vented or otherwise wasted in the Blinebry Pool at any time after 90 days from the date of completion of a well in said pool. Any operator desiring to obtain an exception to this rule shall submit to the Secretary-Director of the Commission an application for such exception containing a sworn statement setting forth the facts and circumstances which justify such exception. The Secretary-Director is hereby authorized to grant an administrative exception when the granting of such is necessary to protect correlative rights, prevent waste, or prevent undue hardship on the applicant or he may, at his discretion, set the application for a regularly scheduled examiner hearing.

RULE 23

[No change from the General Rules providing for cancellation of allowables for failure to comply with rules.]

RULE 24

[No change from the General Rules or policy statement requiring gas transporters or users to file connection notices promptly.

RULE 25

Acreage dedicated to a gas well in the Blinebry Pool shall not be simultaneously dedicated to an oil well in the Blinebry Pool, and the dual completion of a well so as to produce separate gas and oil allowables from the Blinebry Pool is hereby prohibited.

RULE 26

(a) Distillate from any gas well in the Blinebry Pool may be commingled with other distillate produced by any other gas well or gas wells producing from the Blinebry Pool or Tubb Gas Pool following its separation from the gas in a separator, provided gas-distillate test facilities are available and the required tests are made in accordance with Statewide Rule 309 (B) (2).

If two-stage separation is used, the low-pressure gas shall be directed into a low-pressure gas gathering system, and said low-pressure gas need not be measured separately from other low-pressure gas produced on the lease, provided that certain test facilities are available and certain periodic tests made.

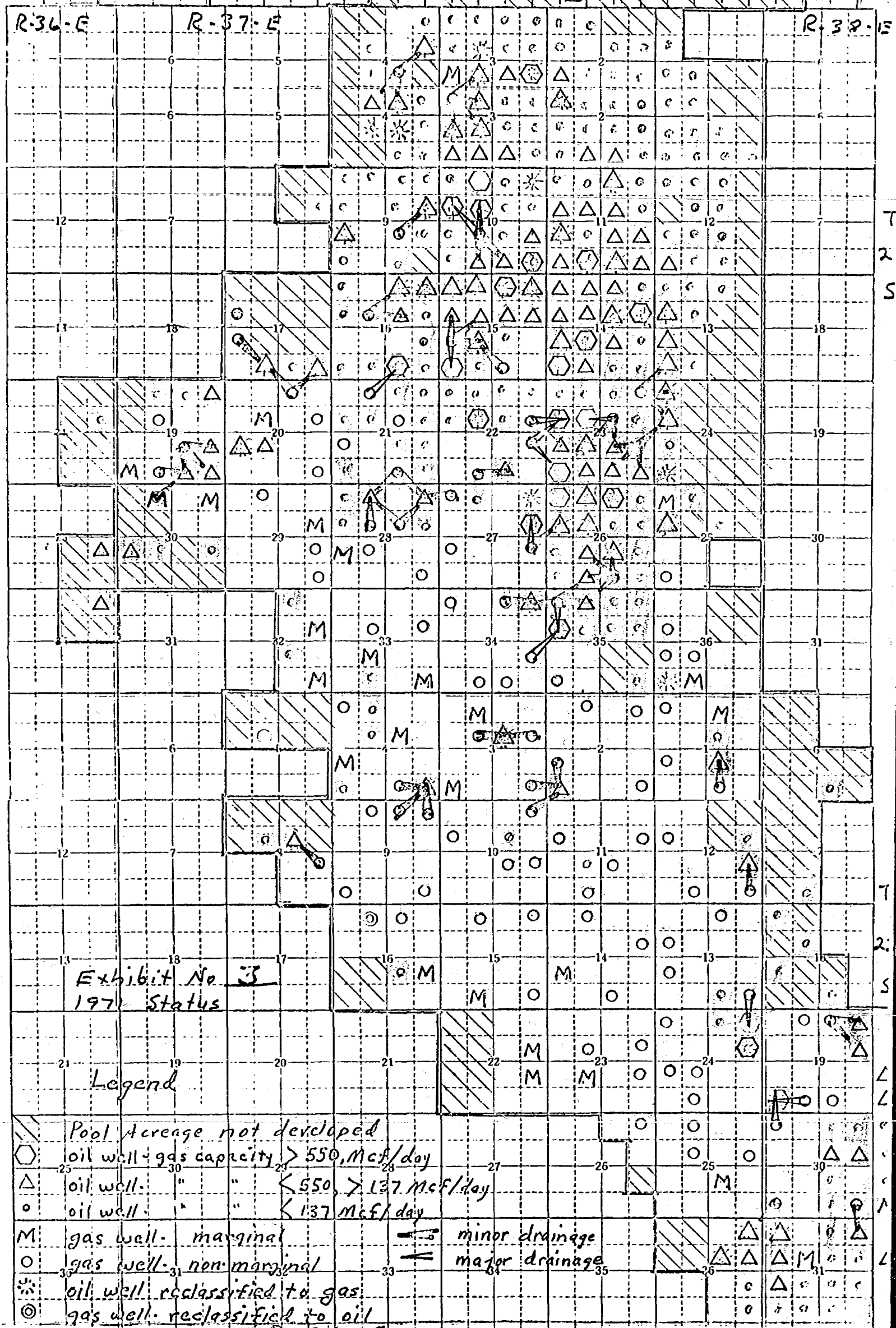
(b) In submitting Form C-115 (Operator's Monthly Report) on wells producing from the Blinebry zone in which distillate is commingled and/or the low-pressure gas is commingled with other low-pressure gas produced on the lease, the operator shall estimate if necessary the volume produced by each well in each pool by using the ratios as reflected in the most recent test submitted.

(c) The Secretary-Director of the Commission shall have authority to grant exception to the provisions set forth in this rule, where it can be shown that compliance with these rules is not economic or is impractical. Applications for exception shall be submitted in triplicate to the Oil Conservation Commission, P. O. Box 2088, Santa Fe, New Mexico, with a copy of each application being furnished offset operators.

BASIC COMPARATIVE DATA

BLINEBRY OIL, TERRY-BLINEBRY AND BLINEBRY GAS POOLS

	<u>BLINEBRY OIL</u>	<u>TERRY-BLINEBRY</u>	<u>COMBINED</u>	<u>BLINEBRY GAS</u>
WELLS	249	101	350	139
ACREAGE	9,960	4,040	14,000	17,424
<u>PRODUCTION - 1971</u>				
Oil-Bbls.	831,295	227,359	1,058,654	130,943
Gas-MCF	16,262,627	4,084,065	20,346,692	18,761,813
GOR	19,563	17,963	19,219	143,282
Daily BOPD/well	9.15	6.17	8.29	2.58
MCFGD/well	178.9	110.8	159.3	369.8
Daily BOPD/Ac.	0.23	0.15	0.21	0.021
MCFGD/Ac.	4.47	2.77	3.98	2.95
Daily Top Allowable/40 Ac.				
Oil	99	99	99	-
Gas	594	594	594	126
<u>Well Status</u>				
Top Allowable	0	0	0	105
Penalized	22	2	24	0
Intermediate	83	27	110	0
BHP Average	960.5	607.4	789.8	1150.7
Number Wells	31	29	60	18
<u>1971 THEORETICAL TOP ALLOWABLE</u>				
Oil-Bbls.	8,997,615	3,649,635	12,647,250	-
Gas-MCF	53,985,690	21,897,810	75,883,500	20,033,390
<u>% OF TOP ALLOWABLE PRODUCED</u>				
Oil	9.2	6.2	8.4	-
Gas	30.1	18.7	26.8	93.7



1971 Inequities

-31 -36 31 32 33 34 35 36

R-37-E

R-38-E

R-36-E

R-37-E

R-38-E

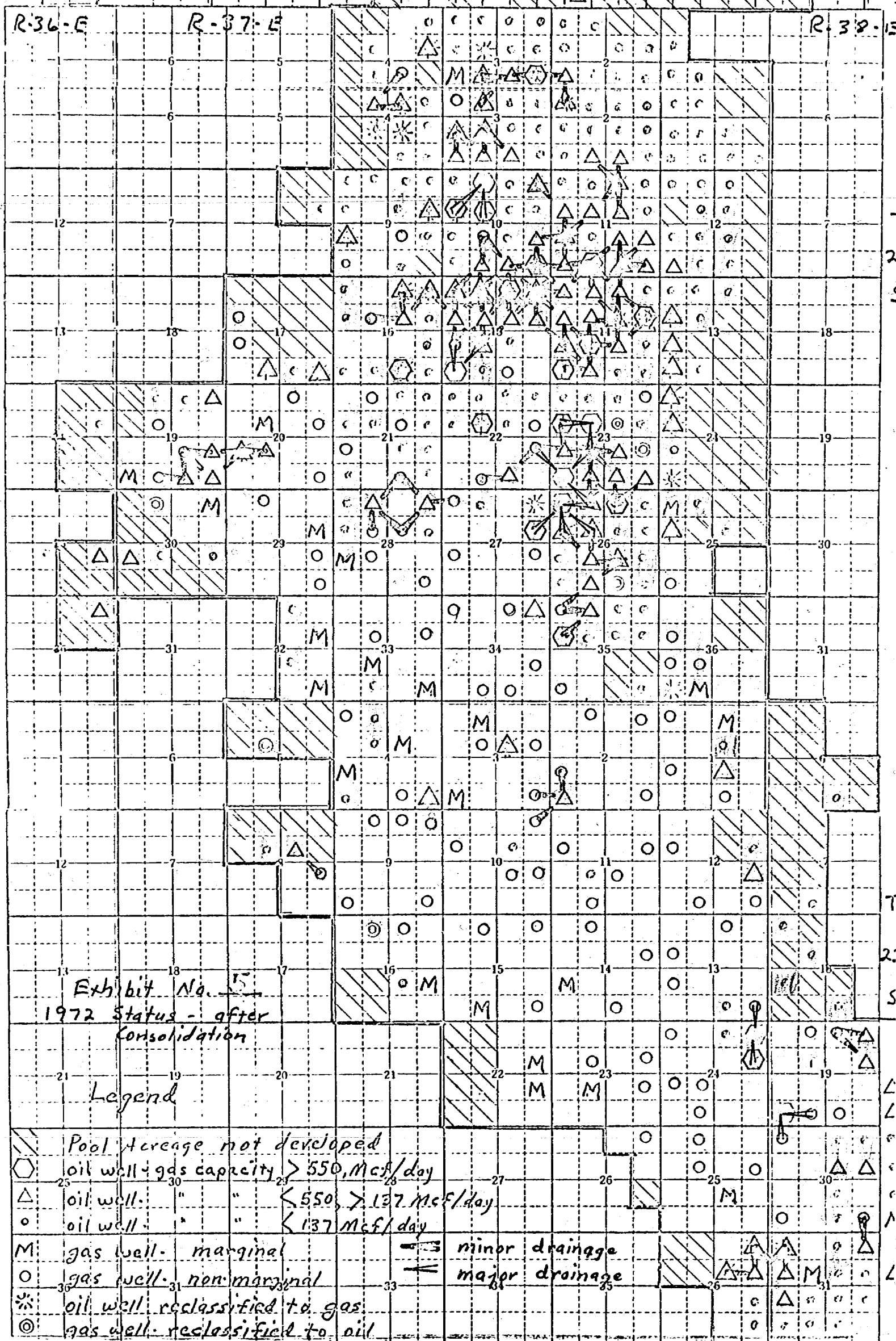
T
21
S

T
22
S

Exhibit No 4

45 Cases
(3.3) Average Severity

	6	5	4	3	2	1	6
	6	5	4	6	3	2	6
12	7	8	9	10	11	12	7
			1	9			
13	18	17	16	15	14	13	18
		1		9	1		
21	19	20	21	22	23	24	19
	5			5	7		
	2		2	2		6	
			2	2			
25	30	29	28	27	26	25	30
			2	5			
					6		
36	31	32	33	34	35	36	31
				2			
	6	5	4	2	2	2	6
			2	2			
			1	2	1		
12	7	8	9	10	11	12	7
		1					
						2	
13	18	17	16	15	14	13	18
							4
21	19	20	21	22	23	24	19
							3
							4
							4
25	30	29	28	27	26	25	30
							3
							2
36	31	32	33	34	35	36	31



1972 Inequities											
R37-E		R38-E		R39-E		R40-E		R41-E		R42-E	
6	5	4	3	2	1	6	5	4	3	2	1
6	5	4	3	2	1	6	5	4	3	2	1
12	7	8	9	10	11	12	7	8	9	10	11
13	18	17	16	15	14	13	18	17	16	15	14
24	19	20	21	22	23	24	19	20	21	22	23
25	30	29	28	27	26	25	30	29	28	27	26
36	31	32	33	34	35	36	31	32	33	34	35
6	5	4	3	2	1	6	5	4	3	2	1
12	7	8	9	10	11	12	7	8	9	10	11
13	18	17	16	15	14	13	18	17	16	15	14
24	19	20	21	22	23	24	19	20	21	22	23
25	30	29	28	27	26	25	30	29	28	27	26
36	31	32	33	34	35	36	31	32	33	34	35
6	5	4	3	2	1	6	5	4	3	2	1
12	7	8	9	10	11	12	7	8	9	10	11
13	18	17	16	15	14	13	18	17	16	15	14
24	19	20	21	22	23	24	19	20	21	22	23
25	30	29	28	27	26	25	30	29	28	27	26
36	31	32	33	34	35	36	31	32	33	34	35
6	5	4	3	2	1	6	5	4	3	2	1
12	7	8	9	10	11	12	7	8	9	10	11
13	18	17	16	15	14	13	18	17	16	15	14
24	19	20	21	22	23	24	19	20	21	22	23
25	30	29	28	27	26	25	30	29	28	27	26
36	31	32	33	34	35	36	31	32	33	34	35
6	5	4	3	2	1	6	5	4	3	2	1
12	7	8	9	10	11	12	7	8	9	10	11
13	18	17	16	15	14	13	18	17	16	15	14
24	19	20	21	22	23	24	19	20	21	22	23
25	30	29	28	27	26	25	30	29	28	27	26
36	31	32	33	34	35	36	31	32	33	34	35
6	5	4	3	2	1	6	5	4	3	2	1
12	7	8	9	10	11	12	7	8	9	10	11
13	18	17	16	15	14	13	18	17	16	15	14
24	19	20	21	22	23	24	19	20	21	22	23
25	30	29	28	27	26	25	30	29	28	27	26
36	31	32	33	34	35	36	31	32	33	34	35
6	5	4	3	2	1	6	5	4	3	2	1
12	7	8	9	10	11	12	7	8	9	10	11
13	18	17	16	15	14	13	18	17	16	15	14
24	19	20	21	22	23	24	19	20	21	22	23
25	30	29	28	27	26	25	30	29	28	27	26
36	31	32	33	34	35	36	31	32	33	34	35
6	5	4	3	2	1	6	5	4	3	2	1
12	7	8	9	10	11	12	7	8	9	10	

Exhibit No 6

T
22
S

Curtailment 1971 to 1972 when pools consolidated

R-37-E

R-38-E

R-36-E

R-37-E

R-38-E

T
21
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T
22
S

46 minor curtailments
16 major curtailments

Exhibit No 7

R-36-E

R-37-E

R-38-E

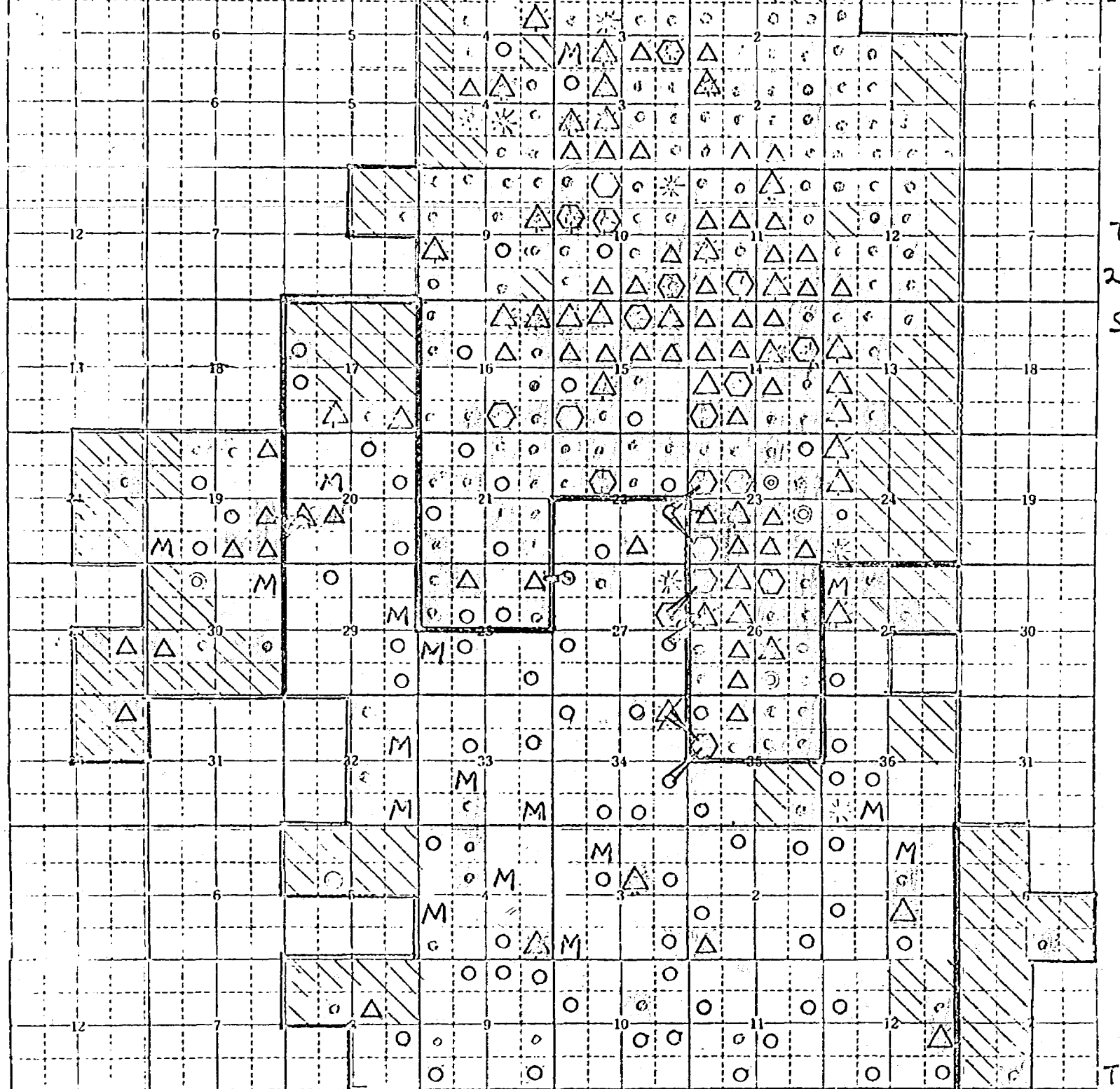


Exhibit No. 8

Legend

- Pool acreage not developed
- oil well - gas capacity > 550 Mcf/day
- oil well - " " $< 550, > 137$ Mcf/day
- oil well - " " < 137 Mcf/day
- gas well - marginal
- gas well - non-marginal
- oil well reclassified to gas
- gas well reclassified to oil

Inequities under proposed rules

-31-

-36-

-31-

-32-

-33-

-34-

-35-

-36-

R-37-E

R-38-E

R-36-E

R-37-E

R-38-E

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9 cases
2.67 average severity

25

30

29

28

27

26

25

30

Exhibit No 2

3

36

31

32

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34

35

36

31

Curtailment 1971 to 1972 under proposed system

R-37-IE

R-38-E

R-36-E

R-37-IE

R-38-E

T
21
S

T
22
S

13 minor curtailments
4 major curtailments

Exhibit No. 10

BASIC COMPARATIVE DATA
BLINEBRY POOL - 1971
OIL AREAS VS GAS AREA

	<u>OIL AREA</u>	<u>GAS AREA</u>
Blinebry gas wells	36	103
Blinebry oil wells	311	39
TOTAL WELLS	347	142
Gas acreage	2,508	14,916
Oil acreage	12,440	1,560
TOTAL ACREAGE	14,948	16,476
1971 Production :		
Oil	956,314 bbls.	127,045 bbls.
Gas Liquids	24,713 bbls.	106,229 bbls.
Dry Gas	2,448,217 MCF	16,273,596 MCF
Casinghead Gas	18,084,688 MCF	2,262,004 MCF
TOTAL LIQUIDS	981,027 bbls.	233,274 bbls.
TOTAL GAS	20,572,905 MCF	18,535,600 MCF
Average daily per well	7.75 bbls. 162.4 MCF	4.50 bbls. 357.6 MCF
Average daily per 40 acre	7.19 bbls. 150.8 MCF	1.55 bbls. 123.3 MCF
BHP Average	763.5	1185.5

I. ALLOCATION UNDER VARIOUS VOLUMETRIC FORMULAE

	<u>VOL. FORM</u>	<u>AC. RATIO</u>	<u>AC-BHP RATIO</u>
Top oil allow. B/D	99	99	99
Casinghead gas allow. MCF/D	594	594	594
Oil prod. for oil areas	956,314	956,314	956,314
Gas prod. for oil areas	20,572,905	20,572,905	20,572,905
Gas allow. for gas area	22,066,955	22,675,888	35,208,094
Alloc. to Marg.	2,569,968	2,569,968	2,569,968
Alloc. to N.M. wells	19,496,987	20,105,920	32,638,126
Daily Alloc. to N.M. 160 acre well	650 MCF	670 MCF	1,087 MCF
Daily Alloc to N.M. 40 acre well	162 MCF	168 MCF	272 MCF

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
APP. BY	BIT NO. 11
CASE NO.	4775
Submitted by	
Hearing Date	7-26-72

**BLINERY POOL
EVALUATION OF PRORATION CHANGES - BY OPERATOR**

20 MCF = 1 bbl

OPERATOR	WELLS	CHANGE 1971 TO CURRENT				CHANGE CURRENT TO PROPOSED				BBLs. PLUS EQUIV. BBLs.	POSSIBLE FROM PROD. WELLS		TOTAL POSSIBLE BENEFIT - BBLs.
		OIL	GAS	POTENTIAL OIL	GAS	OIL	GAS	(DOUBTFUL)					
Acoma	2												
Amerada Hess	11									50,151			50,151
Amer. Petr./Texas	1												
Amoco	19			(2,625)	(85,161)	(1,401)	1,565,775	164,250		68,675	6,883		75,558
Antwell	2						512,460	479,610		1,642			1,642
Atlantic-Rich.	20	(1,230)	(26,901)				1,040,703	411,078		31,481			31,481
Aztec	8	(621)	(127,977)	(3,574)	(123,868)	621	127,977			7,020	9,767		16,787
Campbell-Hedrick	3						632,280	565,020		3,363			3,363
Cities Service	7												
Cone	4	(4,975)	(145,750)			2,975	145,750			10,262			10,262
Conoco	87	(12,520)	(749,257)	(15,451)	(857,594)	6,785	2,372,125	515,745		99,604	58,331		157,935
Crown Central	1												
Depco	1												
Eliffott	8												
Fundamental	1												
Gatty	20	(19,539)	(880,999)	(6,907)	(290,634)	12,652	658,583			45,581	21,438		67,019
Gulf	89			(5,557)	(195,002)	(1,254)	5,964,830	1,703,009		211,837	15,307		227,144
Hanson	6					(7,034)	(117,530)			(12,910)			(12,910)
Harper	2												
Hendrix	2					(10,855)	112,233			(5,243)			(5,243)
Humble	20					(1,658)	1,987,868	285,065		83,482			83,482
Hunt	5						512,460	189,435		3,230			3,230
Imperial-American	4												
Mabee	1												
Marathon	12			(4,364)	(165,060)	(2,956)	1,946,100	354,780		12,957	12,617		25,574
Mobil	15						1,556,360	470,485		54,294			54,294
Moran OPL	4												
E. F. Moran	1	(1,018)	(170,820)			1,018	170,820			9,559			9,559
R. M. Moran	1												
Peery	3						106,580			5,329			5,329
Penrose	4						159,870			7,994			7,994
Phillips	3						319,740			15,987			15,987
Samedan	2						426,320			21,316			21,316
Shell	52			(18,091)	(935,181)		1,611,110	443,375		58,382	64,850		123,232
Skelly	3						479,610			23,980			23,980
Sohio	3						426,320	15,695		20,531			20,531
Summit Energy	10	(1,028)	(77,103)	(626)	(179,938)		343,552			17,178	9,623		26,801
Sun	10	(1,734)	(78,840)			1,734	401,833			21,826			21,826

*(wells which are classified as
you make but may
go back to oil)*

**BLINEBRY POOL
EVALUATION OF PRORATION CHANGES - BY OPERATOR**

OPERATOR	WELLS	CHANGE 1971 TO CURRENT				CHANGE CURRENT TO PROPOSED			BBLs. PLUS EQUIV. BBLs.	POSSIBLE FROM PROB. WELLS	TOTAL POSSIBLE BENEFIT - BBLs
		OIL	GAS	POTENTIAL OIL	POTENTIAL GAS	OIL	GAS	(DOUBTFUL)			
Tenneco	3										
Texas	30	(220)	(18,504)				338,244		16,912		16,912
Texas Pacific	15	(2,340)	(112,811)	(710)	(27,229)	2,340	2,191,121	378,140	92,989	2,071	95,060
Union Texas	1						213,160		10,658		10,658
Wiser	1						53,290	5,110	2,409		2,409
Total Pool	497	(43,225)	(2,388,962)	(47,905)	(2,859,667)	2,967	27,262,564	5,980,897	990,476	200,887	1,191,363

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1216 FIRST NATIONAL BANK BLDG. EAST, ALBUQUERQUE, NEW MEXICO 87108

EXAMINER HEARING

Case No. 4775

TRANSCRIPT OF HEARING

P R O C E E D I N G S

MR. NUTTER: The hearing will come to order, please. At this time we will resume the hearing of Case Number 4775 which was originally commenced on July 26, 1972 and continued to today. At the original hearing in the case appearances were made.

MR. HATCH: Case 4775, Application of Continental Oil Company for amendment of special pool rules, Lea County, New Mexico.

MR. NUTTER: At the original hearing of this case appearances were made by Jason Kellahin for applicant, Continental Oil Company, Gulf Oil Corporation, Warren Petroleum Corporation, Northern Natural Gas, Texaco, John Hendricks, Hunt Oil Company, Texas Pacific, Mobil, El Paso Natural, Sun Oil Company and I believe that's all.

Are there any further appearances to be made at this time?

MR. LOPEZ: Mr. Examiner, Mr. Buell will be here on behalf of Shell Oil Company to make a statement at the end of the hearing, I believe.

MR. NUTTER: I think you did make an appearance for Marathon the last time, too.

MR. LOPEZ: That's right.

MR. NUTTER: Are there any other appearances?

Then we will proceed.

dearnley, meier & mc cormick

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1 MR. KASTLER: Mr. Examiner, Bill Kastler appearing
2 on behalf of Gulf Oil Corporation and Warren Petroleum Company.
3 We have two witnesses we would like to present, namely Mr.
4 Ralph Viney and Mr. C. L. Robertson.

5 (Whereupon, Mr. Ralph Viney was called to the
6 stand and sworn.)
7

8 MR. RALPH VINEY

9 having been first duly sworn according to law, upon his oath,
10 testified as follows:

11 DIRECT EXAMINATION

12 BY MR. BILL KASTLER:

13 Q Please state your name and address.

14 A My name is Ralph Viney, Viney and Associates, Midland.
15 We are engineering consultants primarily in the oil and
16 gas industry.

17 Q Have you previously qualified as an expert witness
18 petroleum engineer in appearances before the New Mexico
19 Oil Conservation Commission?

20 A Yes, sir.

21 MR. KASTLER: Mr. Examiner, are the witness's
22 qualifications admitted?

23 THE EXAMINER: Yes, they are.

24 Q (By Mr. Kastler) Mr. Viney, have you recently conducted
25 engineering studies of various oil pools in southeastern

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1 New Mexico?

2 A Yes, sir.

3 Q Where and on whose behalf?

4 A Warren retained us to do a study of some 40 plus pools in
5 southeast Lea County for the purpose of making a complete
6 survey of gas availability and reserves.

7 Q Did you form a general overall conclusion as to that study?

8 A Yes, sir. One predominant aspect shows up, namely a very
9 severe decline starting in most pools in this part of the
10 county.

11 Q Was the Blinebry oil pool as being consolidated now
12 included in your study?

13 A Yes, sir.

14 Q In your opinion would the adjustment of the consolidated
15 Blinebry pool rules have any affect on the economic lives
16 of Warren's gas processing plants?

17 A Yes, sir, not only on Warren's but on other gas processors
18 in the immediate area.

19 Q Might the outcome of these rules in turn have another
20 further affect on whether other pool rules should be
21 revised in New Mexico?

22 A Very possibly this could be beneficial.

23 Q Or detrimental?

24 A At this stage of depletion on most of those pools I say
25 that the application would probably be beneficial.

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1 Q According to your recent study, would you say that com-
2 bined Blinebry Pool has reached an advanced stage of
3 depletion?

4 A No, sir. I don't say advanced. I say it is middle to
5 late. If we use the pressures that have been reported,
6 55 to 60 per cent pressure depleted.

7 Q Does the fact that many of the wells are producing low
8 volumes of oil indicate to you an advanced state of
9 depletion?

10 A Not necessarily. Good wells in early ~~completion~~ ^{depletion} in poor
11 formations have low volumes. I don't think this is a
12 necessary correlation.

13 Q I take it you would not do away with the prorations or ?
14 abandon oil acceleration?

15 A No. I would not place favor over gas towards oil or oil
16 over gas. In New Mexico Oil Commission's Order Number
17 R-610 on April 11, 1955 the Commission made a finding of
18 fact in connection with the Blinebry which states:
19 "Number 8. That production of oil from the Blinebry oil
20 pool is a salvage operation and should be administered as
21 such."

22 Q Do you subscribe to this finding of fact?

23 A Mr. Kastler, I can't subscribe to that fact until you can
24 define for me what they meant by salvage.

25 Q Perhaps if I ask a question or two I might make it clear.

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1 Would you concede that from its very creation the
2 Oil Commission has been charged with a duty of preventing
3 waste?

4 A Yes.

5 Q Would you also agree that the statutory definition of
6 protection of correlative rights expressly includes the
7 conservation of reservoir energy?

8 A Yes, sir. This has been spelled out.

9 Q Can you accept then that what the Commission apparently
10 meant by salvage operation had to be in the legal context
11 that if not administered properly the production of
12 Blinebry oil would not be safe but wasted?

13 A Under this context, I would have to agree with the order.

14 Q In other words you believe, do you, that the Commission
15 intended to justify--you don't believe that the Commission
16 intended to justify writing off the Blinebry oil produc-
17 tion as being depleted or hopeless or beyond further
18 recovery?

19 A I don't think that that was their intent, no, sir.

20 Q Do you calculate that the salvage or the need to exercise
21 administrative control over the Blinebry still exists
22 today?

23 A Administrative control exists in every oil pool today or
24 anywhere else and so that I think yes, sir, we need
25 continued policing and enforcement and proration.

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1 Q Would you be satisfied with the present Blinebry pool
2 rules as they are being extended to the consolidated
3 Blinebry oil pool?

4 A No, sir, I would not.

5 Q You are aware of the special Blinebry pool rule which
6 allows a gas well to be classified when its ratio becomes
7 32,000 to 1?

8 A Yes, sir.

9 Q Would you recommend a continuation of this rule?

10 A No, sir. I would recommend the adoption of the 100,000 to
11 1 state-wide rule with the allowables to be established
12 for both gas and oil proration units on the basis of the
13 current 107 barrels of oil per day times 3,000 to 1.

14 MR. KELLAHIN: If the Examiner please, I want to
15 interpose an objection to this line of testimony and ask that
16 the questions and answers be stricken for the reason that this
17 is going beyond the call of the hearing in this particular case.
18 There is no call issued by the Commission nor did the adverti-
19 sing cover the adoption of gas-oil ratios or the adoption of
20 ratios to determine gas wells and oil wells as is being
21 proposed by the witness here.

22 MR. KASTLER: Mr. Examiner, it is my opinion that the
23 call of the hearing opens up the question of what special rules
24 are needed in the extended Blinebry or consolidated Blinebry
25 oil pools.

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1 MR. HATCH: I think under the call here that it
2 should be permitted.

3 THE EXAMINER: I think, Mr. Kellahin, that we will
4 overrule your objection because we have advertised the case
5 for the amendment of the special pool rules for the pool and
6 I think that since Gulf's proposed pool rules here involve--he
7 has started to testify as to a different GOR limit than we
8 presently have. I think this is certainly within the scope of
9 the pool rules. If Gulf insisted on going ahead with their
10 proposal they would simply file an application and we would
11 have to revise the case. I think it will be heard one way or
12 another. I think in the interest of expeditious handling of
13 the matter we should go ahead and hear what they have to offer
14 today.

15 MR. KELLAHIN: If the Examiner please, of course you
16 have ruled on it in the record but I would like to point out
17 that the advertising in this case is for the amendment of the
18 special pool rules and regulations to provide for specific
19 matters and to provide for annual bottom hole pressure gas-oil
20 ratio and gas liquid tests in the pool with designation of oil
21 areas and gas areas and other matters as stated in the applica-
22 tion and it certainly does not extend to open up the pool--
23 entire matter of the pool rules to permit presentation of
24 testimony on any matter covered by the rule. We restate our
25 objection.

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1 MR. KASTLER: Is the objection overruled?

2 THE EXAMINER: Yes, sir.

3 Q (By Mr. Kastler) Would you agree to the wisdom of a
4 grandfather clause with respect to a proposal to extend
5 this gas-oil ratio test beyond 32,000 to 1 and to 100,000
6 to 1?

7 A I think under the circumstances the proprietary rights
8 heretofore granted have to be protected and recognized,
9 yes, sir.

10 Q Are you familiar with Mr. Victor Lyon's testimony on behalf
11 of Continental Oil Company in this case?

12 A Yes, sir.

13 Q Do you concur that due to small nominations for gas
14 allowables and other proration factors that gas wells
15 have suffered a drainage?

16 A Yes, sir. I would have to concur that some gas wells have
17 been drained, yes, sir.

18 Q What would you propose to provide more equitable takes in
19 between gas wells and oil wells in the future?

20 A I would propose that as we attempted to state earlier that
21 a top allowable gas be set for each 40 acre proration unit
22 based on 107 barrels of oil per day being the top 40 acre
23 oil proration unit allowable times 3,000 cubic feet per
24 barrel. All gas wells then would be allowed the factor
25 which their total area bears to a 40 acre proration unit.

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1 Q What would you recommend as to the Oil Commission holding
2 this case under further advisement or recalling the case
3 after some rules have been put into effect?

4 A Mr. Kastler, I think that much of the pressure information
5 and data is very nominal and nominal in the terms that it
6 is not--I think that in the short time that we have had to
7 review this case that I would suggest a six to twelve
8 month period at which time the operators would have the
9 opportunity to ^{appear} appeal and present or appear and submit
10 additional information.

11 Q You believe at that time production experience would be
12 had under whatever new rules the Commission might--

13 A Yes, sir, and I do believe that the operators might
14 seriously gather more proficient information.

15 Q In reducing or proposing the reduction of a producing gas-
16 oil ratio from 6,000 to 1 which is presently in effect to
17 3,000 to 1, would this appear to have any adverse affect
18 on Warren Petroleum?

19 A Yes, sir. The proposed reduction adversely affects our
20 client. They have been advised of the loss that they will
21 suffer. They, together with other processors, could have
22 a daily reduction in available gas volumes.

23 MR. KASTLER: Thank you, Mr. Examiner. This concludes
24 my questions on direct from this witness and our next witness
25 is Mr. C. L. Robertson of Gulf who will introduce our exhibit

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1 which is in the form of a proposed rules offer or counter-
2 proposed rules and Mr. Viney has merely been put on to present
3 his recommendation on behalf of Warren Petroleum Corporation.

4 THE EXAMINER: Mr. Viney, I want to clarify one thing.
5 You are proposing a casing head allowable for the oil wells of
6 107 barrels times 3,000 cubic feet?

7 THE WITNESS: Yes.

8 THE EXAMINER: You are proposing an allowable of gas
9 wells of 107 times 3,000 times ^{an} ~~one~~ acreage factor?

10 THE WITNESS: Yes, sir.

11 THE EXAMINER: Being the acreage that the gas well
12 has dedicated to it over 40?

13 THE WITNESS: That is correct.

14 THE EXAMINER: Then these proposed rules that the
15 other witness will go into propose that nominations would be
16 eliminated and all that this would be is the gas wells allowable?

17 THE WITNESS: This is the presentation and this
18 presents the best or closest form of equity that we can arrive
19 at as far as reservoir voidage is concerned.

20 THE EXAMINER: Are there any questions of Mr. Viney?
21
22
23
24
25

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BY MR. JASON KELLAHIN:

Q Have you made any studies as to how many oil wells will be curtailed as a result of your recommendations?

A Yes, sir, I have.

Q How many?

A In the Blinbry field there will be 48 wells. Ten of these in 1971 produced with gas volumes in excess of volumes that would be calculated using the 107 barrels times 6,000 to 1. Thirty-eight produced with volumes calculated with ratios between three and six thousand. Yes, sir, we have made those studies.

Q Now, you said your client would suffer a loss of production. Are you testifying solely for Warren?

A Yes, sir.

Q And the examination you have made has been from the point of view of Warren Petroleum?

A Yes, sir. Our specific examination has been for Warren.

Q So what you are talking about is casing head gas; is this correct?

A Casing head gas and Warren also has some gas ^{well} ~~oil~~ gas.

Q It does have some gas wells?

A Yes.

Q To what extent ^{does it buy} ~~is it~~ gas well gas in this pool?

A I will have to refresh my memory. Mr. Kellahin, I have

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1 gone through half the report and there are eight or ten
2 wells already. I do not have the exact figure but there
3 are some.

4 Q You would guess 16 or so?

5 A I would say as a guess, but do not hold me to it as being
6 a fixed value without allowing a little more investigation.

7 Q You testified in regard to the adoption of Order R-610.
8 Do you know how many oil wells there were at that time?

9 A No, sir, I do not.

10 MR. KELLAHIN: That's all.

11
12 CROSS EXAMINATION

13 BY MR. CHRISTY:

14 Q Mr. Viney, you said you were familiar with Mr. Lyon's
15 testimony and his configuration of the oil and the gas
16 areas?

17 A Yes, sir.

18 Q From your investigation, did that line dividing the oil
19 area from the gas area follow any known contour line on
20 the Blinebry?

21 A No, sir. It did not appear to do so, Mr. Christy. The
22 contours of the gas-oil contact in the number 1 zone
23 varies somewhere between thirty twenty-one twenty-five
24 twenty-one fifty and the proposed gas outline area as
25 submitted by Mr. Lyon tended to be considerably east and

1 down dip from this contour.

2 MR. CHRISTY: Thank you, sir.

3 THE EXAMINER: Any further questions?

4
5 CROSS EXAMINATION

6 BY MR. STEVENS:

7 Q Mr. Vinoy, have you made any study as to how much the
8 total gas allowable would be increased under Gulf's
9 formula or may I ask will this come out, Mr. Kastler, in
10 further testimony?

11 MR. KASTLER: I think you may ask Mr. Viney.

12 THE WITNESS: Mr. Stevens, gas allowable--there may
13 be some increases but on total volume basis it appears there
14 will be a considerable reduction.

15 Q (By Mr. Stevens) This is oil wells or oil and gas wells
16 or just gas wells?

17 A Let's say on the casing head gas.

18 Q Have you made any studies as to the gas wells or as to
19 their increase or decrease in allowable?

20 A Not that I can say definitely because at this time there
21 are many wells with ratios right at the 100,000 to 1 that
22 could be classified immediately. I wouldn't want to say
23 that I could definitely tell you how many.

24 Q The overall field then, the combined pools, you don't
25 know whether gas will increase or decrease?

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1 A The total gas well allowable will increase. Now, whether
2 the actual physical deliverability of gas from this field
3 increases, unless gathering facilities and equipment are
4 installed to do so, the physical movement may not change
5 at all.

6 Q Does this mean that you might have a higher allowable than
7 the ability of the wells to produce?

8 A No, sir. You might have a higher allowable than the
9 ability of the transmission companies to gather or willing-
10 ness to gather.

11 Q But you don't have exact figures on this?

12 A No, sir.

13 Q Do you know how many marginal wells in the gas area might
14 be--we might have under this proposal of Gulf's?

15 A Let me bring out something just for review of last year's
16 facts. I hate to deal with 1971 figures, but these seem
17 to be the best basis for making comparisons with what
18 Mr. Lyon used as these are the same figures and naturally
19 I copied them down the same way he did.

20 Let's just take a look at what happened. We are
21 talking about the Blinebry oil reservoir casing head
22 gas wells. We differ in the number of wells, Mr. Lyon.
23 I took the figures right out of the annual report as of
24 1-1-72. It is insignificant, but of a total of 244
25 producing wells shown effective as of 1-1-72 twenty-five

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1 per cent or 48 of the wells produced in excess of 60 per
2 cent of all the casing head gas in the field. Now, 196
3 wells, Mr. Stevens, maybe this is basically how you define
4 a marginal casing head gas well.

5 Q My question actually was related to the gas wells. I
6 wasn't asking about the casing head gas wells.

7 A All right. Here we have 196 wells in the Blinebry oil
8 pool that produced a total production last year of seven
9 billion or seven million MCF depending on how you like to
10 handle the figures. For an average daily take of 98 MCF
11 a day 48 wells produced 9,200,000 MCF or a daily take of
12 525 MCF a day. Now, not that my average came out to
13 112 but Mr. Lyon's came out to 109 or something--182 and
14 his came out to 179. On the average situation it looks
15 like they are in balance. However, this tends to support
16 Mr. Lyon's case that you asked earlier.

17 MR. KASTLER: That there has been some inequities
18 in drainage by producing--those figures you were giving, did
19 that include gas wells?

20 THE WITNESS: Blinebry oil.

21 MR. KASTLER: That is oil wells?

22 THE EXAMINER: I think his question was still directed
23 toward gas wells.

24 MR. KASTLER: Are you going to tie this in with gas
25 wells?

1 THE WITNESS: Yes, sir.

2 In the Blinebry gas well pool, Mr. Stevens, out of
3 a total number of wells I am going to have to call on Mr.
4 Lyon to give me the number of wells that he had in that total
5 on his sheet.

6 We have 32 maximum value wells that would produce or
7 did produce last year 1971 volumes in excess of what would be
8 calculated using the proposed formula of 107 barrels times
9 3,000 to 1 times 160 acres. The annual take for a well--let's
10 go down the line. The monthly take for a full proration gas
11 well under the rules proposed would be approximately 39,000
12 MCF a month or roughly one million three a day. We had 32
13 wells last year that produced in excess of this figure. I did
14 not average them. The range of recovery that these wells had
15 on the low side was 40,000 and on the high side was 88,000.

16 Q (By Mr. Stevens) Those are your maximum value wells. Do
17 you have any wells or do you have any numbers as to wells
18 which would not produce the allowable that the Gulf formula
19 would recommend?

20 A Well, if we use 1971 figures the rest of the wells in that
21 field wouldn't produce or did not produce.

22 Q Do you have that figure, roughly?

23 A I do not have that figure per se, no, sir.

24 Q My only other question is, you testified that this field
25 is in middle to late age. I realize you can't get an

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1 exact date of when it would stop producing but do you
2 have any figure as to what percent, very, very roughly,
3 might be produced of the remaining reserves in say the
4 next three or four years?

5 A Mr. Stevens, here again we are dealing with a relatively
6 complex series of reservoirs and depending on what
7 nomenclature you wish to use, we have five, six and eight
8 depending on how the companies want to label the zones.
9 We have pressures from wells or reported pressures from
10 wells. In most cases the pressures of wells that are
11 easily accessible or easily shut in without loss of pro-
12 duction and probably in most cases they are gas wells, so
13 the pressure information is definitely not reliable, but
14 at the same time it provides us with the only basis for
15 making some estimate of this complex reservoir as to the
16 amount of depletion. Therefore, we have to base it as
17 related to pressure depletion. Now, as to what percent of
18 the oil is in place at the present time, I don't even know
19 what the oil in place is.

20 Q How about the gas?

21 A There again this would take considerable study.

22 Q So you have no figures as to the reserves totally in this
23 field nor as under each individual tract?

24 A No, sir. We did not so investigate.

25 MR. STEVENS: No further questions.

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1 THE EXAMINER: Any other questions of Mr. Viney?

3 REDIRECT EXAMINATION

4 BY MR. BILL KASTLER:

5 Q Mr. Viney, I assume you have sought the figures that you
6 are not able to testify to and you have been unable to
7 find them; is that correct?

8 A No, sir. In the lack of time we did not do them.

9 MR. KASTLER: Thank you.

11 CROSS EXAMINATION

12 BY MR. DANIEL S. NUTTER:

13 Q Mr. Viney, according to Mr. Lyon's Exhibit 2 he showed
14 that there were 139 Blinbry gas wells in the pool in
15 1971?

16 A Yes, sir.

17 Q Now under the proposal of Gulf's, how many of those 139--
18 would we still have 139 gas wells or more or less gas
19 wells?

20 A We should have 139 plus what any additions or subtractions
21 could occur either by reclassification or abandonments or
22 dropage. I would say that you have--you would have the
23 same number of wells but of those 139 wells only 32
24 actually showed or demonstrated production last year at
25 a volume that would be in excess of that we proposed

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1 calculating under the submitted formula.

2 Q These 32 gas wells in 1971 produced more than your
3 proposed 107 times 3,000 times 106 over 40?

4 A Yes, sir.

5 Q 160 over 40.

6 A That is correct.

7 Q The other 107 wells produced less than that amount of gas?

8 A They were all within the proposed allowable volume limits.

9 Q So apparently what in effect would happen is your proposal
10 would reduce the total take of gas from the gas wells?

11 A The total take, yes. Mr. Stevens mentioned allowable.

12 Q But the take from these gas wells would go down because
13 presumably those 32 wells would be reduced to this allow-
14 able that you propose?

15 A This is right, but in answer to Mr. Stevens' question the
16 allowable would be assigned to those wells on the basis of
17 proration units but it would not necessarily mean that
18 those wells could make it. The only ones affected by
19 this allowable would be these 32 excess wells.

20 Q The other 107 wells, were they producing at capacity or
21 were they producing up to allowable in the pool that was
22 lower than your proposed allowable?

23 A They appeared to be producing at maximum. Just as a
24 guideline we took the maximum rates for any one month of
25 the year. This does not mean that these figures that were

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1 supplied last year were taken on any one monthly basis
2 represent the true capacity of these wells. It did
3 represent what the maximum take had been in any one month
4 from one of these wells.

5 Q This was the well's best month in the year?

6 A This was the well's best month. Normally you would think
7 the take would occur during the winter months, November,
8 December, January or February. This is not the case.
9 Apparently transmission companies are using other months.

10 Q Are there further questions of Mr. Viney?

11
12 RECROSS EXAMINATION

13 BY MR. CHRISTY:

14 Q Mr. Viney, would the correlative rights of these 32 gas
15 well producers be more equitably protected if raised
16 3,000 to 1 to say 4,000 to 1? How many more wells would
17 we protect?

18 A Mr. Christy, I don't think the raising or setting of the
19 ratio at any different level would affect the respective
20 correlative rights of operators. It would still be in
21 the same straight line position and still be protected
22 because if you set the ratio then you are going to allow
23 the casing head gas wells more gas and you could just
24 have the condition--the reason for setting the 3,000 or
25 requesting the 3,000 to 1 is for conservation purposes.

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1 only.

2 Q Of hydrocarbons or the Warren plant?

3 A Of hydrocarbons. I appreciate your question. We do not
4 know how much oil would or would not be recovered from
5 this reservoir without a detailed study. I think most
6 reservoir people in this area would have to admit that it
7 would take a good study to come up with a reliable figure.

8 MR. CHRISTY: Thank you, sir.

9

10 RECROSS EXAMINATION

11 BY MR. STEVENS:

12 Q In that connection, Mr. Viney, you said that 3,000 to 1
13 to protect correlative rights and save gas. On that basis
14 if you made it 2,000 and 1, wouldn't that accomplish this
15 purpose even more?

16 A It would for the sake of prevention of waste and utiliza-
17 tion of reservoir energy, yes.

18 Q On that basis, wouldn't it also, and I don't have exact
19 figures but in your opinion would it tend to decrease
20 the total amount of allowable that the field would make
21 under your proposed allocation?

22 A If you use the 2,000 to 1 as your limiting ratio you would
23 cut down your total volumes.

24 Q Whereas if you went to 4,000 then it would increase?

25 A Yes, sir, but the correlative rights, to answer Mr.

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1 Christy's, it doesn't matter what ratio you set, under
2 the proposed formula of offsetting leases and proration
3 units, correlative rights would be protected up or down
4 as it were raised.

5 Q You would have less waste with 3,000 than 4,000 and less
6 with 2,000 than 3,000?

7 A Yes.

8 Q Isn't 2,000 to 1 a more normal gas-oil ratio? Let's say
9 more common than three or four or six?

10 A I don't know whether you would say it is more common, Mr.
11 Stevens. It has had earlier and more preferential use.
12 Now, whether the basis for 2,000 is any more acceptable
13 or less acceptable than 3, I don't know. The reason for
14 using three in my recommendation was that this is one that
15 has been generally in effect in this pool and would tend
16 to serve the thinking of most operators in this pool
17 without making a very harsh or harder adjustment.

18 THE EXAMINER: Mr. Kellahin, it is your turn.
19
20
21
22
23
24
25

RECROSS EXAMINATION

BY MR. JASON KELLAHIN:

Q Mr. Viney, you are aware of the fact that the current ratio of this pool is 6,000 to 1?

A Yes, sir.

Q It has been since 1951 or thereabouts?

A Yes, sir.

Q You also talk about the advantage of keeping these wells classified as oil wells. This is an advantage to Warren, is it not?

A I would say it wouldn't be any more of an advantage to Warren than it would be to any processor in the area.

Q What advantage is there to the operator?

A The only advantage to the operator would be possibly better utilization of the reservoir energy or maybe the disuse of and loss of reservoir energy from offsetting wells if his wells were not as good or did not have as favorable characteristics as maybe the offsetting.

Q If his wells were as good, he has no advantage?

A No disadvantage or advantage.

Q Is there a disadvantage on price he gets for the gas?

A As I understand it, Mr. Kellahin, the Commission is not involved in establishing or setting of prices.

Q I am aware of this, Mr. Viney, but you were talking about advantages. Price enters into the advantage or disadvantage

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1 of the market a man has.

2 A Well, I would say then that possibly from reviewing of
3 what records we did, that maybe many of the gas wells
4 that are now connected to transmission lines were at a
5 distinct disadvantage last year.

6 MR. KASTLER: Mr. Examiner, I would like to object
7 to any further proceeding along this line because the question
8 begs an assumption of what the prices are between casing head
9 gas, dry gas and so forth. I submit the Commissioner can take
10 judicial notice of what the price of gas is.

11 THE EXAMINER: I think we will overrule your objec-
12 tion, Mr. Kastler, but on a different basis. We are not
13 interested in price, but we are interested in whether a well
14 is classified as an oil well or a gas well.

15 Any further questions?

16 MR. LOPEZ: Mr. Viney, I was wondering--it is
17 difficult for me to conceive how you are protecting correla-
18 tive rights by reducing gas-oil ratio from 6,000 to 3,000 to
19 1 and I was wondering if you could explain this to me.

20 THE WITNESS: I don't think we implied that we were
21 protecting or trying to give any more protection to correlative
22 rights by the reduction of the proposed ratio from six to three.
23 All we said is that we were trying to better utilize the
24 reservoir energy for conservation and greater ultimate
25 hydrocarbon recovery.

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1 MR. LOPEZ: Do you believe it will have the imme-
2 diate effect of reducing gas production?

3 THE WITNESS: Yes. It will have an immediate effect.

4 MR. LOPEZ: Do you think we will have a long range
5 effect?

6 THE WITNESS: No, sir. I think there will be some
7 adjustment period but deliverability is going to be a function
8 of pressure in these reservoirs and in the wells.

9 MR. LOPEZ: No further questions.

10 THE EXAMINER: Are there further questions? Mr.
11 Viney may be excused.

12 MR. KASTLER: Call Mr. Robertson, please..

13 (Whereupon, Mr. Cecil L. Robertson was called to
14 the stand and sworn.)

15
16 MR. CECIL L. ROBERTSON

17 having been first duly sworn according to law, upon his oath,
18 testified as follows:

19 DIRECT EXAMINATION

20 BY MR. BILL KASTLER:

21 Q State your name, please.

22 A Cecil L. Robertson.

23 Q By whom are you employed and in what position, Mr.
24 Robertson?

25 A I am employed by Gulf Oil Corporation as senior

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1 petroleum engineer in the reservoir engineering unit,
2 Midland, Texas.

3 Q Have you previously appeared as a petroleum engineer
4 before the New Mexico Oil Commission?

5 A No, sir, I have not.

6 Q Would you please give a brief resume of your education,
7 what degrees you have been awarded, and your employment
8 since graduation.

9 A I received a bachelor of science degree in petroleum
10 engineering from the University of Texas in 1955. Since
11 that time I have been employed by Gulf Oil Corporation in
12 West Texas. Two years of this time was spent in the
13 field as a foreman. The last two years have been spent
14 in the Midland reservoir section and the past year has
15 been spent partially on New Mexico studies.

16 MR. KASTLER: Mr. Examiner, are the witness's
17 qualifications acceptable?

18 THE EXAMINER: Yes, they are.

19 Q (By Mr. Kastler) Mr. Robertson, are you familiar with
20 the application of Continental Oil Company in case 4775
21 presently before us?

22 A Yes, sir, I am. I was not present at the hearing on
23 July 26, 1972, but I have had a copy of the transcript
24 and studied it.

25 Q From your familiarity with the Blinebry pool area, what

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- 1 is your opinion regarding Continental's proposed rules?
- 2 A First, I concur with Continental and with the Commission
- 3 on the fact that the Blinebry and Terry-Blinebry should be
- 4 prorated and operated as a single pool. I also agree with
- 5 Continental that there is need for an amendment of the
- 6 existing or extended pool rules in an effort to reach a
- 7 more equitable solution but there is no question that
- 8 inequities have occurred in the past and that greater
- 9 inequities would occur by the extension of the Blinebry
- 10 pool rules. However, I feel there are several shortcomings
- 11 to Continental's proposal, the strongest of which is the
- 12 arbitrary designation of oil and gas areas with each to
- 13 have a separate set of rules. Furthermore, the Continen-
- 14 tal rules would require an immediate reclassification of
- 15 a number of oil wells to gas wells in the Terry-Blinebry
- 16 pool area, and after the immediate reclassification was
- 17 over there would be much work and reshuffling of wells
- 18 which would take place later and the consequence being
- 19 termination of casing head gas contracts and negotiations
- 20 of new gas well contracts. However, the most important
- 21 criticism is that inequities would occur across boundary
- 22 lines between the oil areas and the gas areas with each
- 23 injured party claiming that his correlative rights have
- 24 been impaired.
- 25 Q Have you made a study and arrived at a conclusion as to

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1 how to eliminate the shortcomings you foresee with
2 Continental's proposal?

3 A Yes.

4 Q Would you please tell the Examiner the nature of your
5 studies and conclusions?

6 A Well, first of all the time did not permit a comprehensive
7 reservoir study of the pool, so I used the similar approach
8 to what Continental had done earlier evaluating the effects
9 of a straight volumetric voidage formula. I found that
10 using an assumed bottom-hole pressure of 1,000 PSI, PVTD
11 data from well, a Terry-Blinbry pool, that reservoir
12 voidage top allowable oil well producing with a 3,000 to
13 1 GOR was approximately 801 barrels while a gas well with
14 the same daily gas limit of three to one MCF per day would
15 void approximately 779 barrels or if this reservoir
16 voidage is made equal for the oil well or the gas well,
17 the results would be to assign 330 MCF per day to the gas
18 well rather than the 320 MCF per day. Then, since these
19 volumes were so close, we decided why not just give the
20 321 MCF per day allowable to each well saying this would
21 be in the daily gas limit. Then, it would not be necessary
22 to go through the complexities of recalculating this
23 formula and having to acquire data whereby the gas well
24 allowables would have to be recalculated periodically.

25 Q On the basis of this conclusion, what does Gulf propose?

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1 A Gulf proposes that all wells in the Blinebry pool
2 regardless of their location should be permitted to
3 produce the same volume of gas on a per acre basis.

4 Q Then the need to have a designated oil area and design-
5 nated gas area is not any longer necessary; is that
6 correct?

7 A That is correct.

8 Q Under Gulf's proposal, will there be any need for bottom-
9 hole pressure tests, gas-oil ratio tests, or gas liquid
10 tests?

11 A No, other than for the producers' benefit alone.

12 Q Now, referring to what has been marked as Gulf's Exhibit
13 Number 1, will you please identify that exhibit?

14 A Exhibit Number 1 is Gulf's proposed special pool rules
15 for the Blinebry pool, Lea County, New Mexico.

16 Q Refer to Exhibit Number 1 and will you explain whether
17 the description of lands, the introductory portion or
18 preamble and rules 1, 2 and 3 are identical or substan-
19 tially similar to the pool rules proposed by Continental.

20 A The preamble has been changed and slight changes have been
21 made in Continental's rules 2-A and 2-B. We do not
22 propose to segregate the pools into oil and gas areas.

23 THE EXAMINER: How about vertical limits?

24 THE WITNESS: Same as Continental's. As a result
25 our rules do not need an Exhibit B to describe the oil and

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1 gas areas. We also eliminated the need for Exhibit A by
2 incorporating the combined pool description in the preamble on
3 page 1.

4 Q (By Mr. Kastler) What does Rule 4-A provide that is
5 different from Continental's proposal?

6 A It provides two things. First, it provides for 100,000
7 to 1 to be the point of classification of a gas well rather
8 than 32,000 to 1 as proposed by Continental and as would
9 be the result if the rules were not amended when Order
10 Number R-4304 takes effect. In the second change we have
11 written a grandfather clause in Rule 4-A so that any
12 32,000 to 1 gas well that was classified prior to
13 September 1, 1972, will continue to be a gas well as
14 long as it continues to produce 32,000 or more cubic feet
15 of gas to one barrel of oil having less than 51 degrees
16 API gravity.

17 Q Are Rules 4-B, 4-C and 4-D the same or substantially
18 similar to Conoco's proposal?

19 A Yes, they are.

20 Q How about Rule Number 5?

21 A Rule 5 is substantially similar to Continental's except
22 we have made the necessary changes to provide oil and gas
23 allocations for the entire pool rather than differentiat-
24 ing between oil area and gas areas. The important change
25 here is that we have cut the producing gas/oil ratio in

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1 half. We originally intended to apply the same 6,000 to
2 1 producing gas/oil limitation ratio, but this was
3 reduced to 3,000 to 1 after we saw that we were buying
4 problems--questionable ability to establish a ratable
5 take on the gas plus more rapid depletion of the reservoir,
6 meaning possible accelerated abandonment of wells. We
7 felt that if there were an error committed, it would then
8 be best to be on the safe side.

9 Q Going on to Rule Number 6, will you explain why there
10 should be no purchaser nominations?

11 A All right, because the allowable is to be fixed on the
12 basis of the daily gas of 321 MCF per day per 40 acre unit.

13 Q Please explain Rule 7.

14 A Since we are not on purchaser nominations there is no
15 reason to provide for supplemental nominations. There-
16 fore, in order to distinguish these special Blinbry pool
17 rules from the general rules and regulations for prorated
18 gas pools in southeastern New Mexico, it is necessary to
19 write a special rule such as we have done.

20 Q How about Rule 8?

21 A Here again, since we are deviating from the general rules
22 a short alternative provision is necessary.

23 Q What did you do for Rule 9?

24 A Since Rule 9 of the general rules is compatible with
25 Gulf's counter-proposal, we simply noted that it would be

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1 unchanged by the special Blinebry pool rules. Inciden-
2 tally, we followed this same procedure for Rule 10-A,
3 Rules 14, 15, 16, 17, 18, 19, 20, 21, 23 and 24.

4 Q In other words, all of those rules you have just named
5 are going to be unchanged from the general rules by the
6 Gulf special rules?

7 A Right, the special Blinebry rules.

8 Q What is different in Gulf's proposed Rule Number 10?

9 A We changed this because we do not propose any reallocating
10 of unproduced gas allowables from marginal gas wells.
11 The unproduced gas allowables for these marginal wells
12 would simply be cancelled.

13 Q Why is this so?

14 A Because we are trying to arrive at an equitable take and
15 this reallocation of allowables would have permitted some
16 wells to receive a bonus allowable which would again cause
17 inequities.

18 Q What is your comment pertaining to Rule Number 11?

19 A Here again, the general rule is not applicable or con-
20 sistent with the special Blinebry pool rules we are
21 proposing. Therefore, in order for the general rule not
22 to apply we have written a substitute provision.

23 Q How about Rule 12?

24 A Well, here and in special rule 26, like Continental, we
25 feel that staging of liquid hydrocarbons ought to be

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1 permitted, but it should not be mandatory when staging is
2 resorted to in the interest of more efficient realization
3 of by-products and low pressure gas. We have provided
4 by Rule 26 a method which is different from the general
5 state-wide rule requirement. This is the reason an
6 alternative rule for numbers 12 and 26 were prepared.

7 Q Please explain Rule Number 13.

8 A As I said earlier, like Continental, we feel that the
9 utmost flexibility ought to be granted to gas purchasers
10 to balance out their takes. While ordinarily they would
11 be expected to produce this pool at a constant daily rate,
12 it is fundamental that they are forced with seasonal
13 demands, and if their ability to take is reasonably
14 assured they ought to be encouraged to leave the gas in
15 storage in this reservoir where it is useful energy
16 providing that the purchaser is reasonably able to produce
17 it before balancing period ends.

18 Q Since Rules 14 through 21 are unchanged, will you now go
19 to Rule 22.

20 A Well, Rule 22 is unchanged from special rule number 22.

21 Q Well, since Rule 23 and 24 are also unchanged, would you
22 please now go to Rule 25 which provides against double
23 dedication of acreage.

24 A This simply re-numbers special Blinebry pool rule number
25 30.

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1 Q Other than that it is copied verbatim?

2 A Right.

3 Q Do you have anything further to add regarding Rule 26
4 other than what you have already said?

5 A NO.

6 Q You commented on that at the time you discussed Rule 12?

7 A That's correct.

8 Q Do you believe these rules to be in the interest of the
9 prevention of waste and the protection of correlative
10 rights?

11 A Yes. What we based our belief is more or less the basic
12 principles of reservoir engineering using the somewhat
13 scarce data that was available to us. We believe that
14 these rules ought to be put into effect on a six month's
15 trial basis and after that time the operators, the gas
16 purchasers and the Commission would all be in a better
17 position to fix a higher rate of production if it then
18 appears warranted.

19 Q Were the proposed special rules drafted by you or at your
20 request, with your approval and endorsement?

21 A Yes, sir.

22 MR. KASTLER: This concludes our direct examination,
23 Mr. Examiner. At this time I move that Gulf's Exhibit Number 1
24 be admitted into evidence.

25 THE EXAMINER: Gulf's Exhibit Number 1 admitted into

1 evidence.

2 Are there any questions of Mr. Robertson?

3
4 CROSS EXAMINATION

5 BY MR. DANIEL S. NUTTER:

6 Q Mr. Robertson, over here in your Rule 4 you provide that
7 a gas well shall be a well that produces hydrocarbons--
8 liquid hydrocarbons--at a gravity of 51 degrees API or
9 greater or less than 51 with a producing ratio of 100,000.
10 Then you go ahead and grandfather in a gas well that
11 produces hydrocarbons of less than 51 and a GOR of 32,000?

12 A Yes, sir, that's correct.

13 Q You are not grandfathering in any--

14 A Well, now, we are proposing that higher than 51 gravity
15 should stay.

16 Q If this well increases its GOR to say 60,000, it would
17 still remain--it would be a gas well regardless of its
18 GOR?

19 A That's correct.

20 Q I mean regardless of its gravity?

21 A Right. In other words, this is just protecting the wells
22 that are already classified. There would be no change
23 there.

24 (Discussion held off the record.)

25 Q (By Mr. Nutter) Mr. Robertson, would you explain Rule 4,

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1 please, and what effect the grandfather clause has?

2 A The grandfather clause would provide for all gas wells
3 that are currently classified as gas wells to remain that
4 way. Those with the gravity greater than 51 degrees API
5 would still sit in under the new rules we are proposing.
6 Those with less than 51 degrees API and greater than
7 32,000, being the classification, would remain and it
8 would not be necessary to change connections classification
9 back from gas well to casing head.

10 Q In other words a well that is producing at a GOR of 60,000
11 to 1 and less than 51 degrees oil would not be a gas well
12 under your new rules, would it, except under the grand-
13 father clause?

14 A It would have to be classified as one before September 1st.

15 Q Without the grandfather clause under your proposed defi-
16 nition it would have to make 100,000 to 1 in order to be
17 classified as a gas well?

18 A That's correct.

19 Q If it had less than 51 degrees oil?

20 A Correct.

21 Q Are there any further questions of Mr. Robertson?

22 You don't propose any redistribution or cancellation
23 and redistribution. You are eliminating that?

24 A We propose a set allowable.

25 Q You still would have the rules--general rules--pertaining

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1 to making up underproduction and making up overproduction?

2 A That's correct, for capable wells.

3 Q The only thing you wouldn't have is any cancellation and
4 redistribution in your balancing?

5 A That's correct.

6 THE EXAMINER: Do you have any questions, Mr. Utz?

7 MR. UTZ: Yes, sir.

8

9 CROSS EXAMINATION

10 BY MR. UTZ:

11 Q Do I understand that your proposal is to carry underage
12 and overage forever?

13 A No. It would have the one year balancing.

14 Q I see. At the end of one year you would have one period
15 to make overage and be shut in and underage to be
16 cancelled?

17 A That's correct.

18 Q Then you do recommend that you have cancellation as it is
19 now but not redistribution?

20 A That's correct.

21 THE EXAMINER: Are there any other questions?

22

23

24

25

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BY MR. STEVENS:

Q I just don't know the answer and I probably should. How much tolerance is there on this Rule 13 under the usual rules for the underage and the overage? Is it any amount during the year?

A Under the old rule and we are restating the same as the old general rule 13, it would still remain the same. We will have the one year balancing date rather than six months.

Q In my ignorance, could you explain to me, in a gas well, how much can that well be underproduced during the year and still make it up before the end of the year or is there any per cent?

A That would depend on the capabilities.

Q Then is this a fair statement that it is really up to the purchasing company as to how they are going to take that during the year?

A That's correct.

Q You don't have any figures as to how much your proposed allocation and allowable would increase the gas allowable for this entire field, do you?

A No, sir, because I felt like there would be so many marginal wells that it really wouldn't be meaningful.

Q You made no evaluation of the reserves in the pool?

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1 A No, sir.

2

3 CROSS EXAMINATION

4 BY MR. JASON KELLAHIN:

5 Q Mr. Robertson, I am still a little bit confused about your
6 Rule Number 4. Would that not result in two wells in
7 this pool with identical characteristics, one classified
8 as an oil well with a 40 acre unit and one classified as
9 a gas well with 160 acres?

10 A Would you repeat that again, please?

11 Q Wouldn't your Rule Number 4 permit two wells with identical
12 characteristics to be classified, one as an oil well and
13 one as a gas well?

14 A It would, yes.

15 Q Would that make for equity in the production?

16 A It would not from this point on, but we are trying to--

17 Q Aren't we trying to make equity from this point on or are
18 we not?

19 A We are trying, right.

20 Q That doesn't make for equity?

21 A It doesn't prohibit equity because your allowable is still
22 the basic--

23 Q What allowable are you talking about?

24 A Under our proposed rule which is 321 MCF per day for each
25 40 acre unit.

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1 Q But we have one well that, let's just take some figures
2 here, say is producing with less than 51 API and it is
3 producing 60,000 cubic feet of gas and is classified as a
4 gas well. We have another well with the same identical
5 characteristics which is classified as an oil well. One
6 gets the allowable that would be assigned to a 40 acre
7 tract and one the allowable assigned to a 160 acre tract.
8 Is that not correct?

9 A It could be possible, yes.

10 Q I believe you testified that your rules would permit oil
11 wells to produce the same volume of gas on a per acre
12 basis. That is one instance where that would not be true.

13 A That is true.

14 Q Just as a general contribution, was that statement based
15 on the assumption that the bottom-hole pressures were
16 1,000 pounds?

17 A That is just taking that particular pressure. We could
18 have used some other pressure.

19 Q You had to assume a uniform pressure?

20 A Right.

21 Q That is not the case in this pool, is it?

22 A No, it isn't.

23 Q It ranges anywhere from 100 PSI to 2,000, does it not?

24 A Possibly so.

25 Q You say you read Mr. Lyon's testimony. Do you recall that

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- 1 statement?
- 2 A Not necessarily. I believe there were 422 pounds
- 3 difference, as I remember.
- 4 Q Don't you recall the testimony that he gave saying that
- 5 they range up to 2,000 pounds on some gas wells down to
- 6 200 gas pounds on some oil wells?
- 7 A Not at the moment.
- 8 Q You wouldn't disagree with that?
- 9 A No.
- 10 Q In connection with your Rules 12 and 26, could you explain
- 11 the meaning of those two rules, please, and how they tie
- 12 together?
- 13 A Rule 12 is the same as Rule 12 of the special rules.
- 14 Q How about Rule 26?
- 15 A 26 is essentially the same as Continental's Rule 29.
- 16 Q Under your rules, would low pressure gas be charged
- 17 against the allowable?
- 18 A No, sir.
- 19 Q Doesn't the carrying over of underproduction for gas wells
- 20 give them an advantage?
- 21 A It gives them an advantage in one sense in that they do
- 22 have a chance to catch up later, but at the same time
- 23 the oil wells have more assurance of a continuous pay.
- 24 Q They wouldn't carry anything forward?
- 25 A No, sir.

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1 Q In the way of an allowable, either gas or oil?

2 A No, sir.

3 Q If they were one of those grandfathers in there again, you
4 would have an inequity, would you not, on the basis of my
5 previous question where you have two wells of identical
6 characteristics. The gas well carries forward its under-
7 production and the oil well does not?

8 A Possibly this is so.

9 MR. KELLAHIN: Thank you, Mr. Robertson.

10 THE EXAMINER: Any other questions of the witness?

11

12

CROSS EXAMINATION

13 BY MR. CHRISTY:

14 Q Mr. Robertson, as I understand you are proposing these
15 rules be temporary for a six month period so that the
16 operators have a time to gain information and come back
17 to the Commission?

18 A That is correct.

19 Q Now, I believe Mr. Kastler stated and Mr. Viney confirmed
20 that the 6,000 to 1 GOR had been in for approximately ten
21 plus years. Do you know about that?

22 A Yes.

23 Q I am wondering why if you are only having a six month
24 test period you want to have such a radical change. I
25 believe Mr. Viney said half during this period. Why don't

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1 you leave it at 6,000 to 1 during the six month period
2 and then if you find that it does adversely affect the
3 reservoir, reduce it to four or three or perhaps to--

4 A At the same time you have this purchaser problem as far
5 as taking those larger gas allowables at 6,000 to 1.

6 Q They have done it for the last ten years at 6,000 to 1.

7 A No. They haven't been doing it.

8 Q Because of the pipeline proration?

9 A Not at the 6,000 to 1, that's correct. The purchaser has
10 not been able to take or has not nominated for these.

11 Q Do you feel that the purchasers will nominate at 3,000
12 to 1 all of the gas?

13 A We have hope for a better chance at it with 3,000 to 1.

14 MR. KASTLER: You eliminate nominations, do you not?

15 THE WITNESS: That's correct. The allowable would be
16 set.

17 MR. KASTLER: But we still get the pipeline
18 purchaser who still doesn't take any more than he can take.

19 THE WITNESS: That's correct.

20 MR. KASTLER: You may still have pipeline proration
21 under your rules, might you not?

22 THE WITNESS: That is correct.

23 MR. KASTLER: Mr. Examiner, I would like to state
24 that we believe an amendment should be made in Rule 4 which
25 would eliminate any reference to 51 degrees API and then the

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1 rule would read as follows: "A gas well in the Blinebry pool
2 shall be a well producing from within the vertical and hori-
3 zontal limits of the Blinebry pool"--delete the next words--
4 "which produces liquid hydrocarbons possessing a gravity of
5 51 degrees API or greater, or produces liquid hydrocarbons
6 possessing a gravity of less than 51 degrees API"--stop dele-
7 ting and the rule will continue--"with a producing gas-liquid
8 ratio of 100,000 cubic feet of gas or more per barrel of liquid
9 hydrocarbons. Provided, however, that any well which, on the
10 effective date hereof, was classified as a gas well in the
11 Blinebry gas pool shall continue to be classified as a gas well
12 as long as it shall continue"--delete the next words--"to
13 produce liquid hydrocarbons possessing a gravity of less than
14 51 degrees API"--and now stop deleting and leave the word
15 "producing" and then delete "gas liquid ratio of" and the
16 remainder of the sentence would read--"32,000 cubic feet of gas
17 or more per barrel of liquid hydrocarbons."

18 Now, if this rule can be amended in this manner it
19 will have no reference to the gravity of the gas liquid and
20 will be simpler to understand for sure and simpler to administer.

21 THE EXAMINER: You are amending your proposed rules
22 at this time to delete all of that?

23 MR. KASTLER: Mr. Robertson, is Gulf willing to amend
24 the rules in this manner?

25 THE WITNESS: Yes.

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1 MR. KASTLER: I offer this as an amendment.

2 THE EXAMINER: You will still have the grandfather,
3 though?

4 MR. KASTLER: Yes.

5 THE EXAMINER: You would still have the situation
6 that Mr. Kellahin was talking about where you may have two wells
7 with identical ratios and one would not be classified as gas
8 well?

9 MR. KASTLER: That's correct.

10 THE EXAMINER: Are there any further questions of
11 Mr. Robertson?

12 MR. STAMETS: On this same point, why does Gulf feel
13 that there should be two different GOR determinations for gas
14 wells in here?

15 THE WITNESS: In order to prevent reclassifying wells
16 that have already been connected to a transmission system.

17 MR. STAMETS: Okay.

18 MR. UTZ: Doesn't this occur anyway with your 100,000
19 rule?

20 THE WITNESS: Not with this grandfather clause. We
21 are providing for all those that are classified as of September
22 the 1st that had gas wells with this 32,000 ratio. They would
23 remain.

24 MR. UTZ: By using the grandfather clause, then, you
25 would seek to eliminate the changing of gas--or wells from gas

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1 to oil and oil to gas?

2 THE WITNESS: Right, but of course if they happen to
3 fall below the 32,000--

4 MR. UTZ: Or the 100,000--

5 THE WITNESS: Of course the grandfather clause would
6 be 32,000.

7 MR. UTZ: All the other wells would be 100,000?

8 THE WITNESS: That's correct.

9 MR. KASTLER: Mr. Nutter, may I make a statement?
10 He has made statements here which I don't think should stand
11 in the minds of the Examiner and staff because he has stated
12 that in his opinion to have to reclassify these wells would
13 impair contract right which is a violation of constitution.
14 In my mind this just is untrue. As Mr. Lyon just stated last
15 week you reclassified some 40 wells. Did that impair contract
16 rights? The rights of this Commission for the conservation of
17 oil and gas are paramount in this field and every contract that
18 was ever written has a clause in it which makes provision that
19 it is subject to the local Order's rules and regulations of this
20 Commission or any governmental body. I just don't want that
21 statement to stand, even though it may not be in the record.

22 THE EXAMINER: It is not in the record.

23 Are there further questions of Mr. Robertson?
24
25

RECROSS EXAMINATION

1
2 BY MR. UTZ:

3 Q Do you have any idea as to how many wells in the Blinebry
4 pool and the new Blinebry pool including the Terry-
5 Blinebry that are two-stage?

6 A No, sir, I do not.

7 Q Do you have any opinion or any knowledge of what the
8 difference in gathering line pressure is between the
9 second stage separator and the first stage separator?

10 A No. I don't have any idea. I believe the line pressure
11 is approximately 150 which would be first stage but I am
12 not real sure of that.

13 Q In your system you gather some second stage gas, do you
14 not?

15 A I am afraid I cannot answer that.

16 Q But you don't know what your gathering line pressure is?

17 A Well, like I say, 150 pounds is the pressure that I was
18 told but I am not sure how accurate it is or how many wells
19 it applies.

20 Q That is from the first stage separator or the second stage
21 separator?

22 A Well, I assume that would be the first stage and probably
23 the only stage.

24 Q I gather that by retaining Rule 26 that you agree that
25 second's stage of gas should not be charged to a gas well

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1 allowables?

2 A That's correct. I feel that the amount of oil or the
3 amount of gas that could be involved from this small
4 amount of oil on the second stage would be so small that
5 it would be hard to account for. It would be too small
6 to measure.

7 Q Would you have any suggestions as to how to administer
8 this sort of a rule where you charge gas well gas from
9 first stage and don't charge it for the second stage?

10 A Well, it would just be a matter of the original measure-
11 ment being that that would be applied against the allow-
12 able.

13 Q We would have to have knowledge of whether it is first
14 or second stage in order to know whether or where to
15 charge it.

16 A That's correct. The transmission company report would be
17 the first stage.

18 Q In other words what you are saying then is that anything
19 that Warren reports on its C-111 would be considered first
20 stage gas?

21 A If they had a gas well allowable, right.

22 Q You report no second stage gas on your 111?

23 A That's correct. Let me back up a minute on that, now.
24 I would have to check to be sure on this.

25 Q I would be interested in knowing the answer to this

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1 because it has been very difficult for me to--

2 A Just a second. Let me turn to--this is the same thing
3 they discovered in special rules Rule 34 under the second
4 paragraph B.

5 (A discussion was held off the record.)

6 MR. KASTLER: We offered this Rule 26 as a copying
7 of Continental's proposed Rule 29 and we also believed that
8 from an operator's standpoint it would be a lot easier to go
9 without measuring small or insignificant amounts of gas and
10 that it would be hard to allocate to the proper well. In the
11 interest of recovering further hydrocarbons and so forth, we
12 went along with this rule but we have no ax to grind and we
13 have no two staging that I know of and I think if Mr. Robertson
14 is willing that Gulf should withdraw its proposed Rule 26.

15 THE EXAMINER: Rule 26 coincides with Continental's
16 Rule 29, Mr. Kastler, but you have got another rule here. You
17 have got a Rule 12. Does that correspond with any rule of
18 Continental's?

19 MR. KASTLER: That is the one that you asked in
20 cross examination, I believe, wasn't it, as to whether he
21 intended to leave that rule in?

22 THE EXAMINER: Yes, sir.

23 MR. UTZ: He said he left it out intentionally. He
24 testified under my cross examination that he left it out
25 intentionally.

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1 THE EXAMINER: So Continental proposes that the
2 second stage gas would be chargeable and the Commission
3 advertised for this hearing that they would consider on their
4 own motion the amendment of the rules to require that inter-
5 mediate or low pressure gas would be charged against the wells
6 allowable, so certainly this is within the call of the hearing.
7 There is no question about that and Gulf's proposal is that
8 the gas would not be charged to the allowable.

9 Are there any further questions of Mr. Robertson?

10 He may be excused.

11 Do you have any further testimony you are going to
12 offer, Mr. Kastler?

13 MR. KASTLER: No, sir, I haven't.

14 THE EXAMINER: Does anyone else have any testimony
15 they wish to offer in this case?

16 We will call for statements at this time.

17 MR. STEVENS: We do have some testimony. We had
18 presumed others would, too.

19 I am Donald G. Stevens, Santa Fe, representing
20 Northern Natural Gas. We have one witness to be sworn.

21 (Whereupon, Mr. Don O. Buterbaugh was called to the
22 stand and sworn.)
23
24
25

1 MR. DON O. BUTERBAUGH

2 having been first duly sworn according to law, upon his oath,
3 testified as follows:

4 DIRECT EXAMINATION

5 BY MR. DONALD G. STEVENS:

6 Q Would you state your name, residence and by whom are you
7 employed and in what capacity?

8 A My name is Don O. Buterbaugh and I live in Midland. I am
9 employed by Northern Natural Gas and am director of
10 contract operations in the Permian region.

11 Q Have you previously testified before the New Mexico Oil
12 Conservation Commission?

13 A No, I have not.

14 Q Would you briefly state your education, work background
15 and experience showing you are competent to testify in
16 this matter before this hearing?

17 A I have a degree with the Lincoln Aeronautical Institute.
18 I retired from the Air Force. I have been with Northern
19 for eight years in field operations and in contract
20 operations.

21 Q In this connection were you concerned with allowables in
22 fields and wells and their capacities thereto?

23 A Yes. I am concerned with administration of gas purchase
24 contracts and the wells that are behind the contracts.

25 MR. STEVENS: Are the qualifications of the witness

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1 acceptable?

2 THE EXAMINER: Yes, they are.

3 Q (By Mr. Stevens) Have you studied the application of
4 Continental and the proposal of Gulf Oil Company which is
5 the subject of this hearing?

6 A Yes, I have, but not extensively due to the time aspect.

7 Q Would you explain Exhibit 1 and its significance to the
8 Commission?

9 A In Exhibit Number 1 we tried to present the current
10 allowable in production of status in the Continental
11 proposal and the Gulf proposal. Our allowables are based
12 on 99 barrels a day, so we did not use the 107. In fact,
13 we rounded them off to 600 and 300. In 1971 the allowable
14 --daily allowable daily production was five million or
15 51,402,000 MCF. The ability of the wells to produce was
16 152,000,335 cubic feet. The number of marginal wells was
17 27 and the number of non-marginal wells was one twenty-nine.

18 Under the Continental proposal we have sort of a
19 mixture of apples and oranges because we have oil wells in
20 the gas area and we are just talking about the gas area
21 for the Continental proposal. The allowable assigned
22 would be 109,602 MCF. The ability of wells to produce
23 would be 129,509 MCF. The number of marginal wells would
24 be 127 and the non-marginals would be seven. Under the
25 Gulf proposal based on 300 MCF for 40 acres, the allowable

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1 would be 102,809 MCF. The ability of wells to produce
2 would be 152,335 MCF. The number of marginal wells would
3 be 73 and non-marginal wells would be 83.

4 Q As a result of your studies in this exhibit, the total
5 effect, then, would be a greatly increased allowable for
6 the field; is that correct?

7 A Yes, it would. It is quite evident. It is doubled in
8 some cases and a little bit more in others.

9 Q What would be the effect of the proposals of Gulf or
10 Continental upon Northern Natural Gas as a purchaser in
11 this field?

12 A First it would destroy nominations which the latitude
13 that nominations give us to schedule purchasers and to
14 meet market requirements. Secondly the increases which
15 Northern must take will cause us to spend approximately
16 seven million dollars to increase capacity to take
17 proposed allowables from the Blinbry pool alone. The
18 preliminary studies made by our engineers in Omaha indi-
19 cate that within a short period of time, which is appro-
20 ximately eighteen months to three years, that a rapid
21 decline in gas availability would ensue under the present
22 system and under the proposed system this would accelerate.

23 Q Then the effect here would be that you are spending seven
24 million dollars for gas that you presently have contracted
25 for with the producers in the field?

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- 1 A Yes. That's right.
- 2 Q If the present allowable were maintained, you would be
- 3 able to obtain all this gas by contract without any
- 4 additional expenditure of monies?
- 5 A That's right.
- 6 Q But these two proposals would force you to spend seven
- 7 million dollars additional greater take with no increase
- 8 in reserves?
- 9 A That's correct.
- 10 Q What would this do then with F.D.C. approval to build these?
- 11 What would that do to your application if you have to do
- 12 it?
- 13 A Well, this expense and the sudden decline in ability would
- 14 probably be very hard to justify to the F.D.C. since we
- 15 already have the reserves in their contract.
- 16 Q Well, a fair summary of this would be that if either of
- 17 these proposals were enacted by the Commission, there
- 18 would be some seven million dollars of economic waste or
- 19 at least seven million dollars economic waste less than
- 20 the discounted dollar value perhaps?
- 21 A I believe you could say that, yes.
- 22 Q Does Northern Natural Gas want this additional gas?
- 23 A We contracted for it and we want it, but we would prefer
- 24 to take it at a slower rate.
- 25 Q What is your understanding of the purpose of these

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1 proposals by Continental and Gulf?

2 A Well, my understanding is that they are trying to correct
3 18 years of imbalance and to protect the correlative
4 rights.

5 Q Do you agree with this purpose if there is such a purpose?

6 A Certainly. We are not sure that Continental's proposal
7 does this since there is only 17 wells in the gas area
8 that would be non-marginal.

9 Q Would that, in your understanding from your engineers,
10 constitute almost a deliverability formula?

11 A Yes, I believe it would.

12 Q Except for those 17 wells?

13 A Yes.

14 Q In your opinion based upon, as I understand it, the
15 engineers in your company that have given you this informa-
16 tion, would that protect correlative rights?

17 A No, it wouldn't.

18 Q Based on this information as to the affect upon Northern
19 Natural Gas, do you have a recommendation to make to the
20 Commission as regards to these two proposals?

21 A Yes. I have several recommendations. We recommend that
22 the Commission adopt a formula which, while increasing
23 the gas to correct the historical imbalance between the
24 gas and the oil areas, will not greatly and immediately
25 increase the gas allowables. For instance, reducing the

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1 gas-oil ratio in the Gulf proposal from 3,000 to 2,000
2 to 1, one of the more common gas-oil ratios used in most
3 fields, results in an allowable approximating 69 MCF per
4 day as opposed to the current allowable of 51 MCF per day.
5 If the Continental proposal were adopted, the same
6 reduction in gas-oil ratio from 6,000 to 1 to 2,000 to 1
7 would have a similar effect.

8 Q Would this also affect the amount to fewer marginal wells
9 if such a gas-oil ratio were reduced?

10 A Yes, it would.

11 Q In your marginal wells, then you would have a lesser
12 deliverability formula?

13 A No.

14 Q If you reduced the gas-oil ratio say from 3,000 as pro-
15 posed by Gulf to 2,000, wouldn't there be fewer marginal
16 wells?

17 A Yes.

18 Q Would the deliverability formula be less as opposed to
19 more with more marginal wells?

20 A Certainly.

21 Q Would you like to continue your recommendations?

22 A On any formula that is adopted by the Commission, we would
23 like to have retained a tolerance for over and under-
24 production. This would give the purchasers the latitude
25 they need to fit the gas production to the actual pipeline

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1 need. We would also prefer that the 51 degree A.P.I.
2 provision be retained and lastly, in any formula adopted
3 which would result in a substantially greater gas allow-
4 able, allow the purchasers one year in which to continue
5 to nominate in order to have time for F.D.C. approval for
6 construction of additional facilities and two, to work
7 trade-outs with out-gas operators if it is possible.
8 Three, at the end of said one year period the gas purcha-
9 sers would be required to have nominations in line with
10 production required under the allocation formula.

11 Q Is this the extent of your recommendations herein?

12 A Yes, it is.

13 Q Is this Exhibit Number 1 prepared by you or under your
14 direction?

15 A Yes, it was.

16 MR. STEVENS: At this time I would like to introduce
17 into evidence Exhibit Number 1.

18 THE EXAMINER: Northern's Exhibit Number 1 will be
19 admitted into evidence.

20 MR. STEVENS: We have no further questions.
21
22
23
24
25

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1
2 BY MR. DANIEL S. NUTTER:

3 Q Mr. Buterbaugh, as I understand it, you have got how many
4 recommendations altogether? Was it about five?

5 A Four, yes.

6 Q First of all you recommend that the GOR would be 2,000
7 rather than 3,000?

8 A Yes.

9 Q You would also recommend that we continue to have tolerance
10 for under and overproduction?

11 A Right.

12 Q The tolerance rules that are in there now which provide
13 for a one year make-up on underproduction and a shutting-
14 in in overproduced wells that are six times. You would
15 recommend those same rules be retained?

16 A Yes.

17 Q You would recommend the 51 degree gravity classification
18 be retained?

19 A Yes.

20 Q What did you mean by allow purchasers an additional one
21 year to nominate? You are saying that we should adopt
22 these rules but not put them into effect for one year?

23 A Well, when we apply for this seven million dollars worth
24 of facilities it is not an immediate thing and we do not
25 have the capacity to take this volume of gas at this time.

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1 so consequently we would have to have time to prepare
2 the exhibit for F.D.C. and get it approved and get the
3 facilities in.

4 Q Assuming that we went to some new system as Continental's
5 system or Gulf's system, as apparent from your exhibit
6 here, this would result in a whole bunch of allowables
7 accumulating on these gas wells not being produced?

8 A That's correct.

9 Q We are almost in September and the next proration period
10 starts January the 1st, so presuming we got an order out
11 on this tomorrow, the first period would probably be the
12 remaining three months of this period and the 12 months
13 of the following period, wouldn't it?

14 MR. UTZ: Yes, sir.

15 Q (By Mr. Nutter) So we would have a fifteen month period
16 under which you accrue underproduction?

17 A The underproduction that you have at the end of that
18 period would have one year past that to be made up.

19 Q We are talking about 27 months there anyway?

20 A I don't believe the wells would be able to make up that
21 much underproduction.

22 Q They couldn't make up that much underproduction in a
23 12 month period?

24 A I don't believe so.

25 Q So what you would propose then would be that if we went

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1 to a system that we would not put it on a GOR times oil
2 allowable times acreage factor allowable for a year and
3 we would take your nominations instead to determine gas
4 well allowables?

5 A Yes, for the period of time I pointed out in that we
6 would have a slow increase of nominations up to the level
7 that we are talking about under these proposals.

8 Q Well, actually what we would end up with then would be
9 everything that is existing except we would reduce the
10 GOR from 6,000 to 2,000. Everything else, the status
11 quo, would remain the same?

12 A That's approximately so, yes, sir.

13 THE EXAMINER: Are there any questions of Mr.
14 Buterbaugh?

15
16 CROSS EXAMINATION

17 BY MR. CHRISTY:

18 Q Mr. Buterbaugh, did I understand you to say it would take
19 about seven million dollars to increase your facilities
20 to take the gas proposed either by Continental or Gulf?

21 A Yes, sir.

22 Q Now, in one of those, the proposal was about a 6,000 to 1
23 GOR and the other was about a 3,000. You are proposing
24 2,000?

25 A Yes.

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1 Q How much is it going to cost you to increase your capacity
2 to take that which I think you said was 69,000,000?

3 A The cost will be the same regardless of what method is
4 used.

5 Q But you are proposing then that you could spend the same
6 seven million and take either the Gulf or the Continental
7 proposal. Is that what you are saying?

8 A That is what I am saying.

9 Q So that once you spend the seven million dollars it is
10 immaterial. You said you wanted the gas?

11 A That's right.

12 Q It would be immaterial to you of what the GOR was at that
13 point?

14 A Well, our application to F.D.C. has to reflect a reserve
15 life that would not be considered as economic waste and
16 this is what we would be trying to get to by going to
17 2,000.

18 Q What is your opinion as to the economic life of the Blinebry
19 pool gas wells?

20 A As I pointed out in my testimony, the Blinebry gas wells
21 are falling off now and in 18 months to three years they
22 will be well on the way to decline or well on the way to
23 depletion.

24 Q Do you agree with Mr. Viney that this is not a marginal
25 pool but that it is, I think he said, middle or late life?

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1 A That's right.

2 Q What is your 18 months to three years based upon? What
3 kind of takes of gas is it? Is it the 51 million being
4 taken or is it the 69 that you want to take or is it the
5 102 that Gulf proposed? Which one are you talking about?

6 A I am talking about the present purchases.

7 Q It will only last 18 months to three years based on present
8 purchases?

9 A That's right.

10 THE EXAMINER: Are there any other questions at this
11 time?

12

13

CROSS EXAMINATION

14

BY MR. UTZ:

15

Q Are you recommending that the oil wells be curtailed or
16 that the limit be reduced to 2,000 for just the oil wells?

17

A I am not talking about the oil wells at all, Mr. Utz. I
18 am only talking about the gas wells.

19

Q So then you are recommending or you are accepting, which-
20 ever way you want to put it, that the allowables or
21 assigning the allowables to gas wells be changed to 2,000
22 to 1?

23

A Right.

24

Q Then what good is your nominations going to do?

25

A Well, the nominations I have suggested are only for the

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1 period when we can get our facilities in operation.

2 Q It wouldn't affect your allowables then, would it?

3 A That would be the reason for the nominations during this
4 period that we are putting the facilities in.

5 THE EXAMINER: I think what you are proposing is
6 that we withhold instituting the system of allowables based on
7 GOR times oil allowable times acreage and withhold placing
8 that in operation for one year and go on nominations for one
9 year.

10 THE WITNESS: Right.

11 THE EXAMINER: And then at the end of the year go to
12 that allowable as determined as I stated.

13 THE WITNESS: Right. That's what I have proposed.
14 Maybe it wasn't clear.

15 Q (By Mr. Utz) Then this is recommending a change from the
16 manner in which we assign gas well allowables at the
17 present time.

18 We now set allowables not in accordance with nomina-
19 tions but in accordance with production from the pool.

20 Are you recommending a change from that?

21 A Yes. I would be recommending a change in that we would
22 nominate based on the production that we felt we would be
23 able to run as our facilities are installed.

24 Q If you nominated say 25 per cent too much, you want to
25 adjust it down to production?

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1 A We have been trying to nominate production all along.

2 Q Yes, but the fact of the matter between the two of you,
3 you haven't been doing it and I have been making adjust-
4 ments to production as close as possible. Are you recom-
5 mending that we change this procedure?

6 A Yes, for this period of time.

7 MR. UTZ: That's all the questions I have.

8 THE EXAMINER: Are there further questions?

9

10 CROSS EXAMINATION

11 BY MR. JASON KELLAHIN:

12 Q Your Exhibit Number 1, just to clarify this, you show
13 Continental's proposal but the number of wells that is
14 involved relate only to the oil and gas wells in their
15 proposed gas area?

16 A Yes.

17 Q So you can't make a fair comparison of that figure with
18 the figures in the Gulf proposal, can you?

19 A No, we can't.

20 Q Because they have no relation to each other?

21 A Right.

22 Q How many gas purchasers are there in the Blinebry pool?
23 I am talking about dry gas or not casing head gas.

24 A I am not sure. I think there is five or six.

25 Q They are all presently nominating, are they not?

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- 1 A Yes.
- 2 Q Is the underage carried forward and reallocated?
- 3 A Is the underage?
- 4 Q The underproduction under the present system.
- 5 A You mean when it is assigned?
- 6 Q Yes, sir. Not produced--when you have a balancing period
- 7 is it reallocated?
- 8 A At a balancing period it is redistributed, yes, sir.
- 9 Q As you understand Gulf to say, they don't propose to do
- 10 this anymore?
- 11 A That's right.
- 12 Q Do you favor that system or not?
- 13 A I favor that system.
- 14 Q How would you equalize the takes between the different
- 15 producers? Say there are five producers and they don't
- 16 all take the same amount of gas per well assuming their
- 17 capability to produce, do they?
- 18 A I imagine they all attempt to take the allowables.
- 19 Q They all attempt to but do they?
- 20 A I couldn't speak for them.
- 21 Q Do you?
- 22 A As well as we can, yes.
- 23 Q But do you consistently take the allowable?
- 24 A Consistently over a proration period?
- 25 Q Yes, sir.

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- 1 A Certainly.
- 2 Q Over the full period you have no overproduction and no
- 3 underproduction to go into the balancing period?
- 4 A I think everybody has overproduction and underproduction.
- 5 Q If you don't make any reallocation, then how are you
- 6 going to balance this production as between pipelines?
- 7 A You reallocate cancellation.
- 8 Q You reallocate cancellation or cancelled production?
- 9 A Right.
- 10 Q Do you favor that system?
- 11 A The redistribution of cancellation?
- 12 Q Yes, sir.
- 13 A No, sir.
- 14 Q Well, I will ask you again, how do you balance the produc-
- 15 tion between the various pipelines?
- 16 A Between the various pipelines?
- 17 Q Yes, sir. You are not going to redistribute the cancelled
- 18 underage?
- 19 A No. I go along with Gulf's proposal not to redistribute.
- 20 Q Can you answer my question or not?
- 21 A I can't speak for the other pipelines.
- 22 Q I am not talking about the other pipelines. How would
- 23 you balance production as against El Paso takes, for
- 24 example?
- 25 A I would run the allowable.

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1 Q We come back to my first question, do you?

2 A Yes.

3 Q Always?

4 A As our marketing requires it.

5 Q Well, with that qualification I will accept your answer.

6 On your Continental Exhibit Number 1, you show or
7 Continental shows the number of non-marginal wells as
8 17. How did you determine what was a non-marginal well?

9 A A non-marginal well is one that could not make or did not
10 make Continental's proposed allowable.

11 Q During what period of time?

12 A What do you mean what period of time? I believe our
13 figures were based on 1971 production and some '72
14 production.

15 Q Did they have that kind of allowable during that period?

16 A No, they didn't.

17 Q What were you comparing? You are comparing something
18 they didn't have to something they propose to give them;
19 is that what you are saying?

20 A The marginal well is pretty obvious whether they can make
21 a higher allowable when they are marginal.

22 Q Were they marginal during the period that you were talking
23 about?

24 A No, because the allowable wasn't that high. They were
25 marginal wells, as I pointed out. There was 27 marginal

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1 wells.

2 Q Since the allowables--a well that produces the allowable
3 might have the capacity to produce a great deal more; isn't
4 that correct?

5 A Run that by.

6 Q I say since the allowables were less during the period
7 you are using, what did you use the actual production?

8 A For those wells that were already marginal it was obvious.
9 For those wells that were not marginal we used production
10 history based on a peak month.

11 Q But a peak month necessarily does not reflect the ability
12 of a non-marginal well to produce?

13 A It will reflect it fairly closely when we are talking
14 about the volumes that we are talking about now.

15 Q You just took the one month that peaked out on any given
16 well?

17 A We performed a study whereby we went to the peak month and
18 average for the year and probably about the same thing as
19 Mr. Viney made.

20 Q Wouldn't a non-marginal well--it would not be produced at
21 its capacity, would it, when it makes its allowable it
22 quits?

23 A A non-marginal well during a peak month would probably go
24 over as much as six times.

25 Q And go under during subsequent months?

1 A That's right.

2 Q But the peak month wouldn't necessarily reflect its
3 ability to produce?

4 A Not necessarily, no.

5 MR. KELLAHIN: That's all, thank you.

6

7

CROSS EXAMINATION

8 BY MR. BILL KASTLER:

9 Q Mr. Buterbaugh, I believe you testified that you calculated
10 there would be, in opening up the gas production or the
11 gas wells to produce, a fixed allowable as proposed by
12 Gulf and that there would be an eighteen month to three
13 year period before gas would be well on its way to deple-
14 tion; is that correct?

15 A Our engineers that projected that say that a decline or a
16 severe decline will commence 18 months to three years from
17 now based on present production.

18 Q This was under the Gulf formula or the Gulf proposal?

19 A This was under present production rules.

20 Q Then, it would take one year for an F.D.C. permit; is that
21 correct?

22 A Most likely.

23 Q You testified that it would take one year to construct the
24 facilities after they were permitted?

25 A No. It would take one year for the F.D.C. approval and

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1 facility installation.

2 Q So then you are left with two years or a year and a half
3 to two years remaining life to deplete those facilities?

4 A No. This was a severe decline. This didn't deplete the
5 reservoir.

6 Q Isn't it a fact that those facilities are going to have
7 to be constructed and installed anyway for Northern to
8 take its gas eventually?

9 A Only if we go to the higher allowable.

10 Q If you don't go to a higher allowable and the wells are
11 depleted and have less well head pressure, I mean, it will
12 get its way into the pipeline without compression?

13 A I believe this is something that our engineers should
14 answer, not me.

15 Q If the allowables were fixed at the present time and you
16 had a year within which to make up back allowables, do
17 you believe that Northern Natural by redoubling its
18 efforts could take an allowable based on the 3,000 MCF
19 producing ratio?

20 A I don't believe that Northern or anybody else can make up
21 a year's back allowable because I don't believe the wells
22 have the ability to run that much.

23 Q In effect, does your proposal or your counter-proposal
24 amount to Northern Natural asking all the producers in
25 the field to take up your reluctance to produce the gas

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1 you have under contract as gas well gas?

2 A We haven't ever asked anybody to cut back on gas. We
3 have taken all the gas that has been assigned to us.

4 Q Well, if this gas should be fixed on the allowable, you
5 don't foresee how it can be taken; is that correct?

6 A Yes.

7 MR. KASTLER: I believe that's all. Thank you.

8 THE EXAMINER: Are there any further questions of
9 Mr. Buterbaugh? He may be excused.

10 MR. STEVENS: I have a couple more questions.

11
12 REDIRECT EXAMINATION

13 BY MR. DONALD G. STEVENS:

14 Q Mr. Buterbaugh, is it a fair statement that the reason
15 you would like to have a year of nominations continued
16 after any order might be entered by the Commission is in
17 effect to phase in the amount of additional gas so that
18 you can have the latitude to deal with the F.D.C. to make
19 whatever trade-out contracts you might make, but at the
20 end of that period you would be required to be nominating
21 what the allowable had been previously set at?

22 A That's right. That is what I had proposed.

23 Q If the Commission, say they entered an order tomorrow and
24 Mr. Nutter said you would have say maybe 27 months in
25 which to make up all this, though, when you get

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1 considerably far behind, didn't you state that the wells
2 might not have the ability to allow you to make up this
3 back allowable?

4 A That's right.

5 Q Therefore your nomination within the period of the one
6 year would take into account the ability of wells to
7 produce and your ability to take the gas during that
8 interim period?

9 A That is what we would like, yes.

10 MR. STEVENS: No further questions.

11 THE EXAMINER: Are there further questions of the
12 witness? The witness may be excused.

13 Do you have anything further, Mr. Stevens?

14 Does anyone have anymore testimony they wish to offer
15 in this case?

16 MR. KELLAHIN: I would like to recall Mr. Lyon for
17 rebuttal testimony.

18 THE EXAMINER: The record will show Mr. Lyon is still
19 under oath since July 26th.

20 (Whereupon, Mr. Victor Lyon was recalled to the
21 stand.)
22
23
24
25

MR. VICTOR LYON

having already been duly sworn according to law, upon his oath,
testified as follows:

DIRECT EXAMINATION

BY MR. JASON KELLAHIN:

Q Mr. Lyon, you are the same Mr. Lyon who testified in the
previous hearing in this case and made your qualifications
a matter of record?

A Yes, I am.

Q Have you made any further study of the affect of your
proposed rules on the individual operators in the
Blinebry gas pool and the oil pools?

A Yes, sir. At the time of the last hearing I had not had
an opportunity to evaluate each well as to the affect
that our proposed rules would have on them and in the
intervening period I have made such a study.

Q Is that in agreement with testimony you have heard here
today?

A No, it is not.

Q Have you prepared an exhibit which shows the results of
your study?

A I have a tabulation which summarizes my study and the
details involve 16 pages.

Q Mr. Lyon, referring to what has been marked as Applicant
Conoco's Exhibit 13, would you identify that exhibit

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1 please?

2 A Exhibit 13 is a tabulation of data on the Blinebry pool
3 listing each of the operators in the Blinebry oil and
4 Blinebry gas and/or Terry-Blinebry pools. The total wells
5 that they operate and the effect of the reclassification
6 and the changes in well status from 1971 to the current
7 situation are there.

8 Q The current meaning the combined pools under the present
9 rules?

10 A Yes. I have treated all of the wells and taken the pro-
11 duction and the projected production and actually the
12 changes which have resulted from the reclassifications
13 of wells primarily and this is on an annual basis. In
14 other words, these figures represent a year's change in
15 production. For instance, the first company which has a
16 change in the column oil is the Atlantic Richfield and
17 it suffered a loss of 1,230 barrels and the next column
18 shows a loss of gas of 26,901 MCF. This is the change
19 from 1971 annual figures to projected current figures
20 based on the facts that wells were reclassified and
21 consequently came under a different type of proration
22 system. The next column shows wells which would normally
23 have been reclassified to gas and consequently would have
24 had their allowables reduced except that the operator
25 appealed to the Commission and were given a grace period

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1 during which the well remains classified as an oil well
2 and then depending on how the well has performed when the
3 Commission reviews the wells again, they may or may not
4 suffer the additional loss which is shown in these
5 columns. Now, all of the figures to this point are
6 reductions and they are shown by being enclosed in
7 parenthesis. The next column shows the current situation
8 as compared to what we have proposed in Continental's
9 rules and in these cases there are some increases and
10 there are some decreases. These still are on annual
11 figures and I have shown the decreases by the parenthesis
12 and the increases by just the figures without parenthesis.
13 A part of the increases are due to wells which had been
14 reclassified from gas to oil in the oil areas and being
15 given back the allowable that they had in 1971, so that
16 this is actually a restoration of the allowable they
17 enjoyed in 1971. The third column under overall heading
18 Change Current to Proposed, I have shown doubtful. In
19 reviewing these wells the marginal gas wells, I feel that
20 this is a measure of their producing capacity. The oil
21 wells which were reclassified to gas, I feel have demon-
22 strated their producing capacity. The wells which were
23 unknown as to whether they could produce the increased
24 allowable are the wells which were gas wells in 1971 and
25 are still gas wells today and I did, as Mr. Viney did,

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1 review the 1971 data and picked the peak month for each
2 well during 1971 and established a daily average rate
3 for the well based on that month. Now, this does not
4 mean that that is the most that that well can produce,
5 but it does certainly say that the well did produce that
6 much during that month, so it tells me that the well has
7 demonstrated a capacity to produce at least that volume
8 of gas. I then compared this producing rate to the
9 allowable which would be assigned under Continental's
10 proposed system and indicated the wells which were non-
11 marginal or marginal and recorded the amount of the
12 deficiency in the allowable as compared to indicated
13 producing rate. This is kind of difficult to say, but
14 these wells, the non-marginal wells, have not indicated
15 --well, let me get my thinking straight--they haven't
16 indicated their maximum producing capacities by these
17 figures so that I don't know that this is the maximum
18 they can produce, but they have at least indicated that
19 they can produce that volume, but in counting up the wells
20 which indicated to be non-marginal, I total 54 wells as
21 opposed to the 17 that Mr. Buterbaugh testified to, but
22 I am not sure what else he was talking about because I
23 believe on his exhibit, if you will total the non-marginal
24 and marginal wells under the Continental proposal and the
25 marginal and non-marginal wells under the Gulf proposal,

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1 you don't come up with the same number of wells, so I am
2 not sure what he is comparing, but at least I do not
3 agree with his evaluation of the number of non-marginal
4 wells under our system. Now, the wells that I have
5 indicated to be marginal are those, that during their
6 peak month, failed to produce as much as we assigned
7 them. I am not sure they have been put to the test. I
8 am not sure all these wells are marginal because there was
9 no particular reason for them to produce as much as I
10 assigned them because they were producing against their
11 current allowable which is considerably less than the
12 allowable which we have proposed, so I feel confident
13 that there are at least 54 non-marginal wells and perhaps
14 more.

15 Q Does that complete your testimony on Exhibit 13?

16 A No. There is some more. My company seems to have some
17 difficulty in placing a value on hydrocarbons that are
18 measured in MCF and to get everything in perspective I
19 have attempted to reduce the changes in allowable to the
20 basis of barrels because it seems to get my company's
21 attention better and perhaps other companies are the same
22 way, but it is a little bit difficult to compare values
23 of oil and gas when you are talking about one in barrels
24 and one in MCF, so I assumed that 20 MCF was equivalent
25 to one barrel of oil in value and reduced the figures over

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1 here in the center column--change of current to proposed--
2 multiplying or just taking the figures for the oil and
3 then changing the figures in gas to one barrel of oil per
4 20 MCF of gas and reducing or subtracting from that the
5 gas represented in the doubtful column. So, that this is
6 gas that I determined the wells actually had the capacity
7 to produce and placed this equivalent barrels plus
8 equivalent barrels in the next column and again I have
9 shown increases by the numbers and decreases by the
10 numbers enclosed in parenthesis. Then, the next column
11 is headed--that PROB stands for probation wells. These
12 are wells which during 1971 had produced at ratios or at
13 least their reported production indicated ratios greater
14 than 32,000 to 1 so that they would have been classified
15 to gas wells and they will be classified to gas wells
16 unless they can demonstrate that they can produce at
17 ratios less than that. So, if I have made the changes
18 of the barrels of oil plus the equivalent barrels of gas
19 for those wells which are under probation and then the
20 last column is the total possible benefit which includes
21 the second from the last column plus the next to the last
22 column which is just the sum of those two columns in the
23 final column which would indicate the total maximum benefit
24 to each operator under Continental's proposed system.

25 Q Under Continental's proposed system, would any appreciable

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1 number of oil wells be curtailed?

2 A Under Continental's system there would be five oil wells
3 in the gas area--excuse me--I testified to the number at
4 the last hearing but I don't recall what that figure was.

5 Q As shown on your exhibit, would any of the operators
6 suffer a loss?

7 A Yes. There are two operators who would suffer a loss and
8 here again this is determined to some degree by the
9 placement of the boundary between the oil area and the
10 gas area. These two losses are from two wells, both of
11 which are very near the boundary of the oil between oil
12 area and the gas area on the southeastern extremity of
13 the pool.

14 Q By changing the boundary as you originally proposed, would
15 that cure the situation?

16 A That could be cured to where these people would not be
17 curtailed at all.

18 THE EXAMINER: What could be done to cure it just
19 moving the boundary a little bit?

20 THE WITNESS: Yes.

21 THE EXAMINER: They are on the line then?

22 THE WITNESS: Very close to the line, yes.

23 Q (By Mr. Kellahin) Now, under your proposal the gas wells
24 in the oil areas being given an equivalent allowable to
25 protect against waste, how would that work?

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1 A Well, as I testified before there are occurrences of gas
2 wells in areas which are predominantly developed for oil
3 and these wells have been undergoing drainage and are
4 subject to considerable withdrawals, some of them for a
5 number of years and some of them just fairly recently, but
6 I feel that it is essential that those wells be given an
7 equivalent gas allowable on those oil wells that they are
8 surrounded by in order to protect them from any drainage
9 by the oil wells.

10 Q When you say equivalent, you are not trying to give them
11 an advantage, are you?

12 A No. I am just trying to put them on the same basis as
13 the oil wells.

14 Q How about gas wells in the gas area?

15 A Well, the gas wells in the gas area are not subject to
16 immediate drainage from immediate offset. They have been
17 subject to regional drainage over a number of years such
18 that there is a pressure differential that exists between
19 the oil areas and the gas area and our proposal merely
20 tries to place the volumetric withdrawal from each of these
21 areas on an equal basis.

22 Q You heard the testimony of the Northern Natural Gas
23 Company where it was stated that we were or Continental
24 was trying to correct an inequity of 18 years standing.

25 Is Continental's proposal in any way designed to make up

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1 for this past inequity?

2 A No. It is merely designed to provide for equivalent
3 volumetric withdrawal from the oil wells and the gas wells.

4 Q Does your proposal provide for flexibility in the gas well
5 production to take care of--

6 A I think it does because you don't have the same allowable
7 assigned to the gas wells and the oil wells throughout the
8 pool. In other words, the gas area--the allowable is
9 determined by the withdrawal of gas from the oil area for
10 the previous six months and consequently it operates just
11 about like the nominations today. You can distribute that
12 among the wells. You can provide for overproduction and
13 underproduction whereas if you allocate the same gas
14 allowable to all wells in the pool, then you have got the
15 oil wells which have to produce their allowable each month
16 or it is lost and the gas wells have got to--they have six
17 months or a year to produce theirs and in one respect this
18 gives the gas wells an advantage over oil wells because
19 the oil wells have to produce their allowable in a month
20 or it is lost and it also places the gas wells and the oil
21 wells in a competitive position that if they don't take
22 that allowable then it is deferred and the well may be
23 subject to drainage. I don't believe that it fosters the
24 flexibility of seasonal demands for gas areas that is
25 provided under my rules.

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1 Q Do you have anything to add?

2 A I don't believe so.

3 Q Was Exhibit 13 prepared by you or under your supervision?

4 A Yes, it was.

5 MR. KELLAMIN: At this time I would like to offer in
6 evidence Exhibit Number 13.

7 THE EXAMINER: Continental's Exhibit 13 will be
8 admitted into evidence.

9 Are there any questions of Mr. Lyon?

10

11

CROSS EXAMINATION

12 BY MR. CHRISTY:

13 Q Mr. Lyon, you mentioned two operators would be adversely
14 affected according to your Exhibit 13 but that that could
15 be remedied by change of your, I think you said, the
16 southeast or east line of the oil-gas areas; is that
17 correct?

18 A That's correct.

19 Q Would that be a proposal to move approximately one-half
20 mile west of your east line?

21 A Well, it isn't quite that simple.

22 Q That is what I am trying to find out. What are you
23 proposing?

24 A Well, the two wells that I am referring to are John
25 Hendricks, I believe it is, and the other is one of

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1 Hanson's wells. I don't remember the name of it right
2 now.

3 Q Are you just proposing to move those two wells into the
4 oil area?

5 A NO. What I would propose to do and incidentally I think
6 that the Commission in administering rules such as this,
7 if they are adopted, would and should use some discretion
8 as to situations which indicate that there might be some
9 hardship placed on somebody which can reasonably be
10 avoided by the way they administer the rules.

11 In this particular instance I find that if you
12 would include the Southeast Quarter of Section 13 in
13 Township 22 South, Range 37 East and the North Half and
14 the Southeast Quarter of the Northeast Quarter of Section
15 24. That is 128.

16 Q Give me the description again.

17 A Southeast Quarter of Section 13 and the North Half and
18 I am talking about the Northeast Quarter of Section 24
19 and I would include the North Half and the Southeast
20 Quarter of that quarter section in the oil area as well
21 as all of Section 19 in Township 22/38 and Northwest
22 Quarter of Section 30 and with those changes, I believe
23 that those operators--their hardship could be avoided
24 and there would not be any inequity by making that change.

25 THE EXAMINER: Are you proposing that Exhibit Number

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1 8 offered July 26 then be amended to conform to that
2 description you just gave?

3 THE WITNESS: Yes. I would recommend that as a
4 means of avoiding a hardship to two of the better wells in the
5 pool.

6 THE EXAMINER: Exhibit Number 8 in this case is so
7 amended.

8 Q (By Mr. Christy) Isn't there an oil well in Section 1
9 and I believe it is the Northwest Southeast? You didn't
10 mention your boundary line west to accommodate that well.
11 What township and range is that?

12 A I am down along the southeast line.

13 THE EXAMINER: It goes off my print. I think it is
14 in 22 but I can't tell.

15 Q (By Mr. Christy) Is there an oil well in the Northwest
16 Southeast of 1?

17 A Yes.

18 Q I notice you are not proposing to move your line over to
19 accommodate it?

20 A No.

21 Q What about the oil well in Section 12 that appears to
22 be in the Northeast Southeast?

23 A I haven't proposed any change on it either.

24 Q What I am suggesting to you is that probably it might be
25 a little more equitable to move your whole east line over

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1 west one-half of a mile and accommodate all of these wells.

2 A Well, when I reviewed these I did not see any undue
3 hardship on those wells. I may have overlooked something
4 but I don't see anything from what I have looked at so
5 far to recommend that change.

6 Q On July 26 I asked you if you had considered a contouring
7 in this matter in order to draw your lines and your answer
8 at that time was no. I ask you that same question now.

9 A No.

10 Q You still haven't done anything on that?

11 A No.

12 MR. CHRISTY: Thank you, sir.

13 THE EXAMINER: Are there further questions of Mr.
14 Lyon? He may be excused.

15 Do you have anything further, Mr. Kellahin?

16 MR. KELLAHIN: That's all.

17 THE EXAMINER: Does anyone have any testimony they
18 wish to offer at this time?

19 We will call for statements in the case.

20 MR. LOPEZ: Mr. Examiner, on behalf of Marathon
21 Oil Corporation we support, as does almost every operator of
22 record in this case, a change in the Blinbry pool rules. Of
23 the two proposals submitted one by Gulf and one by Continental,
24 Marathon Oil Corporation prefers the Gulf proposal. However,
25 I wish to point out two areas of disagreement. The first

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1 involves Rule 4-A. Marathon is not in agreement with the
2 grandfather clause. We wish the classification of gas wells
3 to remain at the 32,000 to 1 ratio. Our reason for this is
4 that we feel that by changing the gas well classification you
5 continue the inequities which have benefited the oil wells in
6 the past by allowing them to produce an inordinate amount of
7 casing head gas. Turning to Rule 5 we wish to say that we, in
8 the main, do support the Gulf proposal primarily for two reasons.
9 The first is that it involves the simplicity of operation for
10 operators because there would be no volumetric calculations
11 required nor would we be faced with the oil-gas boundary as
12 proposed by Continental. However, I might add a subnote that
13 the recent change in the line suggested by Mr. Lyon is of
14 benefit to us. However, we do disagree with cutting the
15 allowable from the limiting gas-oil allowable on a ratio from
16 6,000 to 3,000. We believe that the evidence introduced at
17 this hearing has in no way supported the position that a reduc-
18 tion in the oil-gas ratio will preserve the reservoir. We
19 believe the testimony has shown that the matter of the gas and
20 oil reserves in this particular pool is very complicated and
21 a very time-consuming process and really no studies have been
22 made to support the position taken by Gulf in this matter. I
23 have nothing further. Thank you.

24 MR. BUELL: Mr. Examiner, I believe an appearance
25 has been entered for me before. I am appearing on behalf of

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1 Shell Oil Company. Generally Shell supports the Gulf proposed
2 rules in this area but as with Marathon we do object to the
3 change in the GOR from 6,000 to 1 to 3,000 to 1 and Shell Oil
4 Company is not aware of the interlineation that has been made
5 in Rule 4 dealing with the gravities of the oil and so we
6 express no view on that at this time.

7 MR. HARBIN: I am Kenneth Harbin with Texaco from
8 Midland, Texas and Texaco likewise supports Gulf's proposed
9 field rules with the exception that we also propose a limiting
10 GOR of 6,000 to 1 rather than 3,000 to 1.

11 MR. SIMMONS: W. B. Simmons with Mobil Oil Corporation.
12 1. Mobil Oil Corporation recommends that the Commission disapprove
13 the Continental Oil Company request to divide the Blinebry
14 Pool into gas areas and oil areas. Mobil believes that oil
15 wells and gas wells, as defined by the present rules, do
16 reasonably exist in the Blinebry Pool regardless of location
17 within the pool. Mobil further believes that any attempt to
18 construct a line dividing the oil wells and gas wells in the
19 Blinebry Pool would be purely arbitrary, and subject to varied
20 interpretation and attack.

21 2. Mobil recommends that the Commission disapprove
22 Continental's requested method of setting allowables in the
23 Blinebry Pool. We believe that the proration order in current
24 use is a valid order that, by use of the acreage formula,
25 allowed the Blinebry Pool to meet the market demand without

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1 waste.

2 The use of existing Blinebry Rules will curtail gas
3 production in the lower pressure areas, thereby, reducing the
4 movement of oil and gas from the higher pressure areas to the
5 lower pressure areas. This procedure will eventually tend to
6 correct the inequities that may exist in a manner that will
7 protect correlative rights and prevent waste. A decrease in
8 the present limiting gas-oil ratio of 6000 cf of gas per
9 barrel of oil would accelerate this correction.

10 3. Mobil has no objection to the proposed rule
11 amendment to provide for annual bottom-hole pressure, GOR and
12 gas liquid tests.

13 4. Mobil has no objection to the proposed rule
14 amendment to extend the vertical limits of the Blinebry Pool
15 so that the base of the Blinebry will coincide with the top
16 of the Tubb Pool.

17 5. Mobil has no objection to Gulf Oil Corporation's
18 counter-proposal in New Mexico Oil Conservation Commission
19 Case Number 4775 in that the gas wells and oil wells can exist
20 anywhere in the field without the arbitrary dividing line
21 proposed by Continental Oil Company.

22 Also, Gulf's proposal in their Rule 6 recognizes
23 the need to maintain equity in the production of the oil wells
24 as compared to the actual takes of gas purchasers from the
25 gas wells. Mobil believes this concept is worthy of further

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1 consideration by the Commission. Mobil also concurs with
2 Gulf's proposal to decrease the limiting gas-oil ratio in the
3 Blinebry Pool to 3,000 cf of gas per barrel of oil.

4 MR. STEVENS: Northern Natural concurs with
5 Gulf and Continental that this pool probably needs a realloca-
6 tion to protect correlative rights. Obviously the big point
7 here is how much additional gas do we have to produce to protect
8 the correlative rights and perhaps get the field in balance.
9 So far as Northern Natural alone is concerned, not considering
10 the others in the field, the amount of money to be expended
11 would be seven million dollars. This seven million dollars
12 would not have to be spent if the present rules were continued.
13 We don't propose this. We agree with the contentions that
14 they should be changed. Northern Natural would like to see,
15 however, that this change be one made gradually at least
16 allowing them sufficient time to provide for additional
17 facilities so that actual physical waste won't occur at the
18 surface and two that the change not go to the magnitude that
19 has been recommended by Continental and Gulf. In any case,
20 Northern Natural would propose that the Commission give a year
21 in which whatever change is adopted by the Commission if any
22 that they could gear up for it and the other operators could
23 gear up for it, too. The purpose then we understand at this
24 hearing is to correct these previous inequities. Probably
25 these previous inequities aren't going to be corrected. You

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1 have a situation where it is a partial deliverability formula
2 which no engineer that I have heard testify here or very few
3 anyhow would say protects correlative rights. The Gulf's
4 proposal to drop the GOR from 6,000 to 3,000 is based on two
5 things, as I understand it. One is to prevent waste of
6 reservoir engineering or in effect prevent physical waste with
7 a 3,000 as opposed to a 6,000. The other is, I don't know
8 whether it was stated or not, but I suspect to make the addi-
9 tional allowable at least more in line with what the purchasers
10 might be able to take. We submit that making it 2,000 to 1 as
11 opposed to 3,000 or 6,000 would accomplish both these aims
12 even more so. You would have less physical waste and the testi-
13 mony as Gulf established, you would have a more easily handled
14 additional amount of gas. In summary, we are concerned with
15 spending seven million dollars to take care of additional
16 amount of gas which from testimony established, or at least as
17 far as we are concerned, is that this gas is going to start
18 falling off rather soon and that amount of expenditure is
19 economic waste and that is Northern Natural's alone.
20 Presumably other companies might have to spend the amount or a
21 greater amount.

22 THE EXAMINER: I would like to ask Mr. Buterbaugh a
23 question, please.

24 What is this seven million dollars for, Mr.
25 Buterbaugh?

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1 MR. BUTERBAUGH: These are pipe change-outs, horse-
2 power at three different stations and additional treaters at
3 our main station.

4 THE EXAMINER: How much of the seven million is
5 involved in pipe change-outs?

6 MR. BUTERBAUGH: About 570,000.

7 THE EXAMINER: How much in horsepower?

8 MR. BUTERBAUGH: About three and a half million.
9 Total horsepower is in the vicinity of five and a half million
10 dollars.

11 THE EXAMINER: Five and a half million dollars for
12 horsepower and half a million dollars for pipe change-out?

13 MR. BUTERBAUGH: Another half a million for treating
14 facilities at the plant. These are very preliminary numbers.

15 THE EXAMINER: Are there any further statements?

16 MR. SPEIGHT: I am Carl Speight with Hunt Oil Company
17 and Hunt would like to support Gulf Oil Corporation's proposal.

18 MR. CHRISTY: Sim Christy representing John H.
19 Hendricks an operator of several wells in the Blinbry pool.
20 We would like to support Gulf's proposed rules for a six month
21 trial period but recommend the continuation of a 6,000 to 1
22 GOR during the test period. We suggest to the Commission that
23 this later radical departure from a rule that has been in
24 effect for ten years is premature without further study and
25 more solid engineering basis for the advisability thereof. We

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1 would stress that Continental's proposed rules admittedly in
2 two different hearings are admittedly without any geological
3 basis for oil-gas areas has been shown to potentially promote
4 a violation of correlative rights of several of the operators.

5 MR. KELLAHIN: If the Examiner please, I will be as
6 brief as possible. I think it is important to note that in
7 testimony offered by Continental Oil Company we discussed the
8 effect of eighteen years of prorationing system and favored
9 the oil wells which has resulted in pressure differentials and
10 problems which have impaired correlative rights. Now, in no
11 way is Continental proposing to turn back the clock and give
12 an equal advantage to the gas wells. What they are trying to
13 do here is create a system which will protect correlative
14 rights today. We have a pool in which there are admittedly
15 different producing characteristics. Nobody has refuted Mr.
16 Lyon's testimony in connection with the basis upon which he
17 makes his proposal for oil areas and gas areas. The charac-
18 teristics of the wells in those areas are different and nobody
19 has refuted this.

20 Now, in order to set up any kind of a prorationing
21 system which would give an equal opportunity to oil wells in
22 what we choose to be denominated the oil areas and wells in
23 gas areas requires that the two areas be treated differently
24 and that is the basis of Mr. Lyon's proposal.

25 If we throw them all into one area and treat them

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1 all the same, we then carry forward the inequities that have
2 existed down through the years if for no other reason than
3 simply because the pressure differences have been created by
4 the past operations in this pool or in these two pools.

5 Now in connection with the GOR, we agree with Mr.
6 Christy that a change at this time would not be indicated.
7 We don't feel that the testimony that has been offered here
8 would justify such a thing. Northern Natural says, in addition,
9 that number of marginal wells that exist here were not in
10 agreement in that they have one figure and we have another.
11 We feel our figure is supported and I trust that the Commission
12 will examine the records to see who is correct.

13 The effect of the rules proposed by Gulf as testified
14 by Mr. Viney would result in curtailment of 48 oil wells on
15 production. The proposal by Continental Oil Company would
16 result in the curtailment of a couple of wells and, as he
17 pointed out in his testimony here today, that inequity can be
18 cured simply by changing the lines of his proposed oil area,
19 so we submit that the proposal by Continental Oil Company is
20 sound and should be seriously considered by the Commission and
21 hopefully adopted.

22 Thank you.

23 THE EXAMINER: Is there anything further in this case?

24 We will take the case under advisement.

25 Hearing is adjourned.

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Gulf's Exhibit Number 1 - Gulf's proposed special pool rules for the Blinebry pool	36
Northern Natural Gas's Exhibit Number 1 - Current allowable in production of status in Continental proposal and Gulf proposal	59
Continental's Exhibit Number 13 - Tabulation of data on Blinebry Pool listing operators in the Blinebry oil and Blinebry gas or Terry-Blinebry pools	84

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2 STATE OF NEW MEXICO)
3 : ss.
4 COUNTY OF BERNALILLO)

5 I, MARCIA J. HUGHES, Court Reporter, do hereby certify
6 that the above and foregoing pages are a true and correct
7 transcript of the proceedings had before the New Mexico Oil
8 Conservation Commission on Wednesday, August 23, 1972.

9 *Marcia J. Hughes*
10

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21
22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
the Examiner hearing of Case No. 4775
heard by me on 8/23, 1972
24 *[Signature]*, Examiner
25 New Mexico Oil Conservation Commission

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
July 26, 1972

EXAMINER HEARING

-----)
IN THE MATTER OF:)

Application of Continental)
Oil Company for amendment)
of special pool rules, Lea)
County, New Mexico.)
-----)

Case No. 4775

BEFORE: Daniel Nutter, Examiner

TRANSCRIPT OF HEARING

July 26, 1972
Wednesday
2:00 P. M.

P R O C E E D I N G S (Continued)

MR. NUTTER: The hearing will come to order, please. The next case on the docket this afternoon will be Case Number 4775.

MR. HATCH: Case 4775: Application of Continental Oil Company for Amendment of Special Pool Rule, Lea County, New Mexico.

MR. KELLAHIN: If the Examiner please, Jason Kellahin, Kellahin and Fox, Santa Fe, appearing for the applicant. We will have one witness.

MR. NUTTER: We will call for appearances now for whoever--

MR. LOPEZ: Owen Lopez, Montgomery, Federici, Andrews, Hannahs and Morris, for Marathon Oil Company.

MR. KASTLER: Bill Kastler, representing Gulf Oil Corporation and Warren Petroleum Corporation both, and I don't wish to make any formal motion, but simply appear by statement and to make a request at the end of the presentation of Continental's testimony that the case be held in abeyance for 30 or 60 days preferably in order for the operators in the pool, principally Gulf and the plant operator Warren, to have time to evaluate the effects of this proposal more clearly.

MR. NUTTER: Other appearances.

MR. STEVENS: Don Stevens representing Northern Natural

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1 Gas. We will possibly have one witness to be sworn solely for
2 purposes of requesting a continuance to show that possibly the
3 proposed order is not properly considered at this point. We
4 would join Gulf in requesting a continuance from 30 to 60 days.

5 MR. WHITE: Charles White of White, Gilbert, Koch and
6 Kelly, appearing on behalf of Texaco and we would like to make
7 a brief statement before the commencement of the hearing.

8 MR. CHRISTY: Sim Christy for John Hendricks an
9 operator in the Blinbry field. We would also join in with
10 Gulf requesting a continuance of this case until the operators
11 in the field have had a chance to evaluate the proposal. Our
12 first notification of it was July 19 and I think that is about
13 three or four business days and that is not sufficient time.
14 We may have one or two short questions of the witness.

15 MR. SPEIGHT: Carl Speight with Hunt Oil Company
16 representing M. D. Hunt, and we would like to join Gulf and the
17 others requesting a continuance at the completion of their
18 presentation.

19 MR. NUTTER: What is your address, Mr. Speight?

20 MR. SPEIGHT: Drawer 1350, Midland.

21 MR. NUTTER: That is Hunt Oil Company?

22 MR. SPEIGHT: Hunt Oil Company.

23 MR. REAVIS: Harley Reavis with Humble. We want to
24 join Gulf in their request for a 30 to 60 day abeyance.

25 MR. CHASTEN: Dennis Chasten with Texas Pacific and

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1 I just have a brief statement to make before the end of the
2 hearing.

3 MR. SEEREY: John Seerey, Mobil Oil. We think we
4 would like to make a statement before the end of the hearing.

5 MR. MANNING: E. R. Manning with El Paso Natural Gas
6 and we may want to make a statement. It depends upon the
7 testimony.

8 MR. HUEY: Bob Huey with Sun Oil Company. We would
9 join Gulf in asking for a continuance also.

10 MR. NUTTER: I think I may have misinterpreted what
11 you stated, Bill. You want to hear the case, but you want to
12 hold off putting an order out? Do you want us to hear the case
13 and continue it for 60 days?

14 MR. KASTLER: I would like to have you hear the case
15 at this time, the principal case, but continue the opportunity
16 to Gulf and Warren, at least, and other operators I am sure,
17 to have the opportunity to enter further testimony pro or con.

18 MR. NUTTER: You want to evaluate Continental's
19 proposed rules. Is this it?

20 MR. KASTLER: Yes. That is it.

21 MR. PORTER: You do not know at this time what posi-
22 tion you may take?

23 MR. KASTLER: That's correct.

24 MR. LOPEZ: Mr. Examiner, I believe the position of
25 our client is a little different. They requested that I move

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1 for a continuance prior to putting on testimony in the event
2 that we do not agree with the proposed rules and we still want
3 to have the opportunity to cross examine Continental's witness.
4 However, in the event my motion is denied, we join with Gulf in
5 requesting that the Commission keep the hearing open for the
6 admission of additional testimony for either 60 days hence.

7 MR. WHITE: Texaco, I guess, is perhaps betwixt and
8 between. They wanted me to make the following statement, that
9 Texaco has no objection to the consolidation of the Terry-
10 Blinebry and Blinebry pools. However, in view of the complex
11 nature of Continental's proposal, Texaco recommends that it be
12 set for separate hearing or that a continuance of the hearing
13 be granted to allow time for additional study of Continental's
14 proposal.

15 MR. NUTTER: I think that the pools have already been
16 combined, Mr. White. However, the effective date of the combina-
17 tion is yet to come. This was ordered back in May that the
18 pools would be consolidated effective August the 1st.

19 MR. KELLAHIN: If the Examiner please, we of course
20 would not agree to a continuance unless it is forced upon us
21 since we are here with our witness ready to present testimony.
22 Now, we do not have any serious objection to holding the case
23 open for some reasonable length of time, but in that connection
24 I would point out that the effective date of the consolidation
25 of these two pools is August the 1st and we certainly do not

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1 want a situation we are in in the present rules in Blinebry and
2 Terry-Blinebry pool because we feel that would be disastrous
3 to the interest of all operators. If there was some way the
4 prorationing of these two pools could be kept in its present
5 status until this case has been completed and an order entered,
6 we would have no serious objection, but if this cannot be done
7 and certainly the Examiner can't suspend the operation of the
8 Commission's order, then we feel that this case should be heard
9 and an order be entered and that is the reason we feel that that
10 should be done.

11 MR. NUTTER: Of course one of the reasons we post-
12 poned putting the combination of the pools into effect on June
13 the 1st after that order was issued was to provide Continental
14 with time to come in with a case and we delayed the effective
15 date of the order two months and here we are almost at the end
16 of the two month period.

17 MR. KELLAHIN: This is true, Mr. Nutter. Continental
18 perhaps is the major operator in the pool, but certainly any-
19 body else could have applied for the same thing.

20 MR. LOPEZ: In connection with what Mr. Kellahin said,
21 Mr. Examiner, I join Mr. Christy in stating that the operators
22 were only notified on July 19, a very short time ago. Again,
23 as is the case of Mr. White, we don't know that we are for it
24 or against it, but we have got to have more time to study it
25 and this is our problem.

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1 MR. KELLAHIN: If the Examiner please, a meeting was
2 called on July 19 to discuss this case, but the publication
3 notice and issuance of Commission's docket was long in advance
4 of that date.

5 MR. CHRISTY: I might add to that, Mr. Examiner,
6 however, the record will show that Continental did not furnish
7 the proposed rules with the application and therefore knowing
8 that the case was coming up, we still didn't know what the
9 proposed rules were and didn't know until July 19.

10 MR. PORTER: Let's go off the record a minute.

11 (Discussions were held off the record.)

12 MR. KASTLER: On behalf of Gulf Oil Corporation, I
13 request that the Examiner request the Oil Conservation Commis-
14 sion to consider suspending the effect of its order which would
15 otherwise become effective August 1 until September 1. This is
16 the order consolidating the Terry-Blinebry and the Blinebry
17 pool.

18 MR. NUTTER: We will hear Continental's testimony
19 at this time in Case 4775. After we have heard Continental's
20 testimony we will take whatever statements anyone wants to make
21 and we will continue the case to the examiner hearing scheduled
22 to be held at the same time and place at 9:00 A. M. on
23 August 23rd at which time anyone else interested may present
24 testimony. Also, the Examiner will make a recommendation to
25 the Commission that an emergency order be made suspending the

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1 effective date of the consolidation of the Terry-Blinebry and
2 the Blinebry oil pools which effective date as of now is
3 August 1, 1972. An emergency order if issued would prevail for
4 15 days and at that time we will see if some other means of
5 suspension of the consolidation can be made pending the outcome
6 of this hearing.

7 MR. CHRISTY: You are just speaking about the direct
8 to Mr. Lyon and not the cross?

9 MR. KELLAHIN: I object to that. I want cross examina-
10 tion to be today.

11 MR. NUTTER: I think he should be open to cross
12 examination today and he will be available at our next hearing.

13 MR. LOPEZ: If that is how you are going to rule, I
14 am sort of at a stop. I must say that cross examination is
15 usually based on study and we haven't had that opportunity.

16 MR. KELLAHIN: If the Examiner please, cross examina-
17 tion normally follows immediately after the direct and is not
18 based on study. We submit that we are ready to proceed and
19 complete our case which should include cross examination of our
20 witness. Now, we will have him here at the next hearing if they
21 want to recall him for some purpose of their own. If they
22 recall him, of course he will be their witness.

23 MR. NUTTER: I think we will proceed on those grounds.

24 MR. KELLAHIN: Mr. White asked me if I would object
25 to him making his statement in advance of the hearing. I

1 understand Mr. Buell made a statement this morning which I
2 haven't read as of yet.

3 MR. NUTTER: Mr. White, would you like to make a
4 statement?

5 MR. WHITE: I have already made mine. Thank you, sir.

6
7 VICTOR T. LYON

8 having been duly sworn, testified and was examined as
9 follows:

10 DIRECT EXAMINATION

11 BY MR. KELLAHIN:

12 Q Would you state your name, please?

13 A Victor T. Lyon.

14 Q By whom are you employed and in what position, Mr. Lyon?

15 A I am employed by Continental Oil Company as conservation
16 coordinator in the Hobbs division in Hobbs, New Mexico.

17 Q Have you testified before the Oil Conservation Commission
18 Examiner and made your qualifications a matter of record?

19 A Yes, I have.

20 MR. KELLAHIN: Are the witness's qualifications
21 acceptable?

22 MR. NUTTER: Yes, they are.

23 Q (By Mr. Kellahin) Mr. Lyon, are you familiar with the
24 application of Continental Oil Company in the Case Number 4775
25 presently before the Examiner?

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1 A Yes, I am.

2 Q What is proposed by the applicant in this case?

3 A Case Number 4775 is the application of Continental Oil
4 Company for amendment of special pool rules for the
5 Blinebry pool which would provide for annual bottom hole
6 pressure, GOR, and gas liquid surveys rather than the
7 multiple surveys presently required. We will divide the
8 pool into a gas area and oil area, within each of which,
9 allowables would be equalized on a per acre basis and
10 provide for a volumetric withdrawal formula to equalize
11 hydrocarbon withdrawal from the oil and gas areas and
12 extend the vertical limits of the Blinebry pool so that
13 the base of the Blinebry pool would coincide with the top
14 of the tub pool.

15 Q Was this application prompted by the recent order of the
16 Commission consolidating the Blinebry and the Terry-
17 Blinebry pools?

18 A Yes, it was.

19 Q Referring to what has been marked as the Applicant's
20 Exhibit Number 1, would you identify that exhibit, please?

21 A Exhibit Number 1 is a map which, incidentally was supplied
22 by the Commission, and it shows the outlines of the
23 Blinebry and Terry-Blinebry pools. The Blinebry pool is
24 shown by the dashed line. The Terry-Blinebry pool is shown
25 by the dotted line and, as you can see, if you can see

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1 these lines, it wraps around the northern extremity of the
2 Blinebry pool and it lies along the east flank of the
3 northern edge of the Blinebry pool. The pool is approx-
4 imately 13 miles long and six or seven miles wide and
5 they show on the exhibit by the triangles, the oil wells
6 in the Terry-Blinebry pool. The enclosed circles are oil
7 wells in the Blinebry oil field and the wells with the
8 conventional sunburst symbol are gas wells in the Blinebry
9 gas pool.

10 Q There are gas wells scattered throughout the Blinebry pool,
11 are there not?

12 A Yes, there are.

13 Q Are there any gas wells in the Terry-Blinebry pool?

14 A No, sir.

15 Q For what reason are there none up there, do you know?

16 A The Terry-Blinebry pool rules do not provide a definition
17 for gas wells. Until the recently adopted state-wide
18 definition of gas wells, wells which produce over 100,000
19 cubic feet per barrel, there was no provision for a gas
20 well in the Terry-Blinebry pool. In effect, we have had
21 three systems operating in this reservoir and I might
22 mention that in 1954 or '55, whenever it was that the
23 original rules were adopted for the three pools, the
24 Terry-Blinebry was separate out here. They were not
25 connected by drilling. There was some doubt at that time

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1 whether they were in effect two reservoirs or one reser-
2 voir. Because of this doubt, the Commission provided for
3 semiannual bottom hole pressure, GOR, gas liquid surveys
4 and so forth which were intended to confirm the fact that
5 the pools actually were separate. Within a few years after
6 the issuance of those orders, the pools drilled together.
7 That question was answered by the drill bit, but nothing
8 was ever done with the rules. They still were taking the
9 semiannual tests. They didn't need to answer the question
10 of whether they were separate, but the testing has con-
11 tinued to this day. So, we had one set of rules for the
12 Terry-Blinebry pool which provided for assigning of oil
13 allowables in accordance with the Commission's oil prora-
14 tion system with a limiting gas-oil ratio of 6,000 cubic
15 feet per barrel. We had a system for the Blinebry oil
16 pool which was identical to the Terry-Blinebry pool except
17 that there was a definition for a gas well, any well that
18 produced with a gas-oil ratio in excess of 32,000 or pro-
19 duced gas liquids with the gravity--ABI gravity of the
20 51 degrees or higher was a gas well and any well that had
21 a ratio of less than 32,000 or produced liquids lower than
22 51 degrees gravity was an oil well. If it produced with a
23 higher ratio than that or produced higher gravity liquid,
24 it was a gas well in the Blinebry gas pool. Now, the
25 Blinebry oil pool was governed just like the Terry-

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1 Blinebry was for those wells which qualified as oil wells.
 2 The wells that were in the Blinebry gas pool, however, were
 3 prorated under what is now order number R1670. The
 4 allowables assigned had no relationship at all to the
 5 oil allowables or the casing head gas permitted to produce
 6 with the oil. Consequently, it is not surprising that
 7 there were inequities. There were disproportionate with-
 8 drawals from one pool as compared to the other, but these
 9 three systems have operated side by side. Of course, the
 10 Terry-Blinebry just along the common boundary of the
 11 Blinebry oil and gas proration systems have operated side
 12 by side throughout the reservoir since 1954.

13 Q That would be on directly offsetting wells?

14 A Yes, sir. In many cases it would.

15 Q Now, referring to what has been marked as Applicant's
 16 Exhibit Number 2, would you identify that exhibit, please?

17 A Exhibit Number 2 is a tabulation of data for comparison
 18 purposes. The first column is for the Blinebry oil pool.
 19 The second column is for the Terry-Blinebry pool which is
 20 an oil pool. The third column is for the two oil pools
 21 combined as they will be combined when the Commission's
 22 order takes effect consolidating the two pools. The fourth
 23 column shows the data for the Blinebry gas. As you can
 24 see, there are 350 wells in the combined oil pool, 139 gas
 25 wells in the Blinebry gas pool. The acreage dedicated to

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oil wells is 14,000. The acreage dedicated to gas wells is 17,424. It is a pretty good balance. The deal is just about equally divided between oil and gas. I have shown the 1971 production in barrels of oil, MCF, of gas, the average GOR, the daily barrels of oil per day per well and you can see that the combined oil pools produced an average of 8.29 barrels per day per well and this, I might add, was the top allowable average for the year of 19 barrels a day. The Blinebry gas produced 2.58 barrels of liquids per well per day. The Blinebry or the oil wells produced 159.3 MCF gas per well per day. The Blinebry gas wells produced an average of 369.8 MCF of gas per day per well. If you bring this down to an acreage basis, the Blinebry gas wells produced one-tenth as much per day per acre of liquids as did the oil wells which is not surprising. You would not expect the gas wells to produce large quantities of liquid, but it produced 2.95 MCF per acre per day per well from the gas pool as compared to 3.98 MCF per day per well per acre in the two oil areas. Then I show the top allowable production. Of course there is no liquid allowable for Blinebry gas, but Blinebry and Terry-Blinebry pools had a top allowable of 99 barrels with 594 MCF casing head gas allowable whereas the Blinebry gas pool, a 40 acre Blinebry gas well, was permitted to produce 126 MCF per day. Going on down, I show the status of the well.

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1 There are 105 wells in the Blinebry gas pool which are
 2 non-marginal or top allowable. There are 24 wells in the
 3 combined oil pools which did not produce their top oil
 4 allowable, but they had the capability and did produce
 5 during 1971 the top casing head gas allowable, the daily
 6 gas limit. There were 110 wells which could not produce
 7 this much gas, but they did produce more gas per 40 acre
 8 tract than did a comparable 40 acre unit, non-marginal
 9 Blinebry gas well. Now, in discussing these, I will try
 10 to refer to the ones that are penalized as penalized wells.
 11 These are wells which produced more than their daily gas
 12 limit. The wells I show here as intermediate, I will try
 13 to remember to refer to as limited capacity wells. These
 14 are not wells that are not penalized for high gas oil
 15 ratio, but produce more gas than a comparable Blinebry gas
 16 well. Then, I show the bottom hole pressure. The average
 17 in the oil areas is 789.8 based on 60 wells in which
 18 pressure was measured and Blinebry gas pool 1150.7 based
 19 on 18 well measurements. Then in the next section I show
 20 the 1971 theoretical top allowable for the oil wells, all
 21 the wells in the pool, and their theoretical gas allowable
 22 and then below that the per cent of this top allowable
 23 which was actually produced by the well. The two oil
 24 pools produced 8.4 per cent of their theoretical top
 25 allowable of oil. They produced 26.8 per cent of their

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1 top allowable for gas, whereas the Blinebry gas pool
2 produced 93.7 per cent of its theoretical top allowable.
3 Now, there are several purposes for my setting up this
4 data. One is that we are not dealing with a virgin
5 reservoir. We are not dealing with a reservoir where the
6 pressures are common throughout. We are dealing with an
7 oil reservoir that is far along in depletion and we are
8 dealing with a situation where there are disproportionate
9 withdrawals of gas by the gas wells as compared to the
10 oil wells. None of the wells in these two pools are
11 curtailed on account of their liquid production. Any
12 restriction in this reservoir is on a basis of the gas
13 produced and not on the basis of the liquids.

14 Q Turning to what has been marked as Exhibit Number 3, would
15 you identify that exhibit please?

16 A Exhibit Number 3 is a copy of the same map as Exhibit
17 Number 1 with some additional data information. I have
18 colored in blue all of the acreage which is allocated to
19 an oil well and I have colored in yellow the acreage which
20 is allocated to gas wells. The marginal gas wells I have
21 shown by placing a large red M over the location of the
22 well. The wells which don't have the M over it are non-
23 marginal gas wells. The oil wells, as I have described
24 before, the circles in the Blinebry pool and the triangles
25 in the Terry-Blinebry pool that have no other marking on

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1 them are marginal oil wells. They do not have the
2 capacity to produce their top allowable oil or as much
3 gas as a 40 acre non-marginal gas well. Actually, what I
4 used was a well that produced less than 137 MCF per day
5 average during 1971. I did not mark in in any other way.
6 Now, a well that did produce 137 MCF per day average but
7 less than 550 MCF per day, I have shown by a red triangle
8 around the well and these are the wells that I will refer
9 to as limited capacity wells.

10 MR. NUTTER: What is 550 MCF a day?

11 THE WITNESS: That is right, at 200,000 MCF for the
12 year.

13 MR. NUTTER: What is that? Is that a top allowable
14 gas allowable?

15 THE WITNESS: Yes. It is just below that. I took
16 200,000 just as a means of identifying wells in that range.
17 Actually, the top gas allowable casing head allowable was some
18 216,000 MCF.

19 MR. NUTTER: I see.

20 THE WITNESS: The wells that produced more than 550
21 MCF a day, I have shown with a hexagon and I will refer to those
22 as penalized wells. Those are large capacity casing head gas
23 producers. I have also shown some arrows on here leading from
24 one well to another. Reviewing the categories of wells, the
25 marginal oil well or a marginal gas well just can't be helped

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1 by the Commission's rules proration system and so forth.
2 They are producing all they can produce right now.
3 Consequently, I can't see that they are being inequitably
4 treated. This is a matter of the well itself. There is
5 no inequity as far as allowables are concerned between oil
6 wells because they are given the same oil allowable, the
7 same GOR limit, the same daily gas limit and so forth.
8 So, the only place that you can have an inequity in there
9 is where there is a gas well offset by one of these higher
10 capacity oil wells. This is what I have shown by the
11 arrows. The green arrows indicate a non-marginal gas well
12 which is offset either directly or diagonally by a well.
13 If the arrow is green it is offset by a well which is a
14 limited capacity well or one that is likely a triangle,
15 and if the arrow is red it is offset by a well which is
16 penalized, a large capacity well which I have shown with a
17 hexagon.

18 As you can see, because of the fact that we do have
19 two systems in operation in this reservoir, there are these
20 arrows throughout the reservoir which indicates that there
21 are inequities which are occurring and I might mention
22 have been occurring for 10 these many years because the
23 systems are not tied together in any way and have not been
24 tied together and it isn't that we have just recognized
25 this situation. We have known that the situation has

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1 existed for a number of years and we have rationalized
2 this because of the fact that when there is a differential
3 in withdrawals, it has always been in favor of the oil
4 wells. Consequently, it prevents gas from moving up
5 structure and should result and I think has resulted in
6 the recovery of oil that otherwise would not have been
7 produced. I believe that is all I have on that exhibit.

8 Q (By Mr. Kellahin) Referring to what has been marked as
9 Exhibit Number 4, would you identify that exhibit?

10 A Exhibit Number 4 is a copy of the same plat with other
11 information added to it. I have placed a number over the
12 location of wells which, if you will compare to Exhibit
13 Number 3, is a well that has an arrow or arrows emanating
14 from it. This is a system that I devised rather arbitra-
15 rily to try to compare the number and degree of inequities
16 which occur from one system as compared to another. It is
17 really quite simple. Take a well here that has a green
18 arrow pointing to a diagonal offset and I just gave this a
19 value of 1. Then if you will go to a well which is offset
20 directly where the green points to a direct offset which
21 goes from a gas well to a well marked with a triangle, a
22 limited capacity well, I reasoned that this was twice as
23 bad as a diagonal offset and consequently I gave it a
24 value of 2. Now, if the well is offset by a well marked
25 with a hexagon, a penalized well, and the offset is

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1 diagonal, I consider this to be equally as bad as a direct
2 offset where the arrow is green and so I gave it a value
3 of 2 also. If the red arrow points to a direct offset,
4 I again reasoned that this is twice as bad as a diagonal
5 offset and gave it a value of 4. This is not intended to
6 indicate anything except some basis upon which to compare
7 one situation to another. Then, I took the values of these
8 arrows on here from each well and added up the sum of these
9 ratings and wrote that number on this exhibit. Summarizing
10 the thing, it shows that there are 47 cases of inequities
11 with an average severity of 3.26. Now, we will be refer-
12 ring to this later.

13 Incidentally, I would like to point out that Exhibit
14 3 and 4 reflect the situation which existed during 1971
15 based on the total annual production.

16 Now, in January of 1972 under the Commission's new
17 provision classifying wells as to oil and gas on the basis
18 of their actual reported gas-oil ratios rather than test
19 ratios which had been reported and used for a number of
20 years, there were a large number of wells which were
21 reclassified from oil to gas and a few that were reclas-
22 sified from gas to oil.

23 This is Exhibit Number 5 and I have shown the informa-
24 tion on this exhibit just as I did on Exhibit Number 3.
25 The yellow indicates acreage which is dedicated to wells

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1 classified as gas wells under the reclassification and
2 the blue is acreage dedicated to oil wells. The cate-
3 ries of wells are the same with the red triangle for the
4 limited capacity wells, the hexagons for the penalized
5 wells and the red M for the marginal gas wells. Again, I
6 have pointed out by the arrows situations where there are
7 inequities which results because there are gas wells off-
8 set by oil wells and not only just oil wells but oil wells
9 that have capacity to produce more gas than that gas well
10 is permitted to produce. Now, I would like to call to your
11 attention particularly this area, the north half, the north
12 half of 15 in 2137 and the north half of the northeast
13 quarter of Section 16 in the same township, where there is
14 a row of gas wells which previously were oil wells as shown
15 on Exhibit Number 3. These wells have now been reduced in
16 their allowables by virtue of the fact, and only by virtue
17 of the fact, that they have been reclassified as gas wells.
18 Now, the well here in Unit B of Section 15 is shown to be
19 a hexagon on here. This is a well that was penalized for
20 high gas oil ratio. It had the capacity and did produce its
21 daily gas limit on an average basis during 1971. That
22 well's allowable has been reduced by 79 per cent from 594
23 MCF to 126 MCF per day. Also in this area I tried to
24 place the arrows on there large enough that you could see
25 them at some distance, but there were so many and

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1 extending in so many directions that I did not heavy up
2 these arrows because I was afraid it would obscure every-
3 thing else on the map.

4 Q Turning to Exhibit Number 6, would you identify that
5 exhibit?

6 A I would like to point out that Exhibit Number 5 was pre-
7 pared on the basis of the print-out that Mr. Ramey got
8 from the--I believe from the Santa Fe office showing the
9 annual production for wells in the Blinebry oil, Terry-
10 Blinebry gas pools and reclassifying those wells on the
11 basis of the gas-oil ratio during that one year period.

12 Exhibit Number 6 is a copy of the same map with data
13 added to it similar to Exhibit Number 4 showing, by the
14 same rating system, the number and the degree of inequities
15 which resulted after these wells had been reclassified.
16 As you can see, if you can see the bottom of this, there
17 are 67 cases of inequities as compared to 47 during 1971
18 as shown on Exhibit 4. The average severity is 3.78 on
19 Exhibit 6 as compared to 3.26 on Exhibit Number 4. I am
20 merely trying to illustrate that the situation did not
21 improve when we reclassified the wells. It got worse.

22 I embarked on a study as did Mr. Ramey and probably
23 some other people to see if we couldn't reduce the impact
24 on the wells in there which were subject to reclassification
25 by changing the definition of a gas well from 32,000 to

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1 some other gas-oil ratio. At a meeting in Hobbs, Mr.
2 Ramey gave us the results of his study to the effect that
3 if he raised the definition ratio of a gas well it resulted
4 in a number of wells being reclassified from gas to oil.
5 Consequently, it meant that those wells would be producing
6 casing head gas rather than dry gas. It would mean
7 changing gas purchasers probably. It would probably result
8 in the gas being sold at less value degrading the value
9 of the gas and he considers this to be an undesirable
10 situation and I have no argument with this conclusion.
11 I agreed with him in his conclusions and I also observed
12 that no matter what gas-oil ratio I used to define a gas
13 well, we still had the situation of one well offsetting
14 another well. One is a gas well by the Commission's
15 definition or whatever definition you use and it is offset
16 by an oil well that has a larger allowable than it does
17 and I could find no situation where this did not exist.

18 Now, there was another feature about the reclassifica-
19 tion which I show on the next exhibit.

20 Q Before we get to the next exhibit, on Exhibit 4 you showed
21 47 wells with inequities. What is the number on this
22 exhibit?

23 A The number on this exhibit is 67 wells.

24 Q What is the average severity based on your numerical
25 system?

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1 A The average severity on Exhibit 6 which portrays the
2 reclassification and a classification of wells as depicted
3 on Exhibit 5 is 3.78 as compared to 3.26 on Exhibit 4
4 which illustrates the situation during 1971.

5 MR. NUTTER: Mr. Lyon, may I ask, you talk about a
6 gas well as being drained because the offsetting oil well has a
7 bigger gas allowable than the gas well does. Are you talking
8 about a well that was an oil well and has only 40 acres dedica-
9 ted to it and is reclassified as a 40 acre gas well or are you
10 talking about a 160 gas well?

11 THE WITNESS: Either one. The top allowable for gas
12 for a 160 acre non-marginal unit during '71 was 504 MCF. A 40
13 acre oil well had a top casing head gas allowable of 594, but
14 if you look at it on an acreage basis you know even if the gas
15 well had the larger allowable it still would be a disproportio-
16 nate withdrawal.

17 MR. NUTTER: Then if you have an oil well that is
18 reclassified as a gas well and can only have 40 acres dedicated
19 to it, its top allowable would be a fourth of 594, right?

20 THE WITNESS: Right.

21 MR. NUTTER: So it is only getting a fourth of an oil
22 well's gas allowable?

23 THE WITNESS: It gets 21 per cent of the allowable of
24 a 40 acre oil well.

25 Q (By Mr. Kellahin) Now, referring to what has been marked

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1 as Exhibit Number 7, would you identify that exhibit?

2 A Exhibit Number 7 is the same map on which I have shown
3 situations where a well is being curtailed because it is
4 reclassified from an oil well to a gas well. I have
5 placed a cross over the location of each well which was
6 subject to such reclassification on the basis of its
7 reported gas-oil ratio on the print-out which I obtained
8 from the Commission. The small cross is a limited capa-
9 city well, the same well that I showed on Exhibits 5 and
10 3 by the triangle and the large crosses are the penalized
11 wells, the large capacity casing head gas producers that
12 were shown by the hexagons on Exhibits 5 and 3. There are
13 46 minor curtailments, that is the limited capacity wells
14 and 16 major curtailments where the allowable was cut by
15 79 per cent as a result of being reclassified from oil well
16 to gas well status.

17 Q That amounts to a substantial reduction in revenue, does
18 it not?

19 A It certainly does.

20 Q In many instances, does that affect the price received for
21 the gas?

22 A Well, it should result in increasing the price of the gas
23 if it can be sold under a dry gas contract. This would
24 help to offset the loss in revenue from the reduced gas
25 allowable.

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1 Q Now, referring to what has been marked as Exhibit Number
2 8, would you identify that exhibit, please?

3 A While we are putting up Exhibit Number 8, I might mention
4 that it occurred to me that there was no way that you
5 could avoid the situation of disproportionate gas allow-
6 ables so long as you have two proration systems operating
7 side by side. It occurred to me that if you could divide
8 this up into areas where within an area you had a common
9 basis for allocating gas allowable, then you would elimi-
10 nate the inequities which occur like a case of measles on
11 Exhibit Number 5.

12 Exhibit Number 8 is a copy of the same plat colored
13 on the same basis as Exhibits 5 and 3. The yellow acreage
14 is acreage allocated to gas wells. The blue acreage is
15 acreage dedicated to oil wells. I have continued with the
16 triangles, the hexagons and the big red M's and so forth.
17 There is one additional symbol that I have added to this
18 and this is the green crosshatching that occurs on a number
19 of wells whose acreage is colored yellow. The pool rules
20 provide that a well which is reclassified is subject to
21 appeal by the operator and in those cases the operator has
22 made an appeal on the basis of a revised test or on the
23 basis perhaps of asking for additional time to see if he
24 cannot regulate his well to demonstrate that it can pro-
25 duce with the gas-oil ratio less than 32,000. For whatever

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1 the reason, the wells were not reclassified to gas, but
2 were maintained as oil wells and I understand that these
3 wells are about to be reviewed again so that they may go
4 on the proration schedule in the near future depending on
5 what they have demonstrated during the first several
6 months of 1972. I have shown by heavy black lines a
7 proposed boundary to separate the gas area, the predomina-
8 tly yellow area in the center of the reservoir, from the
9 oil areas which is the predominantly blue area from the
10 north end of the pool, the northwest segment and the
11 extreme southeast segment of the pool. Essentially what
12 I am trying to say is that if you allocate the allowables
13 to all the wells within a given area on the same basis,
14 then there should be no inequity between offset wells.
15 Now, the only place that you would have a possible inequity
16 would be where there are two wells offsetting each other
17 across a common boundary. I have shown on here in the
18 same manner that I showed on Exhibits 3 and 5 those
19 situations where there are two wells which apparently have
20 adequate producing capacity to cause such an inequity and
21 are offset where one is governed by one system and the
22 other is governed by the other system. In this case, at
23 least initially, I can't say how long it would apply, but
24 the oil wells would receive a higher allowable than the
25 wells in the gas areas. Consequently, where you have an

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1 excess capacity well in the oil areas directly or dia-
2 gonally offsetting a well with excess producing capacity
3 in the gas area, you would have an inequity. I might also
4 point out that now for the first time in all of the cases
5 that I have discussed, you have the possibility of a gas
6 well draining--well, I shouldn't say draining--a gas well
7 having a larger allowable per acre than an oil well or a
8 gas well in the other area. I have not indicated those
9 situations, although there are several which do exist
10 because I have no data upon which to base what those gas
11 wells can produce. They have never had an allowable that
12 high, but those situations do exist and in the matter of
13 being objective about it, I wanted to point that out to the
14 Examiner.

15 Q Now referring to what has been marked as Exhibit Number 9,
16 would you discuss that exhibit?

17 A Exhibit 9 is another copy of the same map on which I have
18 portrayed the instances of inequity and the degree of
19 inequity in the same manner that I showed it on Exhibits
20 6 and 4. These are the inequities that would apply under
21 the proposed procedures and boundaries that I have shown
22 on Exhibit Number 8. In this case we have nine cases of
23 inequity which occur across the common boundary between the
24 oil area or areas and the gas area. The average severity
25 is 2.67 whereas on Exhibit 8, excuse me, on Exhibit 6 we

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1 show 67 cases of inequity with an average severity of
2 3.78. We haven't achieved perfection, but I think we have
3 made a considerable improvement.

4 Q Now referring to Exhibit Number 10, would you discuss that
5 exhibit please?

6 A Exhibit Number 10 is a copy of the same map on which I
7 have shown the curtailments which would occur as a result
8 of adopting the system which I have proposed on Exhibit
9 Number 8 and in the rules which will be introduced shortly.
10 These are oil wells. They were oil wells during 1971 which
11 are within the gas area and being within the gas area would
12 be able to produce less gas than would a well in the oil
13 areas. Again, I have shown the minor curtailments by the
14 small cross and the major curtailments by the large red
15 cross. Again, the distinction between the major and the
16 minor is that a small cross goes to the well which had been
17 designated with a triangle, a limited capacity well, where-
18 as the large cross goes with the hexagon, the well that
19 was penalized and had the capacity to produce its full
20 daily gas limit. Now, I have also indicated on here by a
21 red circle the wells which were reclassified to gas. They
22 are gas wells at this time and consequently my proposal
23 isn't causing these wells to be curtailed. The curtailment
24 is as a result of their reclassification to gas under the
25 present rules. The crosses which I have circled in green

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1 are wells which in 1971 indicated a gas-oil ratio in
2 excess of 32,000, but the reclassification was suspended
3 and at the present time they are oil wells so that they
4 are not curtailed, but when their performance is reviewed
5 again they may be gas wells. In this case we have 13
6 minor curtailments and 4 major curtailments which compares
7 to Exhibit Number 7 which had 46 minor curtailments and
8 16 major curtailments. So here again I feel that we haven't
9 achieved perfection but we have made an improvement.

10 Q Referring to what has been marked as Exhibit Number 11,
11 would you discuss that exhibit please?

12 A Exhibit Number 11 is another tabulation of data based on
13 1971 production again, only in this case I have divided the
14 wells into the oil area or areas and the gas area. There
15 are 36 Blinebry gas-oil wells. This includes, when I say
16 Blinebry oil wells, this includes the Terry-Blinebry and
17 Blinebry wells which will be merged into the Blinebry pool
18 when the pools are consolidated. There are 36 gaswells
19 and 311 oil wells which is a total of 347 wells in the
20 oil area and we have 142 wells in the gas area, 39 from
21 the Blinebry oil wells and 103 from the Blinebry gas wells.
22 The total acreage in oil areas is 14,948 and in the gas
23 areas is 16,476. Again, I have shown 1971 production.
24 This is total production of oil and gas liquids, dry gas,
25 casing head gas and then I have shown total liquids and

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1 total gas. Then I have shown a daily average per well and
2 a daily average per 40 acres. You can see that in the oil
3 area there was 20,572,905 MCF. There was 18,535,600 MCF
4 gas produced from the gas area. On an acreage basis, a
5 40 acre basis, this boils down to 7.19 barrels per day
6 per well or per 40 acre tract and 1.55 barrels from the
7 gas area. The other figure I gave was the oil area. The
8 gas production was 150.8 MCF and 123.3 MCF for the gas
9 area. I have rearranged the bottom hole pressure informa-
10 tion and placed the wells in the oil area or the gas area
11 and we have revised average pressures. The oil area is
12 763.5 and the gas area is 1185.5, a 422 pound per square
13 inch pressure differential. The second part of the exhibit
14 is three bases of attempting to equalize on reservoir
15 voidage the production from the gas area to set the gas
16 allowable as compared to the withdrawal from the oil area.
17 I have three cases which are designated volumetric formula,
18 acreage ratio and acreage bottom hole pressure ratio. I
19 had received an indication from the Commission that they
20 desired a volumetric withdrawal formula in the Blinbry
21 pool when the pool rules were changed. I looked at a
22 formula which is being used in the Todd-San Andres
23 reservoir which is an associated gas reservoir and there
24 is a formula to provide volumetric withdrawal using a
25 bottom hole pressure sample analysis and extracting the

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1 necessary data from that and putting it into the formula
2 and equating the gas, the voidage from the gas area to
3 that in the oil areas, I came up with a total gas alloca-
4 tion of 22,066,905 MCF of gas. Then I subtracted the
5 amount allocated to marginal wells leaving a total alloca-
6 tion to non-marginal wells of 19,496,987 MCF which boils
7 down to allowable of 650 MCF for a 160 acre unit and 162
8 MCF for a 40 acre unit. This is per day. In using this
9 formula I came to two conclusions. It occurred to me that
10 from the bottom hole pressure sample analysis that the
11 solution gas shown at the appropriate pressure occupied
12 almost identically the same reservoir space as the equi-
13 valent in gas of a barrel with its solution gas and con-
14 sequently in the formula you subtract the solution ratio
15 and you add in the equivalent volume occupied by a barrel
16 of oil, so in effect if the numbers are equal, then you
17 might just as well use the total gas production rather than
18 to go through all the gyrations of the formula and the data
19 that you have to use. So, the second column represents
20 just merely an adjustment of the total gas production from
21 the oil area multiplied by a ratio, the numerator of which
22 is the gas acreage, the acreage in the gas area and the
23 denominator of which is the acreage in the oil area and you
24 come up with 22,675,888 MCF gas which is within three per
25 cent of the volume that I calculated using the volumetric

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1 formula in use in the Todd-San Andres pool. This comes
2 down to a daily average allowable of 670 MCF for a 160
3 acre well and 168 MCF for a 40 acre well. The second
4 conclusion I came to in working with the volumetric
5 withdrawal formula was that this formula was devised for
6 a reservoir and an associated reservoir which is either
7 virgin or has had volumetric withdrawal from the oil and
8 gas from its inception. In other words, what I am saying
9 is that the pressure is equal in the oil area and the gas
10 area and this consideration is essential to a volumetric
11 withdrawal formula because if the gas cap has a higher
12 pressure, then a cubic foot of reservoir space contains
13 more gas than a cubic foot of space in the oil area which
14 a lower pressure contains.

15 Q Is that the situation in the Blinbry pool?

16 A Yes, sir. As shown up in the first part of the exhibit at
17 the bottom of the first part, there is a 9422 pound per
18 square inch difference on an average basis. So, the third
19 column represents a manipulation which I performed by
20 taking the total gas produced from the oil area and
21 multiplying it by two fractions, the first of which, the
22 denominator, is the acreage in the gas area. Excuse me.
23 The numerator is the acreage in the gas area. The
24 denominator is the acreage in the oil area. The second
25 fraction, the numerator, is the average pressure in the

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1 gas area. The denominator is the average pressure in the
2 oil area. In this instance, I came up with a total alloca-
3 tion of 35,208,094 MCF and subtracting the marginal wells,
4 it results in an allocation to a 160 acre proration unit of
5 1,087 MCF and to a 40 acre unit, 272 MCF.

6 Q Do you have sufficient bottom hole pressure data to make
7 this computation?

8 A I didn't have as much as I would like to have had,
9 particularly in the gas area. We do however have shut-in
10 pressures on virtually all, if not all, of the Blinebry
11 gas wells. I reviewed this data and it very closely
12 approximated the same degree of difference or same diffe-
13 rential pressure between the oil areas and the gas areas,
14 so that it gave me a great deal more confidence in this
15 average pressure than I would have had without reviewing
16 that data.

17 Q Now, turning to what has been marked as Exhibit Number 12,
18 would you identify that exhibit, please?

19 A Exhibit Number 12 is our proposed pool rules. The introduc-
20 tory portion merely states the situation as it either is
21 or as I think it should be in that the Blinebry oil pool,
22 the Blinebry gas pool and the Terry-Blinebry pool are
23 hereby consolidated into the Blinebry pool. It refers to
24 Exhibit A which gives a description of the area of the
25 pool which is essentially the area which is shown on all

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1 of the large exhibits hanging on the wall. It further
2 points out that the vertical limits of the Blinebry pool
3 shall extend from a point 75 feet above the Blinebry marker
4 to a point 100 feet above the Tubb marker, which inciden-
5 tally is the top of the Tubb pool according to the pool
6 rules for that pool and essentially this says that the
7 Blinebry pool shall extend from the point that has always
8 been indicated at the top of the pool to the top of the
9 Tubb pool so that the base of the Blinebry and the top of
10 the Tubb are coincident. It then provides for the dividing
11 of the pool into a gas area or areas and an oil area or
12 areas as described on Exhibit B which describes the
13 acreage as depicted on Exhibit 8. Incidentally, the
14 vertical limits of the Terry-Blinebry and the Blinebry oil
15 pool are as we proposed in the first paragraph here by
16 virtue of Order Number R-2701. I don't believe that that
17 order specifically covers the Blinebry pool, but I think
18 that the Blinebry should be consistent as to the oil wells
19 and gas wells. We should just have the Blinebry pool and
20 then within the Blinebry pool, we will have oil wells and
21 gas wells, oil areas and gas areas. Under the special
22 rules and regulations, the well location acreage require-
23 ments, I have tried to describe specifically for the
24 Blinebry pool the provisions in Order R-1670 that apply
25 on a general basis to all wells or all pools covered by

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1 that order. If there is a deviation from this, it was
2 not my intention to deviate from what I think applies.
3 At the present time it provides that oil wells shall have
4 standard units of 40 acres and it provides for gas wells
5 to have standard units of 160 acres just as they are at
6 the present time. It provides for non-standard units as
7 the present rules provide with one exception, which I
8 recommend. This is paragraph six under Rule 3, and I
9 would like to explain the reasoning for this. The
10 Blinebry pool is in many ways a unique pool and it has had
11 a rather interesting history in that it was developed
12 initially primarily for gas and then in about, oh, the
13 middle 1960's there was a great deal of recompletion work
14 where other wells became exhausted and the well bore was
15 used in recompleting Blinebry in the Blinebry pool for oil.
16 When this was done, sometimes there was gas acreage which
17 was isolated from its producing gas well because of the
18 fact that intervening oil wells were completed and the
19 rules provide--the present rules, and these rules also
20 provide that there shall not at any time be dual dedica-
21 tion of acreage for both oil and gas in the Blinebry pool
22 and they prohibit dual completions in the Blinebry. If
23 you will imagine a standard gas proration unit consisting
24 of a quarter section with the gas well located in the
25 southeast quarter and then you go in and drill or

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1 recomplete wells in the northeast quarter and the south-
 2 west quarter, the gas well is reduced to 40 acres because
 3 the northwest quarter is no longer contiguous with its
 4 40 acre tract except at a point and consequently under the
 5 present rules it cannot be allocated to that gas well.
 6 Consequently this acreage is no longer considered developed.
 7 It received no allowable because it is cut off from the
 8 gas well. It seems to me to be equitable and fair for the
 9 standard unit to continue in existence and merely subtract
 10 the acreage which is dedicated to the oil from that pro-
 11 ration unit so that the gas well can produce for all of
 12 the remaining acreage and this is what I have intended to
 13 provide in this paragraph six.

14 Q The proposed rules do contain a proposed volumetric formula,
 15 do they not?

16 A Yes, they do.

17 Q Is that the formula which you have already discussed?

18 A Yes, sir. This is found in Rule 6-B. It sets out in
 19 formula fashion what I have tried to describe in my previous
 20 testimony.

21 Q It also is contained in 6-A insofar as gas wells; is that
 22 not correct?

23 A Yes, sir. Rule 6-A provides that there will be a balancing
 24 period for the gas areas. Now, as I envision this system,
 25 all the wells in the oil areas would receive a gas allowable

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1 which is equivalent to the casing head allowable for
2 an oil well based on the oil proration system.

3 MR. NUTTER: Who would? Which wells would?

4 THE WITNESS: The wells in the oil area.

5 MR. NUTTER: Gas wells, too?

6 THE WITNESS: Yes.

7 MR. NUTTER: Gas wells would get a casing head
8 allowable for oil wells?

9 THE WITNESS: They would just be shown on a proration
10 schedule as gas well, just as you do in any other pool where the
11 well has a producing ratio in excess of 100,000 to 1.

12 MR. NUTTER: If they are on a 160, you would multiply
13 by four?

14 THE WITNESS: Right.

15 Q (By Mr. Kellahin) Do you have any further comments on the
16 proposal?

17 A Well, I would like to point out that on the gas areas we
18 have a very substantial gas pool here and I believe that
19 under the same rationale as applies to Order R-1670, the
20 gas purchaser needs more flexibility in meeting seasonal
21 demands than do the oil wells. Consequently, I would
22 propose that the allowable as determined be treated just
23 as they are under R-1670 with balancing periods and
24 carrying forward of overproduction and underproduction.
25 The only thing that would be changed would be that in lieu

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- 1 of nominations by the purchasers, the volumetric with-
2 drawal formula would be applied and you would equate the
3 last available six months or whatever your period is of
4 the gas produced from the oil areas. Now, the remainder
5 of the rules I think are just exactly what the present
6 rules provide. I have just copied them in order to make
7 this as complete as I know how to make it. There are not
8 intended to be any changes in this. Now, I might point
9 out that Rule 25 is some sort of a grandfather clause. I
10 don't know what the basis of it is or if the need for it
11 still exists. If it does, I recommend that it be retained
12 but if the need does not exist anymore, I recommend that
13 it be deleted. Rule 28 calls for annual bottom hole
14 pressure gas-oil ratio gas liquid gravity surveys in lieu
15 of the semiannual surveys required at the present time.
16 Rule 29 has been amended to permit two stage separation
17 whereas the present rules require two stage separation.
- 18 Q What is the reason for that change?
- 19 A Well, the producing pressures in the pool are such that
20 all wells don't need two stage separation. Some of them
21 produce directly into low pressure gathering systems.
- 22 Q Were Exhibits 1 through 12 prepared by you or under your
23 supervision?
- 24 A Yes, they were.
- 25 Q At this time I would like to offer Exhibits 1 through 12

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1 inclusive.

2 MR. NUTTER: Conoco's Exhibits 1 through 12 will be
3 admitted into evidence.

4 MR. KELLAHIN: That completes the examination of the
5 witness, Mr. Examiner.

6 MR. NUTTER: Mr. Lyon, on Exhibit Number 11 you have
7 got your three formulas here.

8 THE WITNESS: Yes, sir.

9 MR. NUTTER: But it appears that there is still a big
10 discrepancy in the total allowable that is given to an oil well
11 here in casing head allowable, 594 under the acreage-bottom hole
12 pressure ratio formula as compared to 272 for gas wells
13 allowable.

14 THE WITNESS: Yes, sir.

15 MR. NUTTER: Can't you come up with a formula that
16 equates or takes it a little closer than this yet? This is the
17 best one on this page but it is still a long ways away.

18 THE WITNESS: I think this could be achieved, but it
19 would be at the expense of one of two things. One would be
20 that you would severely curtail some of the oil wells' produc-
21 tion bringing their allowable down to the gas well production
22 or you would allocate an amount of gas to the gas wells that I
23 have doubts the gas purchasing companies would or could take.

24 MR. NUTTER: Would the wells be able to produce it
25 though?

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1 THE WITNESS: I don't know. They never have been
2 permitted to produce.

3 MR. NUTTER: So you don't know what the gas wells
4 could actually make in that gas area?

5 THE WITNESS: NO. I have no data on which to base
6 such a projection.

7 MR. NUTTER: But you agree there is a big discrepancy
8 here in the withdrawals even applying the pressure formula to
9 it.

10 THE WITNESS: True, but we have localized it.
11 Instead of it existing throughout the pool, we have concentrated
12 those differences into areas and the only place that you have
13 got disparity withdrawals from offset wells is across that
14 common line and you still--

15 MR. NUTTER: Down here in the gas area you would still
16 have these oil wells producing with a casing head allowable
17 for gas, wouldn't you?

18 THE WITNESS: They would be under my proposal. They
19 would be given the same gas allowable as the gas wells in the
20 gas area.

21 MR. NUTTER: They wouldn't get a casing head allowable
22 but they would get a fraction of a gas well allowable for a
23 casing head gas allowable?

24 THE WITNESS: If you are going to limit cases of
25 inequities between offset wells, I feel that you need to have

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1 the system operate throughout that area.

2 MR. NUTTER: Well, now what is the matter with
3 leaving out the black line and treating the whole pool as a
4 unit and then equalizing takes among gas wells and oil wells?

5 THE WITNESS: As I say, it would be at the expense
6 of some of the better oil wells or it would result in the
7 allocation of gas allowables above what I think the capacity of
8 the lines to take it would be or it would be some point in
9 between in which case probably everybody would be mad.

10 MR. NUTTER: If it was equitable, it would be hard
11 to understand.

12 In your proposed rules here, Mr. Lyon, you have pro-
13 visions here for the balancing date to be January the 1st of
14 each year so you have got one year balancing?

15 THE WITNESS: Yes.

16 MR. NUTTER: But then you fix the allowable on a six
17 month basis?

18 THE WITNESS: This is my suggestion. It can work any
19 way you want it to work.

20 MR. NUTTER: But then if you are going to put your
21 bottom hole pressure in your formula and work it on a six month
22 basis, why do you propose bottom hole pressure test to be taken
23 only once a year?

24 THE WITNESS: I think that is often enough.

25 MR. NUTTER: Well, you would be using an old bottom

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1 hole pressure on the second time around when you worked your
2 formulas out.

3 THE WITNESS: Right.

4 MR. NUTTER: To derive your allowable.

5 THE WITNESS: Yes.

6 MR. NUTTER: Does anyone else have any questions of
7 Mr. Lyon?

9 CROSS EXAMINATION

10 BY MR. STEVENS:

11 Q Mr. Lyon, what would be the effect upon the gas purchasers
12 here--you would no longer have nominations by purchasers; is
13 that correct?

14 A That's correct.

15 Q You would be locked into whatever this allocation formula
16 set out that had to be produced and the purchaser would no
17 longer have any latitude other than for a solid year as to how
18 much gas he would have to take; is that correct?

19 A The Commission can only allocate gas allowables. They can
20 provide the opportunity for you to produce that gas and I think
21 that is about as far as they can go.

22 Q But, don't they presently now consider the gas nominations
23 to determine the market for this gas?

24 A Yes.

25 Q If you knock out the nominations, then no longer do the

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1 purchasers have a chance to regulate their market to some
2 degree?

3 A That's true.

4 Q In effect this would be just like a casing head gas field
5 100 per cent as far as the purchaser is concerned?

6 A I don't think so. I think under what Mr. Nutter was
7 suggesting, this would be so, but let me point out that
8 there is one large difference between that proposal and
9 what I have proposed and that is that I am proposing a
10 continuation of balancing periods where you can carry
11 forward overproduction and underproduction and cancella-
12 tion of allowable and this sort of thing whereas you treat
13 it on a casing head gas basis and you lose all flexibility.

14 Q On your Exhibit Number 11, I think your total gas for 1971,
15 about a third of the way down the page, your total for gas
16 in the oil area and gas area totals approximately 38,000,000
17 a day total gas and then when you go down to your volumetric
18 under acreage, bottom hole pressure ratio in the lower
19 right-hand column, I would presume you totaled your gas
20 produced from all areas in amount of 20,000,000 gas
21 allowable from gas areas in the amount of 35,000,000 and
22 55,000,000 under your formula. Am I reading this properly
23 to determine the total amount of gas that would be
24 produced under your formula?

25 A That's right.

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- 1 Q That would amount to an increase from 38,000,000 to some
- 2 55,000,000 in the future under your formula, approximately
- 3 50 per cent?
- 4 A Yes, sir.
- 5 Q Have you made any studies to determine, with this increased
- 6 gas production, the life of this field? Obviously it
- 7 would be shortened, but how long it would last under the
- 8 oil formula and how long it would last under the new
- 9 formula?
- 10 A I haven't made that investigation.
- 11 Q Have you made any studies to determine the additional
- 12 amounts of money to be expended in equipment to handle
- 13 this increased gas which equipment would naturally--their
- 14 use would be finished at a much earlier date under your
- 15 formula?
- 16 A No.
- 17 Q On your same exhibit you show the present allowable gas
- 18 area average daily per well at present, 357,000 per day
- 19 and down under your proposed formula I note that you show
- 20 1,087,000 per day.
- 21 A Yes, sir.
- 22 Q Do you know how many wells in this field will produce that
- 23 allowable?
- 24 A No.
- 25 Q Would you presume or do you know that some will not?

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1 A I am sure that some will not.

2 Q Do you have any idea whether it would be a lot or maybe a
3 majority or--I realize that you don't know, but do you
4 have a feel for a figure?

5 A Any figure I gave you would be strictly a guess and I just
6 don't feel that it would be appropriate for me to guess
7 with you. All I can say is there will be more marginal
8 wells and few non-marginal wells.

9 Q These marginal wells, what happens to their unused allow-
10 able?

11 A It goes back to the non-marginal wells.

12 Q Then after it goes back to the non-marginal wells, those
13 wells that won't use up all that allowable, you do the
14 whole thing again; is that correct?

15 A That's right.

16 Q You would keep going until you either used up all the
17 unused allowable or you have excess allowable left; is
18 that correct?

19 A That's right.

20 Q Which could be a situation where these wells won't pro-
21 duce 55,000,000 or billion a day?

22 A That's possible, and it comes to every gas pool that this
23 eventually happens.

24 Q In that case, if you have that, then basically each well
25 is allowed to produce whatever it will produce; is that

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1 correct? If you have a greater allowable than you have
2 capacity.

3 A There are two extremes of proration systems. One is that
4 you set the allowable at the capacity of the largest well
5 and the other extreme is to set it at the capacity of the
6 lowest well and the situation that you are describing
7 would be the one situation where you in effect have all
8 marginal wells.

9 Q This in effect would be 100 per cent deliverability
10 formula, would it not, presuming you have a greater
11 allowable than the capacity to produce?

12 A Under your supposition, that would be true.

13 Q Which we don't know yet, but your statement is that there
14 is a considerable number of marginal wells?

15 A There would be.

16 Q Does deliverability in your opinion as a petroleum
17 engineer protect correlative rights?

18 A Well, this gets to be a pretty involved question and each
19 reservoir has got to stand on its own and just as a rule
20 of thumb, I would say that in most cases deliverability
21 of itself does not necessarily represent inequities.

22 Q Is it more so often a measure of permeability than reserves?

23 A This could be the case.

24 Q Therefore this proposed formula would not, as required
25 by the statute, allow each tract owner to produce that

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1 amount of reserves under each tract as it bears the total
2 reserves in the pool; is that true?

3 A If I agree to all the things that you have been leading up
4 to, that's true.

5 Q It is all presuming that you have a higher allowable than
6 you have capacity to produce. All of this is based upon
7 that. If it were otherwise, of course it wouldn't apply
8 that way.

9 Well, then your formula, doesn't it kind of try to
10 go back and correct past inequities in that previously
11 the oil wells have used up a greater amount of the reser-
12 voir energy and the gas wells have used up less energy
13 and this formula then will take more gas as relates to the
14 oil and tend to equalize it?

15 A No. I don't agree with that. I don't agree with that at
16 all. It is true that in the past the gas wells have not
17 been permitted to void as much gas reservoir space as the
18 oil well, but this formula does not try to compensate for
19 that past inequity. All it does is try to provide for
20 equivalent volumetric withdrawal today and using a method
21 wherein the gas produced is increased by 50 per cent from
22 the field. I think it is pretty obvious that they have
23 been discriminated to a much larger degree than that up
24 to this time.

25 Q But regardless of past discriminations, the allocation

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- 1 formula you have now, will it increase the current gas
2 production by approximately 50 per cent?
- 3 A Yes. Under these figures applied as I have applied them,
4 that would be the result.
- 5 Q This uses a 6,000 to 1 gas-oil ratio in the oil area?
- 6 A Yes, sir.
- 7 Q What would be the effect, in your opinion, of dropping that
8 gas-oil ratio say down to 3,000 for an example?
- 9 A It would result in curtailment of a considerable number of
10 the oil wells.
- 11 Q These wells that are top allowable now, would they actually
12 be affected in their oil production or would it only affect
13 their gas production?
- 14 A I don't produce them separately.
- 15 Q I realize that.
- 16 A They come together and assuming that they have a constant
17 gas-oil ratio, then the oil production would be cut pro-
18 portionately to the gas production.
- 19 Q Your allowable now in most of 1971, did you state it was
20 99 barrels a day on an average?
- 21 A Yes.
- 22 Q If you cut the gas-oil ratio in half, would that really
23 affect any of these wells? My question is do any of these
24 wells make more than 44 and a half barrels a day?
- 25 A There are some that make more than 44 and a half barrels

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- 1 a day.
- 2 Q Some actually would be cut in their oil production?
- 3 A Yes.
- 4 Q In your opinion, would that be--
- 5 A There would be a considerable number that would have.
- 6 They wouldn't suffer a 50 per cent cut, but they would
- 7 suffer somewhere between that and some smaller amount.
- 8 Q What I am trying to determine is if there might be a
- 9 better way of accomplishing your ends without increasing
- 10 the amount of gas when you consider the fact that to
- 11 increase the amount of gas produced daily by 50 per cent,
- 12 you are going to have to have increased the capacity
- 13 increased compressors. These have been previously ordered
- 14 and we will presume for a period of time that the field
- 15 would last if we could effect a formula whereby we kept
- 16 the same amount of gas, we might prevent some economic
- 17 waste. Could this be possible?
- 18 A We have a question of correlative rights. We have perhaps
- 19 another viewpoint of economic waste of gas reserves that
- 20 have been held back below the proportional withdrawal of
- 21 casing head gas for the oil wells that the operator might
- 22 like to keep his revenue up also or increase his revenue.
- 23 Q Gas prices are generally increasing, are they not?
- 24 A That seems to be the trend.
- 25 Q If this gas were "held back" using your term, would there

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1 be a greater recovery by the gas owners including the
2 State royalty in the future as opposed to current income
3 increase?

4 A Well, Mr. Stevens, I am not going to speculate with you on
5 what gas prices are going to be.

6 Q Has Scott Little determined reserves?

7 A I am sure somebody in our organization did.

8 Q You didn't use those reserve estimates as a criterion for
9 your determination of this formula, did you?

10 A No, I did not.

11 Q The equitable aspects of your formula which you assert to
12 be at least more equitable than it was, then, is not based
13 on any determination of reserves?

14 A No.

15 MR. STEVENS: I have no further questions.

16 MR. NUTTER: Are there any other questions for Mr.
17 Lyon?

18

19

CROSS EXAMINATION

20 BY MR. CHRISTY:

21 Q Mr. Lyon, did you take any structural considerations into
22 account in determining your oil area and your gas area?

23 A Well, I took it into account as much as the present system
24 does, but the answer to your question is no, I did not.

25 Q Now, there have been several zoning analyses prepared by

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1 Continental. There are basically five zones in the
2 Blinebry.

3 A I am sure that anybody who studies the reservoir has his
4 own approach to it and I would imagine that this zoning
5 has been applied by number.

6 Q You didn't take any of the zones into account, even
7 Continental's?

8 A Again to the same degree that the present rules did or do,
9 I did, but the answer again is no, I did not take that
10 into consideration.

11 Q Now, I am a little like Mr. Nutter except my client has a
12 little more interest in it. I don't quite understand what
13 my allowable is when I am in a gas area and I have got an
14 oil well. Could you explain, what, 5-C, I believe it is,
15 of your proposed rule? We simply transferred that to a
16 gas allowable? Is that what you are saying?

17 A Right.

18 Q So you are not penalizing the oil production?

19 A It has the effect of penalizing the oil production if the
20 gas allowable is reduced, it would have to.

21 Q But you are not limiting to the 272 MCF shown on your
22 Exhibit 11?

23 A This is a calculation of what the allowable would be using
24 the data up here which, if and when, this system goes into
25 effect the data would be different and necessarily that

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1 allowable would be different.

2 Q Well, let me go along on Exhibit 11 since it is the
3 information we have before us. If we have a top allowable
4 oil well in an oil area, then it is entitled to produce
5 99 barrels and 594 MCF based on 1971 data?

6 A Yes.

7 Q What is the oil allowable for an oil well in the gas area?
8 Isn't it 272 MCF?

9 A And whatever oil that comes with it.

10 Q Which is about 45 barrels, if my calculations are correct.
11 If 99 barrels come with 594 MCF, then I believe 45 barrels
12 come with 272 MCF.

13 A It would be a little bit more than that.

14 Q What you are saying is you are reducing the oil allowable
15 for an oil well in a gas pool or in a gas area by virtue
16 of limiting what the MCF take is. You reduce it--

17 A That would be the effect, just as occurs now anywhere in
18 the pool where a well is reclassified from oil to gas.

19 Q Yes, but I want to stay with oil wells in the gas area and
20 oil wells in the oil area.

21 A I am with you, but I just wanted to draw the comparison.
22 It isn't something that is new.

23 Q My next question is if in fact you are limiting it to 272
24 MCF and that equates and you also can produce 45 or 46
25 barrels of oil along with it, my question is, would you

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1 drill a well that could only make that kind of produc-
2 tion? Would Continental drill a well?

3 A We used to drill them all the time.

4 Q Do you drill them now? Would you recommend drilling a
5 well that make or produce 272 MCF and 45 or 46 barrels of
6 oil in the Blinebry pool today? Can you economically do
7 it?

8 A I would just have to put the figures in a pay-out calcula-
9 tion. I haven't made that calculation.

10 Q I would suggest to you that it is economically unsound
11 and that you would not drill it and that therefore you
12 are going to curtail further development of oil in the gas
13 area.

14 MR. KELLAHIN: Mr. Examiner, I object to the counsel
15 testifying.

16 MR. CHRISTY: I am suggesting it to him.

17 THE WITNESS: Well, it seems strange to me that you
18 couldn't drill for that kind of allowable now when we did
19 it a few years ago, but I have not made that calculation.

20 Q (By Mr. Christy) Do you have any knowledge of what the
21 cost--what it does cost Continental to drill wells in the
22 Blinebry?

23 A No.

24 Q That is not in your field, sir?

25 A No.

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1 Q Do I understand correctly that under your proposed rule,
2 if you drill a well in the oil area, you could drill it
3 330 feet from the line?

4 A Right.

5 Q If you drill it in the gas well, you have to step out 660
6 feet?

7 A I believe that is what the present rules provide.

8 Q Right, but the present rules provide for 660 feet on a gas
9 well and 330 feet on an oil well; is that correct?

10 A Right.

11 Q What I want to know is if I drill an oil well in the gas
12 pool and I have to stay off 660 feet and you drill an oil
13 well in the oil area and you stay off 330 feet, don't you
14 tend to violate my correlative rights?

15 A I don't believe--perhaps I'd better read that rule again.

16 MR. NUTTER: You are probably talking about the well
17 that would be drilled along the black line, I presume?

18 MR. CHRISTY: I am talking exactly like that. We are
19 both talking about oil wells in each instance, one in a gas area
20 set up 660 and one in an oil area which sets off 330.

21 THE WITNESS: That would be the effect.

22 Q (By Mr. Christy) Would you think that would tend to
23 violate the correlative rights of the man that is in the
24 gas area?

25 A It might put him in a little bit of a tight--

1 Q Particularly in a homogenous type of reservoir like this?

2 A Yes.

3 MR. CHRISTY: Thank you very much. That is all.

4 MR. NUTTER: Are there any further questions of Mr.

5 Lyon?

6

7

CROSS EXAMINATION

8 BY MR. UTZ:

9 Q Mr. Lyon, referring to the special rules, Rule 12, in the
10 old Blinebry pool rules of which I assume you are advised;
11 is that correct?

12 A I believe that's right.

13 Q That rule, referring to the chargeability of intermediate
14 or low pressure gas against the wells' allowable--now, in
15 perusing your new rules, I can't find that rule in there.
16 Is it your intention to eliminate that rule?

17 A It must have been an oversight because I had intended to
18 make this complete.

19 Q It would be just before your general rules. If it is your
20 intention to eliminate that, we will eliminate my testimony.

21 A If you are saying that you think that all gas produced from
22 Blinebry gas wells should be charged against the allowable,
23 then I am inclined to agree with you. I think it should be
24 too.

25 MR. NUTTER: Then you left out the exception so

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1 apparently under your proposed rules it would be chargeable?

2 THE WITNESS: Right.

3 MR. UTZ: That is all I have.

4 MR. NUTTER: Are there any other questions of Mr.

5 Lyon? If there is no further questions, does anyone wish to
6 present any testimony today? If not, we will continue the case
7 to Examiner Hearing at 9:00 o'clock A. M. same place on
8 August 23rd.

9 MR. HATCH: We have a couple of telegrams we might
10 read into the record. Rand Oil Producing and Drilling Corpora-
11 tion and R. M. Moran strongly support rule changes recommended
12 by Continental Oil on Blinebry gas and oil pool, sincerely R. M.
13 Moran. Attention A. O. Porter, Jr. Gentlemen, referring to
14 the Examiner Hearing Docket 16-72 Case 4775 application of
15 Continental Oil Company for Blinebry pool rules change, we
16 concur with application with exception to use of pressure data
17 as a factor for allocation between oil and gas areas. If
18 pressure is to be a basis for allocation, then such data must
19 be determined from each well in the pool and allocation be as
20 among wells instead of an area basis. J. R. Cone.

21 "Re Case 4775. This is to advise that Getty Oil
22 Company supports the special pool rules for the Blinebry pool
23 Lea County, New Mexico as proposed by Continental Oil Company,
24 R. J. Starrak, Midland, District Product Manager."

25 "Gentlemen, Amerada Hess Corporation operates both oil and gas

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1 wells in the Blinebry pool and supports rules which would more
2 nearly equalize reservoir voidage per acre. Amerada Hess has no
3 objection to the rules as proposed by Continental Oil Company.
4 R. L. Hocker."

5 MR. NUTTER: Thank you, Mr. Hatch.

6 MR. MANNING: If there is nothing further in the cases,
7 I think I have decided that I will give a statement here. I am
8 E. R. Manning with El Paso Natural Gas and I have a brief full
9 of statements whichever way it went.

10 "El Paso Natural Gas Company has contracts for the
11 purchase of gas from a portion of the Blinebry areas under
12 consideration. As we understand the testimony regarding
13 pressure and performance, a drainage condition exists from the
14 gas areas to the oil areas. Because of this, we believe that
15 the owners of interest in the gas area should be permitted to
16 take advantage of any opportunity in the future to minimize or
17 stop this drainage condition. Should a volumetric equivalent
18 allowable be established as a result of this application being
19 considered, we recommend that it be considered as a floor and
20 not a ceiling and, that gas wells be permitted to produce the full
21 market demand expressed by purchasers from those wells."

22 MR. NUTTER: Thank you, Mr. Manning. If there are no
23 other statements, we will continue the hearing to August 23.

24 (Whereupon, the Hearing in Case 4775 was adjourned at
25 4:00 o'clock P. M., Wednesday, July 26, 1972.)

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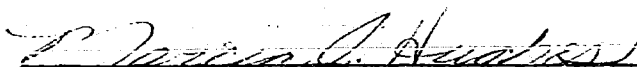
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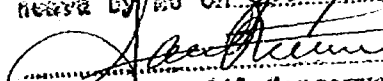
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1 STATE OF NEW MEXICO)
 2 : ss.
 3 COUNTY OF BERNALILLO)

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

11 
 12 Certified Shorthand Reporter

23 I do hereby certify that the foregoing is
 24 a complete and correct transcript in
 25 this Shorthand form of the hearing in
 heard by me on July 26, 1972.
4775

 New Mexico Oil Conservation Commission

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VICTOR T. LYON

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OIL CONSERVATION COMMISSION

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

May 22, 1973

GOVERNOR
BRUCE KING
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

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

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

Re: Case No. 4775
Order No. R-4536
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.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
Artesia OCC _____
Aztec OCC _____

Other Bill Simmons - Mobil; R. L. Hocker, Amerada; Owen Lopez, Sumner Buell, Earl E. Speight, N. B. Hunt; Don D. Dent, Gulf Oil; Don Stevens, Vic Lyon, Continental; Sim Christy, and Kenneth Harbin, Texaco.

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. 4775
Order No. R-4536

APPLICATION OF CONTINENTAL OIL
COMPANY FOR AMENDMENT OF THE
BLINEBRY POOL RULES, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 23, 1972, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 22nd day of May, 1973, 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, appeared at said hearing and offered, for consideration of the Commission, several amendments to the rules governing the Blinebry Gas Pool and the Blinebry Oil Pool, which amendments, if adopted, would result in sweeping changes in said pool rules.
- (3) That Gulf Oil Corporation also appeared at said hearing and offered for consideration of the Commission, several equally broad and sweeping amendments to the Blinebry Pool Rules.
- (4) That numerous other operators in the Blinebry Pool offered support to the proposals of either one or the other of the aforesaid companies, and further offered suggested amendments to the proposed amendments.
- (5) That the Blinebry Gas Pool and the Blinebry Oil Pool have long been recognized as being a part of a complex system of interrelated gas-bearing and/or oil-bearing stringers, the administration of which both for the prevention of waste and the protection of correlative rights is unusually complicated.

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Case No. 4775
Order No. R-4536

(6) That the complexity of protecting correlative rights in the subject pools is further aggravated by the differential between casinghead gas allowables assigned to the oil wells in the Blinebry Oil Pool and gas allowables assigned to the gas wells in the Blinebry Gas Pool.

(7) That after diligent examination of the record in the subject case, the Commission has determined that the notice of the hearing and the record of the hearing are both insufficient to the entry of an order which will adequately prevent waste and yet afford the greatest protection to the correlative rights of all operators.

(8) That Case No. 4775 should be dismissed, and the Secretary-Director of the Commission should appoint a committee of interested operators in the Blinebry Gas Pool and the Blinebry Oil Pool to make a study of the pools and to make recommendations to the Commission at a hearing which should be called by the Commission no later than six months after the entry of this order.

IT IS THEREFORE ORDERED:

(1) That Case No. 4775 is hereby dismissed.

(2) That the Secretary-Director of the Commission appoint a Blinebry Pool Study Committee, composed of no less than 15 operators in the Blinebry Gas Pool and the Blinebry Oil Pool, and no less than two major gas purchasers in said pools; that any operator not appointed to the Committee shall be permitted to attend the meetings of the Committee and be permitted full expression as though a member; that the District Supervisor of the Commission's Hobbs District Office shall be appointed Chairman of the Committee; and that the Chairman of the Committee shall issue notice to Committee members and to all other operators in the Blinebry Gas Pool and the Blinebry Oil Pool of the time of all meetings of the Committee, and the place of all such meetings, which shall be the Commission's District Office, 1000 West Broadway, Hobbs, New Mexico.

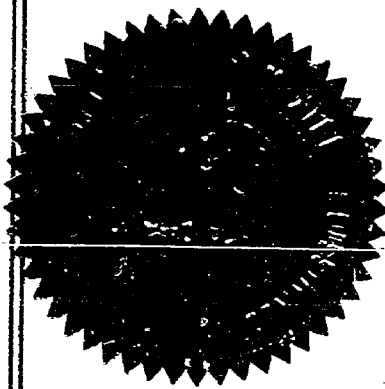
(3) That a case be called no later than November 20, 1973, to consider the amendment of the Blinebry Pool Rules.

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

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Case No. 4775
Order No. R-4536

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. Trujillo

I. R. TRUJILLO, Chairman

Alex J. Armijo

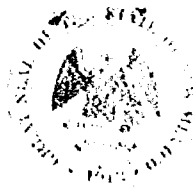
ALEX J. ARMIJO, Member

A. L. Porter, Jr.

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

S E A L

dr/



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 1980 - HOBBS

June 14, 1972

GOVERNOR
BRUCE KING
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

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

Mr. D. S. Nutter, Chief Engineer
New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Dear Dan:

This is a report made on the Blinebry and Tubb Pools due to Shell's request for a new pool creation in the zone of no nomenclature which exists between these two pools. Shell's Argo "A" No. 5, located in Section 22, Township 21 South, Range 37 East, is the well in question.

A total of 59 Blinebry wells were checked for completions, mostly at random in the pool, with a number clustered around the well in question. A total of 19 wells (32%) out of the 59 were found to be partly completed into the zone of no nomenclature, and they are as follows:

Continental - Elliott "A" #5-P, 15-22-37, 24' into zone
Continental - Lockhart A #5-A, 27-21-37, 50' into zone
Continental - Hawk "B" #4-L, 9-21-37, 16' into zone
Continental - Hawk B #2-J, 9-21-37, 39' into zone
Continental - Hawk B-3 #13-X, 3-21-37, 60' into zone
Shell - Argo "A" #5-F, 22-21-37, gas well in zone
Shell - Argo A #7-E, 22-21-37, 71' into zone
Shell - Turner #5-I, 22-21-37, 17' into zone
Shell - Turner #3-J, 22-21-37, 28' into zone
Shell - Turner #11-N, 22-21-37, 45' into zone
Gulf - Eubank #3-G, 22-21-37, 80' into zone
Shell - Turner #15-O, 22-21-37, 69' - all perf. in zone
J. R. Cone - Eubanks #1-M, 14-21-37, 71' into zone
Cities Service - Owen #1-P, 35-21-37, 60' into zone
Atlantic Richfield - Cone A #2-L, 26-21-37, 59' into zone
Atlantic Richfield - Sarkeys #1-J, 23-21-37, 12' into zone
Atlantic Richfield - Barton #3-H, 23-21-37, this well is completed in Blinebry across zone of no nomenclature and 74' into Tubb Pool.
Amoco - State "C" Tr. 12 #3-E, 16-21-37, 6' into zone

Findings:

1. The above wells are mostly Blinebry oil wells; most have been recompleted in the last few years. The total wells checked represent only about 25% of Blinebry oil wells.
2. The Shell Argo #5 is not a new discovery by any means.
3. The immediate offset well, Shell's Argo #7, located in Unit E, is also completed 71' into the zone of no nomenclature and is in area which Shell asks to be dedicated to the No. 5 well.
4. All formation tops in the 59 wells were correlated by logs.
5. There were no Tubb Pool wells completed up into the zone of no nomenclature found in a spot check of the Tubb completions.
6. The old Terry-Blinebry Pool rules were such that a zone of no nomenclature did not exist between the Terry and the Tubb Pool. Some of the old Terry wells are complete in this now existing zone since the Terry-Blinebry Pool was extended to the Blinebry Pool.
7. The zone of no nomenclature is not of a constant thickness but ranges from 40' to 207' in thickness depending on Blinebry and Tubb formation development.

Recommendations:

That the vertical limits of the Blinebry Pool be changed
from: 75' above the Blinebry marker to a point 300'
below marker
to: 75' above Blinebry marker to 100' above top of Tubb
marker; as found in the type log, the Humble State
"S" #20, located in Unit F, Section 2, Township 22
South, Range 37 East.

That the Shell-Argo #5 well be placed in the Blinebry
Gas Pool.

Attached copies of C-123 and C-104.

Yours very truly,

OIL CONSERVATION COMMISSION

John W. Runyan
John W. Runyan
Geologist, District I

REQUEST FOR THE EXTENSION OF AN EXISTING POOL

OR

THE CREATION OF A NEW POOL

TO: The Oil Conservation Commission
State of New Mexico

Date.....May 5....., 1972..

The.....Shell Oil Company.....
Name of Operator

Argo A
Name of Lease

.....5..... Located.....1980.....feet from the.....North.....line and.....2130.....feet
Well No.

from the.....West.....line of.....22.....21-S.....37-E.....
Section Township Range

is outside the boundaries of any pool producing from the same formation. On the basis of the information submitted here-
with on form C-105, we hereby request that the.....
pool be extended to include the following described area.....

or that a new pool be created to include the following described area. 160 acre tract, NW 1/4 of Section 22,
T-21-S, R-37-E, Lea County + vertical limits: (Blinbry and Tubb Pool Order Nos. R-1670, H.
Rule 25) 300' below Blinbry Marker to 100' above the Tubb Marker.

Suggested name:.....Middle Clearfork.....

.....Shell Oil Company.....
Operator

Name of Producing Formation:.....Clearfork.....

.....J. R. Farina.....
Representative

RECEIVED

MAY 3 1972

NEW MEXICO OIL CONSERVATION COM.
ALBUQUERQUE

DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
TRANSPORTER	OIL
	GAS
OPERATOR	
PRORATION OFFICE	

NEW MEXICO OIL CONSERVATION COMMISSION
REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Form C-104
Supersedes Old C-104 and C-110
Effective 1-1-65

I. Operator **Shell Oil Company**
Address **P. O. Box 1509, Midland, Texas 79701**
Reason(s) for filing (Check proper box)
New Well ☐ Change in Transporter of: Oil ☐ Dry Gas ☐
Recompletion ☒ Casinghead Gas ☐ Condensate ☐
Change in Ownership ☐

If change of ownership give name and address of previous owner

II. DESCRIPTION OF WELL AND LEASE

Lease Name Argo A	Well No. 5	Pool Name, Including Formation Wildcat	Kind of Lease State, Federal or Fee Fee	Lease No.
Location Unit Letter F ; 1980 Feet From The South Line and 2130 Feet From The West Line of Section 22 Township 21-S Range 37-E , NMPM, Lea County				

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input type="checkbox"/> or Condensate <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or Dry Gas <input checked="" type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
El Paso Natural Gas Company	P. O. Box 1492, El Paso, Texas 79999
If well produces oil or liquids, give location of tanks.	Is gas actually connected? No When

If this production is commingled with that from any other lease or pool, give commingling order number:

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well	Gas Well	New Well	Workover	Deepen	Plug Back	Same Res'v.	Diff. Res'v.
		X		X				X
Date Spudded 1-15-50	Date Compl. Ready to Prod. 4-14-72	Total Depth 6633	P.B.T.D. 6440					
Elevations (DF, RKB, RT, CR, etc.) 3427 DF	Name of Producing Formation Wildcat	Top Oil/Gas Pay 5892	Tubing Depth 5880					
Perforations 5892, 5901, 5905, 5910, 5914, 5920, 5936, 5937			Depth Casing Shoe 6535					
TUBING, CASING, AND CEMENTING RECORD								
HOLE SIZE	CASING & TUBING SIZE	DEPTH SET	SACKS CEMENT					
17 1/2"	13 3/8"	230'	250 BX					
11"	8 5/8"	2920'	2000 BX					
7 7/8"	5 1/2"	6535'	500 BX					

V. TEST DATA AND REQUEST FOR ALLOWABLE (Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

Date First New Oil Run To Tanks	Date of Test	Producing Method (Flow, pump, gas lift, etc.)	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil-Bbls.	Water-Bbls.	Gas-MCF

GAS WELL

Actual Prod. Test-MCF/D 2,900	Length of Test 24 hrs	Bbls. Condensate/MCF 0	Gravity of Condensate
Testing Method (pilot, back pr.) Meter	Tubing Pressure (shut-in) 960	Casing Pressure (shut-in)	Choke Size 35/64"

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

J. R. Farina
(Signature)
J. R. Farina, Senior Production Engineer
(Title)
4-25-72
(Date)

OIL CONSERVATION COMMISSION

APPROVED _____, 19____
BY _____
TITLE _____

This form is to be filed in compliance with RULE 1104.
If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.
All sections of this form must be filled out completely for allowable on new and recompleted wells.
Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of condition.
Separate Forms C-104 must be filed for each pool in multiply completed wells.

BI gas

Amerada	Baker	3E	10	22	37	17	17	1011
	Corrigan Gas Co	9G	4	22	37	234	234	18426
	Hare	5K	33	21	37	109	109	7873
	Randel A	1F	20	21	37	37	37	3119
	State DA	4J	16	21	37	NR		3440
	State DC	1F	19	21	37	16	16	1073
	Walden	7N	15	22	37	16	16	4218
	Wardick A	2J	19	21	37	49	49	10849
	Wood	10H	22	22	37	58	58	3391
Amoco	Owen A	2F	3	22	37	466	466	26817
	Owen B	4N	34	21	37	168	168	12548
	State C Tr 12	4F	16	21	37	10	10	1055
	State C Tr 13	5E	36	21	37	59	59	68104
	State CK	2K	19	21	37	J		
		3N	"			NR		877
	Turner	3P	29	21	37	25	25	17862
M Antwil	Hill	1J	4	21	37	151	151	11172
Atlantic	Boyd	4F	23	22	37	6	6	16335
	Brunson	7D	4	22	37	11	11	4675
	Sarkas							
	State 367	3K	36	21	37	52	52	13389
	Turner Com	3N	29	21	37			
	Turner	1L	29	21	37			1939
	York Gas Com							

Bl oil

Oil Allow 3317
Asphr Allow 19902

						Oil Allow	Avg Oil Prod	Avg Gas Prod	
Acoma	Sarkys A	1A	26	21	37	310	274	19902	
"	" B	1B	"	"	"	1860	347	10369*	29882
Amerada	Hare	4N	33	"	"	124	124	264	2129
	Steen DA	2K	16	"	"	T			
	"	5I	"	"	"	T			
	Steen DO	2E	19	"	"	SI			
	Warlick A	1I	"	"	"	186	134	4241	31649
Amer Petrofina	E Butler	5F	18	22	38	279	252	540	2143
Amoco	Grizzell B	1G	8	22	37	341	234	9003	38474
	Pike Fed	1A	6	23	38	186	146	2492	17068
	Southland Rty A	1G	9	21	37	186	159	2419	15214
	"	2B	9	21	37	155	132	1950	14773
	"	4X	4	21	37	93	79	1949	24671
	"	5Q	"	"	"	217	185	2418	13070
	"	6H	9	21	37	620	550	17358*	31520
	"	7A	"	"	"	589	484	7815	16147
	"	8W	4	21	37	93	79	1949	24671
	Steen C Tr 12	3E	16	21	37	SI			
	"	7D	"	"	"	248	191	1260	6597
	Steen S	1C	32	22	38	310	272	3965	14577
	"	2D	"	"	"	U			
	"	3E	"	"	"	341	299	4845	16204
M Antweil	DeKalb	1P	32	20	38	186	143	NR	
Atlantic	Barton	2B	23	21	37	341	198	2675	13510
	"	3H	"	"	"	465	379	2119	5591
	"	4G	"	"	"	682	418	9220	22057
	Brownlee	5N	25	21	36	1172	867	571	659
	Cone A	1M	26	21	37	651	261	1306	5004
	"	2L	"	"	"	217	162	930	5741
	Cone B	1N	"	"	"	372	237	6708	28304
	"	2D	"	"	"	403	295	9763	33095
	Hill	1P	"	"	"	217	212	1706	8047

Bl oil

Atlantic(cont)	Sarkys	1 V 23 21 37	403	385	5236	13600
		20 "	434	416	9020	21683
		31 "	1240	1377	23501 *	17577
		4 P "	155	155	3844	24800
	Sta 367	1 M 36 21 37	51			
		2 L "	434	379	14708 x	38807
	Turner	4 M 29 21 37	217	152	617	4059
	Gutman	2 L 11 21 37	372	203	6560	32315
Aztec	Sta	5 F 2 21 37	51			
		6 D "	155	125	520	4160
		7 C "	155	136	840	6176
		8 E "	186	150	960	6400
	Sta	3 M "	279	140	3909	27921
	Sta B	1 I 36 22 37	372	270	4927	18248
	Sta BD	1 J "	51			
		2 P "	341	200	496	2480
Campbell & Hedrick	Elliott	1 G 6 23 38	93	41	NR	
	May	1 B 35 22 37	NR			
Cities Serv	Brunson B	2 K 3 22 37	U			
	Owen	1 P 35 21 37	372	156	412	2641
		7 I "	806	341	272	798
	Sta P	2 L 32 22 38	124	71	7984	112461
		3 M "	51			
	Sta S	3 F 15 21 37	434	264	3059	11587
		6 E "	248	152	1981	13033
JRCone	Anderson	2 I 21 21 37	62	62	2007	32371
	Eubanks	4 N 14 21 37	434	422	3416	8095
		1 M "	744	536	5903	11013
Continental Hawk A		2 H 8-21-37	248	186	1936	10409
		3 E 9-21-37	93	80	143	1788
		4 D 4-21-37	51			
		5 P 9-21-37	93	80	358	4475

B1 oil

Continental (CONT)	Hawk B1	3 C	9	21	37	93	81	294	3630
		7 P	"			51			
		8 O	"			51			
		4 M	"			124	81	1811	22358
		13 I	"			527	297	685	2306
	Hawk B3	2 O	3	21	37	279	262	2650	10115
		5 R	"			248	233	1598	6858
		7 Q	"			248	232	2223	9582
		13 X	"			341	320	1859	5809
		14 A	"			372	291	2650	9107
		15 B	"			186	117	1940	16581
		16 C	"			51			
		17 D	"			124	116	1703	14681
		18 G	"			310	204	2602	1755
		19 H	"			186	116	1277	11009
		20 P	"			248	175	1136	6491
		23 A	"			51			
	Hawk B4	1 F	4	21	37	186	204	595	2917
	Hawk B10	1 B	10	21	37	62	54	577	10685
		4 H	"			217	135	1074	9956
		8 G	"			279	243	3182	13095
		10 C	"			806	540	12090 x	22389
	Hill	1 K	4	21	37	124	145	1202	8290
	Cockhart A27	1 C	27	21	37	62	88	5330	60568
	Cockhart A35	2 F	35	21	37	658	400	1182	2955
		3 C	"			93	51		
	Cockhart B11	2 D	11	21	37	248	235	1748	7438
		3 E	"			434	293	2466	8416
		4 C	"			217	176	897	5097
		7 A	"			341	88	269	3057
		8 O	"			155	88	2869	32602
		9 A	"			NR			
		10 H	"			465	410	4080	9951

B1 oil

Cont (cont) Cockhart B11	11 I	11	21	37	310	117	3542	30274
	12 B	"			310	263	9863	37502
	13 P	"			248	205	6815	33284
	14 G	"			310	293	2804	9638
	15 J	"			589	552	2768	4978
	16 F	"			992	938	13207	x 14080
Cockhart B12	1 D	12	21	37	155	167	894	5353
	6 C	"			124	67	1084	16179
	7 D	"			NR			
	8 F	"			124	101	742	7347
	9 G	"			93	67	456	6806
	10 B	"			155	167	1483	8880
	11 E	"			SI			
Cockhart B13	1 M	13	21	37	155	100	9088	90880
	2 E	"			SI			
	3 F	"			186	125	1694	13552
	5 N	"			279	226	1889	8358
	6 G	"			SI			
	7 J	"			SI			
	8 L	"			155	101	6873	68050
Cockhart B14	1 H	14	21	37	124	124	16170	x 130403
	2 P	"			93	24	1626	67750
	3 A	"			248	197	2481	12594
	4 I	"			186	148	2567	17345
Cockhart B35	1 G	35	21	37	279	233	3795	16288
	2 B	"			155	131	1431	10924
	3 H	"			217	105	2861	27248
	4 A	"			155	122	2867	23500
Nolan	1 M	11	21	37	496	490	6717	13708
	2 N	"			403	294	13663	x 46473
	3 K	"			341	359	4058	11304
Stace 10	1 D	10	21	37	62	384	4105	10690
Stace W36	1 G	36	22	37	186	112	11061	x 98759

B1 oil

Cont (cont) Wantz

3 P 21 21 37 SI
4 J " SI
6 M " SI

Warrenlt

12 N 34 21 37 310 180 1525 8472
13 O " 21 37 SI
14 M " 21 37 SI
15 P 33 21 37 SI
16 O " 21 37 217 181 3167 17497
17 I " 21 37 186 154 2581 16760
18 L 34 21 37 372 309 4458 14427
19 H 33 21 37 372 309 3989 12909
20 E 34 21 37 124 103 1994 19359
21 B 33 21 37 26 26 352 13538

Crown Central Danglade
Elliott Elliott

1 B 24 22 37 930 258 2348 9101
5 U 1 21 37 186 179 1354 7664
6 V " 186 178 1354 7607

Elliott Fed

1 M 1 21 37 341 180 1253 6961
2 N " 124 65 452 7015
3 W " 93 50 342 6840
4 L " 124 65 452 7015
5 K " 186 98 683 6969

Humble Fed

1 X " 62 42 288 6857

Fundmental Gulf Leonard

1 H 24 21 36 124 86 ~~52~~ 605

Gatty Brunson

1 P 4 21 37 93 80 4808 60100

Clifton

2 M 4 22 37 SI

Hardy

2 O 17 21 37 SI

Sarkeys

2 D 26 21 37 1147 1147 19218 x 16755

Staun S

4 C 15 21 37 279 248 5110 20605

7 D " 434 434 13519 31150

Williamson

1 D 23 21 37 310 310 6581 21229

2 E " 279 371 10553 28445

3 F " 558 558 18827 x 32844

4 C " 217 217 3341 15396

Bl oil

GLH

Andrews	5 A	32 22 38	465	244	2823	11570
	6 H	"	U			
Brunson	4 G	10 22 37	62	62	2223	35855
Cole NCTA	11 J	16 22 37	372	365	4788	13118
Cone	1 K	26 21 37	310	305	2293	7518
Drinkard NCTB	2 J	30 22 38	279	259	2286	8826
	3 O	"	248	238	3918	16462
Eubank	2 A	22 21 37	124	113	2398	21221
	3 G	"	U			
	5 B	"	310	294	1199	4078
E. King	8 H	28 21 37	186	140	2858	20414
	13 A	"	248	149	2946	19772
	19 C	"	341	339	10188	* 30053
	24 E	"	124	106	739	6972
	25 D	"	310	290	2567	8852
Harky	2 N	20 21 37	NR			
	3 K	"	434	297	9750	32828
	4 M	"	SI			
Higgins	1 J	29 22 38	155	151	2109	13914
Reechum	1 J	14 21 37	465	387	4901	12664
	2 O	"	217	183	2612	14273
Leonard NCTC	10 N	36 21 36	2697	1210	3778	3122
	12 A	B	1674	1211	9792	8086
	13 B	"	3317	672	3833	
	14 H	"	775	605	19253	*
	15 G	"	3317	1258	6883	
	16 K	"	1798	674	1710	
Leonard NCTE	1 G	16 21 37	651	648	7062	
	2 H	"	62	62	2077	
	3 B	"	62	61	2109	
	4 A	"	31	31	704	
Leonard NCTF	6 O	2 21 37	186	169	1110	
	8 X	"	217	200	1424	

B1 oil

Gulf(cont) Leonard NCTF	9 Q	2 21 37	93	83	1114
	10 G	"	124	119	1652
	11 P	"	124	120	827
	12 I	"	155	150	1
	14 J	"	93	83	1347
	16 H	"	45	44	NR
	17 A	"	SI		
	18 R	"	186	170	6123
	19 W	"	1626	1418	22813 *
Cineberry	2 L	29 22 38	186	186	1890
Marks	3 G	3 22 37	372	366	11847 *
Mather NCTB	8 I	30 21 37	186	153	692
	14 M	"	3069	1498	7360
	15 N	"	3317	1183	3368
	16 D	"	3069	2691	13737 *
	17 C	"	3317	3270	59258 *
	18 O	"	2782	2743	NR
Mather NCTE	13 H	12 22 36	460	458	NR
McCormack	12 B	32 21 37	124	99	2165
	15 J	"	124	132	2741
Owen	4 7	34 21 37	U		
Paddock	2 J	1 22 37	248	225	6508
	3 P	"	U		
	4 G	"	186	169	3467
Pike	1 B	6 23 38	279	254	1686
Ramsay NCTB	3 A	25 21 36	124	122	3582
	6 H	"	3069	2322	5157
Rinewalt	2 E	4 22 37	SI		
Scarborough Est.	1 A	31 22 38	217	100	3112
	2 H	"	155	179	3549
	3 I	"	62	40	354
	5 U	"	62	76	2159
	6 G	"	186	105	1374
	7 K	"	279	178	1480

Bloil

Gulf (ont)	Scarborough Est	8 L	31	22	38	93	76	1939
	Stephens	1 D	24	21	37	155	142	6280
		2 E	"			186	173	4808
	Sticher	2 N	4	22	37	U		
	Vivian	2 G	30	22	38	248	226	8694
		4 H	"			155	129	3978
		4 B	"			217	195	3484
		8 A	"			124	101	3635
	Watkins	2 P	29	22	38	NR		
	Hanson	Gutman	1 M	19	22	38	1085	1182 20608
	Kingwood	1 J	25	21	36	620	552	2475
		2 O	"			3317	2053	8652
	Mattern	1 K	30	21	37	1798	1419	2546
		2 K				1116	906	2200
	Moore	1 I	25	21	36	1488	1331	3881
	Harper	Sarkeys	1 G	26	21	37	775	449 13242 x
	Hendrix	Brunson C	4 J	3	22	37	SI	
		5 O	"			SI		
	Danglade	2 A	24	22	37	1333	671	6344
	Humble	Greenwood	1 D	9	22	37	SI	
	Hardison B	1 H	34	21	37	NR		
		2 A	"			868	620	10750 x
	New Mexico S	22 M	2	22	37	403	320	12282 x
	NM V Stair	1 M	10	21	37	341	262	2914
		3 O	"			279	215	6267
		6 J	"			217	166	3957
		7 N	"			341	263	3995
		8 I	"			248	190	4699
		12 L	"			217	167	2693
	NB Hunt	Weatherly	4 B	21	21	37	1209	705 2618
		5 E	"			217	127	1121
		6 F	"			930	543	2964

B1 oil

Imp American	Federal GPS	1 O 6 22 38	21	28	105
	Federal HT	1 R 1 21 37	155	131	1043
		2 O "	T		
	Gulf Sinks	1 C 25 21 37	62	51	20
	Rty Holding	2 G 25 21 37	93	95	116
	Sims Fed	2 G 7 22 38	51		
Mabee	Belcher	1 N 7 22 38	186	133	637
Marathon	Butler A	1 L 18 22 38	184	164	2358
	Lynch	5 C 1 22 37	U		
	Muncy	4 H 24 22 37	403	339	22588 *
	Warlick C	8 I 15 21 37	51		
		9 P "	U		
		10 J "	403	171	722
Mobil	Stephens Est	1 L 24 21 37	124	52	1634
		2 M "	155	65	3832
Moran Prod	Dauron	1 E 1 21 37	124	97	787
	Lineberry	1 G 29 22 38	558	494	11163 *
	Owen	1 E 14 21 37	496	391	7077
		2 D *	465	359	6498
R. Moran	State 36	1 K 36 22 37	217	150	1016
Natl Resources	Anna Fed	1 D 1 21 37	T		
Peery	Hardy	2 P 19 21 37	465	298	9878
		5 O "	558	357	11702 *
Pawroc	Hinton	4 I 12 22 37	124	N12	58
	Warlick	1 A 19 21 37	341	195	5169
		2 B "	279	110	2432
		3 P 18 21 37	3069	914	19613 *
Phillips Shell	New Mexico D	1 H 36 22 37	248	152	3027
	Argo	1 M 15 21 37	1023	980	12779 *
		3 K "	434	352	8500
		4 N "	155	165	3204
	Argo A	1 D 22 21 37	124	33	495
		5 F "	No C116		
		7 E "	274	232	20275 *

B1 oil

Shull (cont)	Argo A	10 C	22 21 37	279	299	2517
		12 F	"	U		
	Chesher	2 M	12 21 37	279	235	4446
	Coll	1 J	12 21 37	155	176	1038
		2 L	"	310	176	2905
	Fields	1 O	12 21 37	124	88	325
	Livingston	3 W	3 21 37	403	373	8019
		5 U	"	403	286	2889
		6 S	"	155	143	6664
		8 N	"	434	429	7685
		9 V	"	279	287	4549
		10 P	4 21 37	248	156	2108
		12 I	"	T		
	Plumlee	1 N	12 21 37	93	87	512
	Rinewalt	1 F	4 22 37	124	65	3734
		2 C	"	93	66	339
	Sarkys	1 M	23 21 37	1116	442	10079
		2 K	"	248	151	4331
		3 L	"	279	250	5797
		4 N	"	434	406	13627 x
	Smith	2 B	14 21 37	496	373	7077
		3 G	"	310	186	13870
	Staun Sec 2	8 L	2 21 37	186	167	5388
		16 K	"	217	112	1768
		17 K	"	NR		
		18 N	"	155	125	650
		19 S	"	217	195	2728
		20 V	"	248	223	3434
		21 T	"	186	194	1867
		22 U	"	279	223	962
	Staun Sec 15	2 H	15 21 37	527	181	1800
		3 G	"	620	556	2898

Bl oil

Shell (cont)	Taylor Glenn	1 K	3 21 37	124	117	5936
		3 I	"	465	249	19698 *
		6 J	"	341	236	3849
T. Glenn Btly	2	7 H	4 21 37	465	429	17324 *
		8 E	3 21 37	279	207	3007
		9 F	"	248	155	11866 *
Turner		1 P	22 21 37	T		
		3 J	"	T		
		6 M	"	T		
		11 N	"	T		
		15 O	"	248	187	3030
Sohio	Hinton	10 D	13 22 37	T		
	Rogers	2 H	12 22 37	186	122	88
Summit	Gulf Bunin	2 C	13 21 37	155	120	1116
		3 B	"	93	75	562
		4 D	"	682	430	2088
Gulf Hill		1 R	4 21 37	62	17	982
		4 S	"	31	17	981
		2 N	"	186	56	3143
		3 O	"	248	65	3142
Sun	Shell St	1 D	36 22 37	U		
	Elliott A	3 A	21 21 37	1023	550	1721
		4 H		NR		
	Elliott B	1 D	20 21 37	T		
State Land	15	2 N	16 21 37	806	NR	
		5 P	"	1209	582	7467
	Weatherly	4 K	17 21 37	NR		
Tenneco	Elliott Fed	1 T	1 21 37	310	122	718
		2 S	"	589	232	1366
Texaco	Sunshine St.	1 C	19 21 37	124	35	5554
	Estlack	1 T	3 21 37	NR	82	7358
	Nix	3 F	20 22 38	U		
	Weatherly	2 E	17 21 37	62	27	143

Bl oil

Texaco (cont)	Blinbury Fed NCT 1	4 O 20 22 38	93	57	208
		7 G 19 22 38	T		
		9 A "	341	216	5752
		12 H "	589	375	8575
		17 L 20 22 38	527	335	2928
		18 M "	527	335	6503
		20 E "	93	56	101
		21 N "	U		
		22 K "	186	119	470
	Blinbury Fed NCT 1 Btly 2	3 F 29 22 38	155	121	1217
		13 E "	217	171	1889
		19 D "	155	116	824
		23 C "	155	121	4477
		26 B "	31	25	102
		28 A "	93	72	702
	Blinbury Fed NCT 3	2 B 31 22 38	155	78	802
		3 E "	465	46	114
	Blinbury Fed NCT 4	1 P 31 22 38	62	39	1419
		2 O "	93	60	1328
		3 O "	NR		
		4 M "	124	79	1328
		5 N "	93	57	1931
	Falby A Fed	3 F 8 22 37	496	341	1525
	Lockhart Fed NCT 1	2 D 18 22 38	186	70	6316
	Lockhart Fed NCT 1	3 O 18 22 38	3		
Tex Pacific	Cone	4 I 26 21 37	434	462	1967
	Danglade	3 O 13 22 37	527	513	828
	Sarkeys	1 E 25 21 37	186	139	4752
Union Tex	Western Fed	1 D 5 23 38	T		

107
3000
321000
+
1284

Kastler Gulf - Warren
Ralph Viney

Oil well ashd allowance

107 x 3,000 x acreage factor
rules effective for:
6 to 12 month period

Robertson

under rules

48 oil wells would be curtailed

proposed rules

monthly allowance would be 9000 (1.3 MM/day)

71' 1971 32 gas wells produced in KS of this

Reservoir voidage oil 801

Reservoir gas void 779

Don Stevens Northern Natl
Butterbaugh

increase gas to correct imbalance
reducing GOR to 2000

69 MMCF as opposed to present 51 MMCF

tolerance for over-and-under

51° API should be retained

allow purchasers an addl 1-yr to nominate
to allow FPC to approve or to work trade-outs.

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

May 3, 1973

C
O
P
Y

Mr. Paul Thompson
Continental Oil Company
P. O. Box 460
Hobbs, New Mexico 88240

Dear Paul:

I certainly appreciate your concern with the situation as it exists in the Blinbry Pool, and I regret very much that we have not already issued an order in Case No. 4775 which was heard last August.

Paul, the staff and I have had numerous meetings in which the record in this case has been thoroughly reviewed but, as you point out, it is a very complex problem. We hope that you will continue to bear with us and we will make every effort to get an order out within the very near future.

Sincerely,

A. L. PORTER, Jr.
Secretary-Director

ALP/dr

cc: Mr. Jason Kellahin



L. P. Thompson
Division Manager
Production Department
Hobbs Division

Western Hemisphere Petroleum Division
Continental Oil Company
P.O. Box 460
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141

April 18, 1973

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

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

Gentlemen:

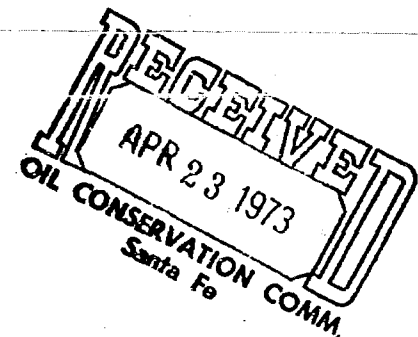
Blinebry Pool

Within the past year or so, the Commission has made some rather radical changes in the handling of the Blinebry Pool. Effective September 1, the Terry-Blinebry Pool was abolished and the Blinebry Pool was extended to incorporate the area previously included in the Terry-Blinebry Pool. Also the classification of wells has been made on the basis of reported GORs rather than the results of well tests. In contemplation of the considerable impact on our operations as a result of these changes, Continental made application for amendment of the special pool rules for the Blinebry Pool, which was heard as Case No. 4775. Hearings were held on our application on July 26, and August 23, 1972.

Continental has attempted to minimize the impact on our operations by re-assigning gas acreage or by securing a transfer of connection from a casing-head gas gatherer to a dry gas purchaser in cases of reclassification. We have been reasonably successful in making these changes, subject to delays because of FPC regulations. These adjustments, however, do not alter the numerous situations where gas wells with gas allowables of 131 MCFPD per 40-acres (during 1972), were offset by oil wells with a casinghead gas allowable of 642 MCFPD.

Continental also has one situation which we have not, as yet, been able to resolve. This is our State JJ-36 well located in Unit G of Section 36, Township 22 South, Range 37 East. This 40-acre lease is included in a communitization agreement which has been effective as to the Tubb but has been developed by the parties for oil in the Blinebry. We are in the process of amending the communitization agreement to apply only to the Tubb and not to the Blinebry.

We recognize that this is an internal problem but would like to point out that the amendment, when completed, will permit us to contract this acreage under a new gas contract. The problem is that the well, as a gas well,



NMOCC
Page 2
April 18, 1973

is limited to allowables of approximately 130 MCFPD, which makes it less attractive to a prospective gas purchaser than if it could produce at capacity, as do the offsetting oil wells. The well has been shut-in since October 1, 1972.

Since it has been approximately eight months since the last hearing on this matter, we are interested in knowing whether we may expect an order which might provide some relief to our problem or whether we should file an application for a special allowable for our State JJ-36 No. 1 well.

Yours very truly,



rw
Copy to:
RLA: GAD: JWK:

NEW MEXICO
OIL CONSERVATION COMMISSION

Hobbs, New Mexico 88240

DISTRICT OFFICE

January Thru
April 1973

NO. 154

SUPPLEMENT TO THE OIL PRORATION SCHEDULE

DATE April 9, 1973

PURPOSE ALLOWABLE ASSIGNMENT FOR A NEW WELL (GAS WELL)

Effective April 1, 1973, casinghead gas allowable is hereby assigned to the John H. Hendrix, Cossatot "E", 1-M, 13-22-37, Drinkard (Oil) Pool. This is a gas well in an oil pool.

*Leave this part just
as is. Change
"N" to "L" when assigning
new well
condensate allowable*

JDR/vho

John H. Hendrix

None-El Paso

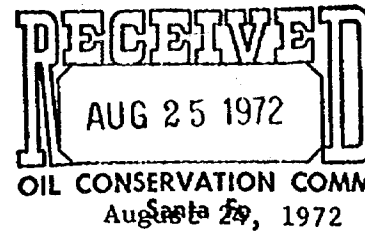
P-2-4

OIL CONSERVATION COMMISSION

[Signature]
DISTRICT SUPERVISOR

DISTRIBUTION: WHITE - OPERATOR, YELLOW - TRANSPORTER, PINK - OCC SANTA FE, GOLD - OFFICE COPY, GREEN - EXTRA COPY.

Mobil Oil Corporation



P.O. BOX 633
MIDLAND, TEXAS 79701

New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. D. S. Nutter

IN THE MATTER OF CONTINENTAL OIL
COMPANY'S APPLICATION FOR AMEND-
MENT OF THE BLINEBRY POOL RULES
CASE NO. 4775

Gentlemen:

Attached is a finished copy of Mobil Oil Corporation's statement which was read into the hearing record on August 23, 1972. This statement, prepared from the rough notes used at the hearing, does reflect Mobil's position on the proposals presented at the hearing.

Since the hearing reporter requested a copy of Mobil's statement we are forwarding a copy to their office.

Yours very truly,

J. A. Morris
Production Engineering Supervisor

/mw

Attachment

cc:

Dearnly-Meier Reporting Service
Post Office Box 1092
Albuquerque, New Mexico 87101

STATEMENT
OF
MOBIL OIL CORPORATION
FOR
NMOCC HEARING, JULY 26 AND AUGUST 23, 1972
CASE 4775

1. Mobil Oil Corporation recommends that the Commission disapprove the Continental Oil Co. request to divide the Blinebry Pool into gas areas and oil areas. Mobil believes that oil wells and gas wells, as defined by the present rules, do reasonably exist in the Blinebry Pool - regardless of location within the pool. Mobil further believes that any attempt to construct a line dividing the oil wells and gas wells in the Blinebry Pool would be purely arbitrary, and subject to varied interpretation and attack.
2. Mobil recommends that the Commission disapprove Continental's requested method of setting allowables in the Blinebry Pool. We believe that the proration order in current use is a valid order that, by use of the acreage formula, allowed the Blinebry Pool to meet the market demand without waste.

The use of existing Blinebry Rules will curtail gas production in the lower pressure areas, thereby, reducing the movement of oil and gas from the higher pressure areas to the lower pressure areas. This procedure will eventually tend to correct the inequities that may exist in a manner that will protect correlative rights and prevent waste. A decrease in the present limiting gas-oil ratio of 6000 cf of gas per bbl of oil would accelerate this correction.

3. Mobil has no objection to the proposed rule amendment to provide for annual BHP, GOR and gas liquid tests.
4. Mobil has no objection to the proposed rule amendment to extend the vertical limits of the Blinebry Pool so that the base of the Blinebry will coincide with the top of the Tubb Pool.
5. Mobil has no objection to Gulf Oil Corporation's counter-proposal in NMOCC Case No. 4775 in that the gas wells and oil wells can exist anywhere in the field without the arbitrary dividing line proposed by Continental Oil Company.

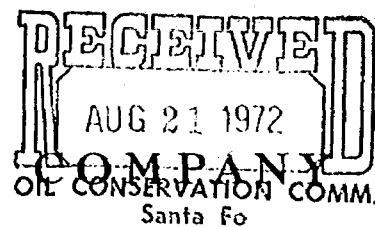
Also, Gulf's proposal, in their Rule 6, recognizes the need to maintain equity in the production of the oil wells as compared to the actual takes of gas purchasers from the gas wells. Mobil believes this concept is worthy of further consideration by the Commission.

Mobil also concurs with Gulf's proposal to decrease the limiting gas-oil ratio in the Blinebry Pool to 3000 cf of gas per bbl of oil.

Read into the record August 23, 1972
by W. B. Simmons, Jr. appearing for
MOBIL OIL CORPORATION

HUMBLE OIL & REFINING COMPANY

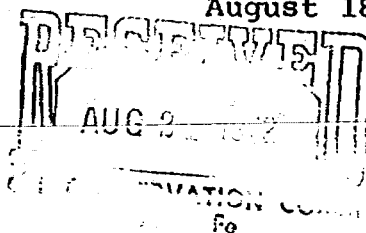
MIDLAND, TEXAS 79701



PRODUCTION DEPARTMENT
MIDCONTINENT DIVISION
L. H. BYRD
MANAGER

August 18, 1972

POST OFFICE BOX 1800



Re: Amendment of Special Rules
Blinbry Pool, Lea County,
New Mexico
Case No. 4775

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

Attention: Mr. A. L. Porter, Jr.

Gentlemen:

At a hearing on July 26, 1972, Continental Oil Company proposed amendment of special pool rules for the Blinbry Pool in Lea County, New Mexico. Humble Oil & Refining Company, as an operator of both oil and gas wells in this pool, recommends the rules be amended to allow the operator of each oil or gas well an opportunity to recover their fair share of reserves under each tract. In order to accomplish this, we suggest the allowables for the entire field be equalized on a per-acre basis and that withdrawals from both oil and gas wells be volumetrically equivalent.

Your consideration of our request will be appreciated.

Yours very truly,

L. H. BYRD

HNR/rs



Telegram

KA045 K CCC198

(AT 234CC519198) PD=SUNOILRGNL DAL Santa 0413P EDT 08/21/72 =
ZCZC 001 PD DALLAS TEXAS =
NEW MEXICO OIL CONS. COMMISSION A L PORTER JR. SEC. -
DIRECTOR = P O BOX 2088 SANTA FE, NEW MEXICO 87501
RE: CASE NO. 4775 ==

SUN OIL CO. AS AN OPERATOR IN THE BLINEBRY POOLS,
LEA COUNTY, HAS BEEN FURNISHED COPIES OF THE PROPOSED
AMENDMENTS TO THE SPECIAL FIELD RULES SUBMITTED TO THE
COMMISSION ON JULY 26TH BY CONTINENTAL OIL CO. AND
ALSO THE COUNTER-PROPOSAL TO BE OFFERED BY GULF OIL
CORP. ON AUGUST 23. AFTER CAREFUL CONSIDERATION OF BOTH
PROPOSALS SUN IS OF THE OPINION THAT FROM AN OPERATIONAL

WU 1201 (R 5-69)



Telegram

NNNN(0416P EDT) =

AND ADMINISTRATIVE STANDPOINT THE GULF PLAN APPEARS
MORE REASONABLE AND WOULD RESPECTFULLY RECOMMEND
THE ADOPTION OF ITS PROPOSAL. ==

H R HUEY =
SUN OIL COMPANY =
12850 HILLCREST ROAD =
DALLAS, TEXAS 75230 ==CC: =BILL GOZA - MD =
KEN BARNETT ==

WU 1201 (R 5-69)

(Case 4753 continued from page 1)

approval of an 80-acre non-standard oil proration unit in the East Shoe Bar-Devonian Pool comprising the NW/4 SW/4 and the SW/4 NW/4 of Section 29, Township 16 South, Range 36 East, Lea County, New Mexico, to be dedicated to a well to be drilled 1980 feet from the South line and 660 feet from the West line of said Section 29.

CASE 4769: Application of Gulf Oil Corporation for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the dual completion (conventional) of its J. R. Holt (NCT-A) Well No. 4 to be located 1980 feet from the South line and 2080 feet from the East line of Section 16, Township 24 South, Range 37 East, Lea County, New Mexico, in such a manner as to produce oil from the Fowler-Upper Yesso and Fowler-Devonian Pools through parallel strings of tubing.

CASE 4770: Application of Amoco Production 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 Yates and Seven Rivers formations in the open-hole interval from 3484 feet to 3514 feet in its Gorman Federal Well No. 1 located in Unit C of Section 35, Township 19 South, Range 33 East, East Gam Yates-Seven Rivers Pool, Lea County, New Mexico.

CASE 4774: Application of Amoco Production Company for a pressure maintenance project expansion, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Cato Baskett Pressure Maintenance Project, Cato-San Andres Pool, Chaves County, New Mexico, by the conversion to water injection of four additional wells located in Township 8 South, Range 30 East, as follows:

Baskett "D" Well No. 3 - Unit O - Section 11
Baskett "B" Well No. 2 - Unit C - Section 11
Wasley Well No. 1 - Unit C - Section 14
Wasley Well No. 3 - Unit A - Section 14

Applicant further seeks a procedure whereby additional injection wells and expansion of the project area may be approved without the necessity of notice and hearing.

CASE 4775: Application of Continental Oil Company for amendment of special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of the special rules and regulations governing the Blinebry Pool, Lea County, New Mexico, to provide for annual bottom-hole pressure, gas-oil ratio, and gas-liquid tests in the pool. Applicant further seeks the designation of oil areas and gas areas in the pool with allowables within each area equalized on a per-acre basis and total withdrawals from the gas area to be volumetrically equivalent to the total withdrawals from the oil area.

(Case 4775 continued)

Applicant further seeks to extend the vertical limits of the Blinebry Pool down to the top of the Tubb Pool.

Also to be considered by the Commission on its own motion will be amendment of the special rules and regulations to require that intermediate- or low-pressure gas be charged against a well's allowable; elimination of the requirement to conduct bottom-hole pressure, gas-oil ratio, and gas-liquid tests; and to require that all gas production be reported on Form C-111.

CASE 4778: Application of David Fasken for a dual completion and amendment of Order No. R-4297, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks amendment of Order No. R-4297, to permit the dual completion (conventional) of his Arco "9" Morrison Well No. 1 located in Unit B of Section 9, Township 19 South, Range 25 East, Eddy County, New Mexico, in such a manner as to produce gas from an undesignated Cisco gas pool through the casing-tubing annulus and gas from the Boyd-Morrow Gas Pool through tubing.

CASE 4779: Application of Merrion & Bayless for a non-standard proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the SE/4 of Section 35, Township 30 North, Range 12 West, within one mile of Flora Vista-Mesaverde Pool, San Juan County, New Mexico, to be dedicated to its Carnahan Well No. 1 located in Unit P of said Section 35.

CASE 4739: (Continued from the June 28, 1972, Examiner Hearing)

Application of Texas Pacific Oil Company for rededication of acreage, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dedicate the 160-acre non-standard gas proration unit in the Jalmat Gas Pool comprising the NW/4 of Section 1, Township 23 South, Range 36 East, Lea County, New Mexico, simultaneously to its Emery King "NW" Wells Nos. 1 and 4 located, respectively, in Units E and F of said Section 1 and to produce the allowable for the unit from either well in any proportion.

CASE 4783: Application of Texas Pacific Oil Company, Inc., for three non-standard proration units and rededication of acreage, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of the following-described non-standard gas proration units in Township 23 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico:

1. A 480-acre unit comprising the NE/4 NW/4, and SW/4 of Section 11, to be dedicated to its State "A" A/1 Wells Nos. 16, 29, and 34;

DOCKET: EXAMINER HEARING-- WEDNESDAY - AUGUST 23, 1972

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 4775: (Continued from the July 26, 1972 Examiner Hearing)

Application of Continental Oil Company for amendment of special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of the special rules and regulations governing the Blinebry Pool, Lea County, New Mexico, to provide for annual bottom-hole pressure, gas-oil ratio, and gas-liquid tests in the pool. Applicant further seeks the designation of oil areas and gas areas in the pool with allowables within each area equalized on a per-acre basis and total withdrawals from the gas area to be volumetrically equivalent to the total withdrawals from the oil area.

Applicant further seeks to extend the vertical limits of the Blinebry Pool down to the top of the Tubb Pool.

Also to be considered by the Commission on its own motion will be amendment of the special rules and regulations to require that intermediate- or low-pressure gas be charged against a well's allowable; elimination of the requirement to conduct bottom-hole pressure, gas-oil ratio, and gas-liquid tests; and to require that all gas production be reported on Form C-111.

CASE 4779: (Continued from the July 26, 1972, Examiner Hearing)

Application of Merrion & Bayless for a non-standard proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the SE/4 of Section 35, Township 30 North, Range 12 West, within one mile of Flora Vista-Mesaverde Pool, San Juan County, New Mexico, to be dedicated to its Carnahan Well No. 1 located in Unit P of said Section 35.

CASE 4798: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider revision of Rule 301 E of the Commission Rules and Regulations to provide for unrestricted allowables for water-flood projects and to eliminate the necessity of response for administrative approval of additional injection wells.

CASE 4799: In the matter of the hearing called by the Oil Conservation Commission on its own motion to amend Rule 306 of the Commission Rules and Regulations to incorporate therein the provisions of Order No. R-4070 which regulate the flaring or venting of casinghead gas.



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

July 27, 1972

Re: Case No. _____

Order No. Emergency Order No. E-26

Applicant: _____

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

DOCKET MAILED

Date 8-11-72

for Aug 23rd hearing

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

DOCKET MAILED

Date 8-11-72

for Aug 23rd hearing

Other Owen Lopez, Bill Kastler, Don Stevens, Charlie White,
Sim Christy, Carl Speight, Harley Reavis, Dennis Chastin,
John Seerey, Bob Manning, Bob Huey & Guy Buell

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER CONCERNING THE SUSPENSION
OF THE PROVISIONS OF PARAGRAPHS (h) AND
(i) OF ORDER NO. R-4304, WHICH PARAGRAPHS
ABOLISH THE TERRY-BLINEBRY POOL AND EXTEND
THE HORIZONTAL LIMITS OF THE BLINEBRY OIL
POOL, LEA COUNTY, NEW MEXICO.

EMERGENCY ORDER NO. E-26

BY THE COMMISSION:

NOW, on this 27th day of July, 1972, the Oil Conservation
Commission of New Mexico, a quorum being present, and being
fully advised in the premises,

FINDS:

(1) That an emergency exists which requires the promulgation
of an order by the Commission without notice and hearing.

(2) That Paragraphs (h) and (i) of Order No. R-4304 provide
for the abolishment of the Terry-Blinebry Pool, Lea County, New
Mexico, and the extension of the horizontal limits of the Blinebry
Oil Pool, Lea County, New Mexico, to include therein the acreage
previously comprising the Terry-Blinebry Pool, effective August 1,
1972.

(3) That the Commission is presently considering the applica-
tion of Continental Oil Company in Case 4775 for the amendment of
the Special Rules and Regulations governing the Blinebry Pool.

(4) That the above-described provisions of Paragraphs (h)
and (i) of Order No. R-4304 providing for the abolishment of the
Terry-Blinebry Pool and the extension of the horizontal limits
of the Blinebry Oil Pool should be suspended pending Commission
determination of Case 4775.

IT IS THEREFORE ORDERED:

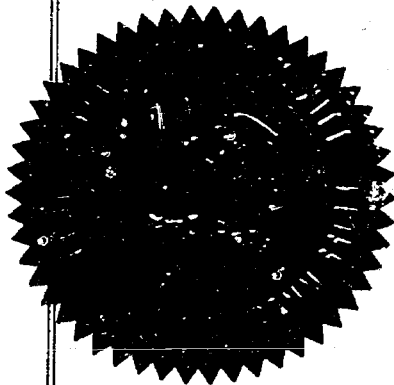
(1) That the provisions of Paragraphs (h) and (i) providing
for the abolishment of the Terry-Blinebry Pool and the extension
of the vertical limits of the Blinebry Oil Pool, Lea County, New
Mexico, are hereby suspended for a period of 15 days beginning
August 1, 1972.

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

-2-

EMERGENCY ORDER NO. E-26

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Bruce King
BRUCE KING, Chairman

Alex J. Armijo
ALEX J. ARMIZO, Member

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

S E A L

dr/



Telegram

KA039 NSA059

1972 JUL 25 PM 2 37

(926).

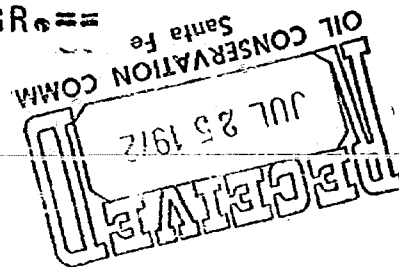
NS MDA008 PB PD=MIDLAND TEX 25 920A CDT=

NEW MEXICO OIL CONSERVATION COMM=

ATTN A L PORTER SANTA FE NMEX=

RE CASE 4775 THIS IS TO ADVISE THAT GETTY OIL CO.
SUPPORTS THE SPECIAL POOL RULES FOR THE BLINEBRY POOL
LEA COUNTY NEW MEXICO AS PROPOSED BY CONTINENTAL OIL
CO.=

R J STARRAK MIDLAND DIST PROD MGR.=



4775.=

WU 1201 (R 5-69)



Telegram

KA055 K KCC279(1451).

1972 JUL 25 1PM 2 02

(1-010943C207)PD 07/25/72 1227 =ICS IPMLUTA LBK =ZCZC
105 A 1H PDF LUBBOCK TEX 25 1137A CDT =

PMS THE OIL AND GAS CONSERVATION COMMISSION :

= STATE OF NEW MEXICO SANTA FE NMEX 87501 =

=ATTN A L PORTER JR

=GENTLEMEN REFERRING TO EXAMINER HEARING DOCKET 16-72
CASE =4775 APPLICATION OF CONTINENTAL OIL CO FOR
BLINEBRY POOL =RULES CHANGE. WE CONCUR WITH APPLICATION
WITH EXCEPTION TO USE =OF PRESSURE DATA AS A FACTOR FOR
ALLOCATION BETWEEN OIL AND =GAS AREAS IF PRESSURE IS TO
BE A BASIS FOR ALLOCATION THEN SUCH =DATA MUST BE

WU 1201 (R 5-69)



Telegram

DETERMINED FROM EACH WELL IN THE POOL AND =ALLOCATION
BE AS AMONG WELLS INSTEAD OF AN AREA BASIS =

J R CONE ===

16-72 4775 ==

WU 1201 (R 5-69)



Telegram

KA063

1972 JUL 25 PM 3 42

K CCF241 (SF 207CC406241)PD=AM HESS TUL 0452P

EDT07/25/72 =ZCZC 001 PD TULSA, OKLAHOMA JULY 25, 1972 =

STATE OF NEW MEXICO =OIL CONSERVATION COMMISSION =

STATE LAND OFFICE BUILDING =SANTA FE, NEW MEXICO

ATTN: MR. A. L. PORTER, JR.==

RE: CASE 4775 (SET FOR 7-26-72) ==

GENTLEMEN: ==

AMERADA HESS CORPORATION OPERATES BOTH OIL AND GAS
WELLS =IN THE BLINEBRY POOL AND SUPPORTS RULES WHICH
WOULD MORE =NEARLY EQUALIZE RESERVOIR VOIDAGE PER
ACRE. AMERADA HESS HAS =NO OBJECTION TO THE RULES AS
PROPOSED BY CONTINENTAL OIL =COMPANY. =====

WU 1201 (R 5-69) R. L. HOCKER =====

western union

Telegram

1972 JUL 25 PM 7 27

KA077 K KCC419(1943)
(1-028721A207005)PD 07/25/72 1521 =ICS IPMAYKA ABQ :
=ZCZC 042 MS PDF HOBBS NM 25 848A MDT
=PMS A L (PETE) PORTER PHONE 827-2432 =

Long
Cone 4775

NEW MEXICO OIL CONSERVATION COMMISSION BOX 2088
SANTA FE NM = =
=RAND OIL PRODUCING AND DRILLING CORP =AND R.M. MORAN
STRONGLY SUPPORT RURAL CHANGES =RECOMMENDED BY CONTINENTAL
OIL ON BLAINELY GAS AND =OIL POOL. SINCERELY =
R M MORAN =

OIL CONSERVATION COMM
Santa Fe
JUL 25 1972
RECEIVED

WU 1201 (R 5-69)

El Paso Natural Gas Company has contracts for the purchase of gas from a portion of the Blinbry areas under consideration. As we understand the testimony regarding pressure and performance, a drainage condition exists from the gas areas to the oil areas. Because of this, we believe that the owners of interest in the gas area should be permitted to take advantage of any opportunity in the future to minimize or stop this drainage condition. Should a volumetric equivalent allowable be established as a result of this application being considered, we recommend that it be considered as a floor and not a ceiling and, that gas wells be permitted to produce the full market demand expressed by purchasers from those wells.

Gulf Oil Company - U.S.

EXPLORATION AND PRODUCTION DEPARTMENT
MIDLAND DISTRICT

W. B. Hopkins
DISTRICT MANAGER

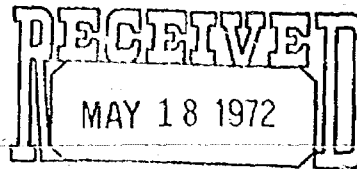
J. A. Hord
DISTRICT EXPLORATION
MANAGER

J. L. Pike
DISTRICT PRODUCTION
MANAGER

H. E. Braunig, Jr.
DISTRICT REFINERY
MANAGER

M. B. Moseley
DISTRICT SERVICES MANAGER

P. O. Drawer 1150
Midland, Texas 79701



OIL CONSERVATION COMM.
Santa Fe

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

Attention: Mr. A. L. Porter, Jr.

Gentlemen:

This is to advise that Gulf Oil Corporation has been given due notice that Shell Oil Company is making application for an unorthodox location in its Argo "A" Well No. 5, located 2130' FWL and 1980' FNL, Section 22, T-21-S, R-37-E, Lea County, New Mexico. The well was a Blinebry oil producer in the Blinebry pool. The Blinebry completion was abandoned and the well recompleted in an undesignated gas zone.

We have no objection to the granting of this application.

Executed this 8th day of May, 1972.

Yours very truly,
GULF OIL CORPORATION

By:


W. C. PALMER
District Engineer



A DIVISION OF GULF OIL CORPORATION

Rule 12 - changed so that it is
changed to the allowable —

Rule 34 (2)

to do away with tests -

in the
Pool down to

100 feet above the Subb marker
464
R-610 - Humble State S No. 20
Well 2100 FNL 500 FWL Section 2,
T 22 S, R 37 East -

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

June 5, 1972

C
O
P
Y

Shell Oil Company
P. O. Box 1509
Midland, Texas 79701

Attention: Mr. Jack L. Mahaffey

Re: Application for Unorthodox
Location, Argo "A" Well No. 5 -
Location 2130 feet from the
West line and 1980 feet from
the North line of Section 22,
Township 21 South, Range 37
East, Lea County, New Mexico

Gentlemen:

As it appears that a number of wells are perforated within the vertical limits of the Blinebry Pool and the zone between the Blinebry Pool and the Tubb Pool, your request for the above-described unorthodox location in an undesignated gas pool to be granted administratively is denied.

It is anticipated that a case will be set shortly to extend the vertical limits of the Blinebry Pool to include the zone your well is completed in.

You have the right, of course, to ask for a hearing upon the matter.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/GMH/dr

cc: Oil Conservation Commission - Hobbs

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

May 8, 1972

C
O
P
Y

Shell Oil Company
P. O. Box 1509
Midland, Texas 79701

Attention: Mr. Jack L. Mahaffey

Re: Application for Unorthodox
Location, Argo "A" Well No. 5 -
Location 2130 feet from the
West line and 1980 feet from
the North line of Section 22,
Township 21 South, Range 37
East, Lea County, New Mexico

Gentlemen:

Please send logs of the above-described well
to the Santa Fe and Hobbs offices of the Commission.
Please mark all perforated intervals and the
Blinbry and Tubb "markers."

Yours very truly,

GEORGE M. HATCH
Attorney

GMH/dr

cc: Oil Conservation Commission
P. O. Box 1980
Hobbs, New Mexico 88240

(Bill Best) with shell in Midland -

915-6845511

Midland
Ex 687

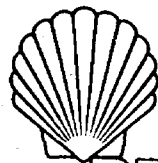
no more than

7

5880 5963

7 perfr.

5836 - 5951

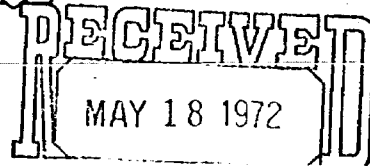


SHELL OIL COMPANY

PETROLEUM BUILDING

P.O. BOX 1509

MIDLAND, TEXAS 79701



May 16, 1972

OIL CONSERVATION COMM.
Santa Fe

Subject: Application for Unorthodox Location
Argo "A" Well No. 5
2130' FWL & 1980' FNL, Sec. 22
T-21-S, R-37-E
Lea County, New Mexico

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

Attention Mr. G. M. Hatch

Gentlemen:

Enclosed are logs of the subject well with all perforated intervals and the Blinbry and Tubb "markers" shown as requested by your letter dated May 8, 1972.

Also enclosed is a waiver from Gulf Oil Company, the off-set operator, pertaining to this application.

If we can be of further help, please notify us.

Yours very truly,

H. J. Conrad
For: Jack L. Mahaffey
Production Manager
Mid-Continent Division

BWB:NPK

cc - Oil Conservation Commission
P. O. Box 1980
Hobbs, New Mexico 88240

Enclosures (2)

= Tubbs & Blumbray told
operators Joe wanted not
rec. change in gas well classification,
that the operators could so
request - that Joe would testi-
fy to remaining points if ~~Joe~~
Elvis wants him to. We
did not set a date for
the hearing. Elvis may
want to call Joe.

Advertise there for May 5, 1972
1 2 3
3 1

Blind by p. 43
Tubb ~~49~~

Blind by ~~to~~

1. Delete 8 (A) & 8 (B) Rule 12
Rule 22

Change 27 (A)

32 - Change to annual tests
33 - Delete 33
34 - Delete

Tubb -

Delete 8 (A), 8 (B), 12

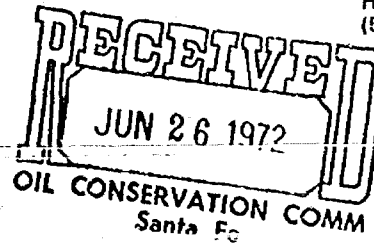
Change 26 (A)

Delete Rule 27



L. P. Thompson
Division Manager
Production Department
Hobbs Division

Western Hemisphere Petroleum Division
Continental Oil Company
P. O. 460
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141



Case 4775

June 23, 1972

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

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

Gentlemen:

Application for Amended Pool Rules, Blinebry Pool, Lea County, New Mexico

Attached, in triplicate, is our application for amended pool rules for the Blinebry Pool, Lea County, New Mexico. The proposed rules have not been finalized at this time but briefly are proposed to include the following:

1. Provide for annual bottom hole pressure, GOR and gas liquid surveys rather than the multiple surveys presently required.
2. Divide the pool into a gas area and oil areas, within each of which allowables would be equalized on a per-acre basis.
3. Provisions for total gas withdrawals from the designated gas area equivalent to the hydrocarbon withdrawals from the designated oil areas.
4. Extension of the vertical limits of the Blinebry Pool so that the base of the Blinebry Pool will coincide with the top of the Tubb Pool. The Terry Blinebry Pool Rules had been amended to correct this situation but those rules have been abolished with the pool.

Our proposed rules will be forwarded to you as soon as they have been finalized. It is respectfully requested that this matter be set for hearing before an Examiner on July 26, 1972.

Yours very truly,

rw
Enc

DOCKET MAILED

Date 7-14-72

New Mexico Oil Conservation Commission

Page 2

June 23, 1972

Copies to:

Alex Clarke, Jr.

Amoco Production Company

P. O. Box 3092

Houston, Texas 77001

E. O. Price

Chevron Oil Company

P. O. Box 1660

Midland, Texas 79701

A. D. Kloxin

Atlantic Richfield Company

P. O. Box 1978

Roswell, New Mexico 88201

V. E. Staley

Amoco Production Company

P. O. Box 68

Hobbs, New Mexico 88240

RLA: JJB: JWK:

BEFORE THE OIL CONSERVATION COMMISSION

OF THE

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
CONTINENTAL OIL COMPANY FOR REVISION
OF THE POOL RULES FOR THE BLINEBRY
OIL AND GAS POOL, LEA COUNTY, NEW
MEXICO, INCLUDING PROVISIONS FOR
VOLUMETRIC WITHDRAWALS AND EXTEND-
ING THE VERTICAL LIMITS OF SAID
POOL SO THAT THE BASE OF THE POOL
EXTENDS TO THE TOP OF THE TUBB POOL.

Case 4775

A P P L I C A T I O N

Applicant, Continental Oil Company, hereby requests that the pool rules for the Blinebry Oil and Gas Pool in Lea County, New Mexico, be amended so as to provide for volumetric withdrawal of oil and gas and for the extension of the vertical limits of the pool such that the base of the pool coincides with the top of the Tubb Pool, and in support thereof would show:

1. Applicant is owner and operator of substantial interests in the Blinebry Oil and Gas Pool, Lea County, New Mexico.
2. Order R-4304 abolished the Terry Blinebry Pool and extended the Blinebry Pool to cover the area previously defined as the Terry Blinebry Pool.
3. The application of the Blinebry Pool Rules to wells previously included in the Terry Blinebry Pool creates a considerable economic impact on wells affected by the change in gas well definition from one pool to the other.
4. Oil wells in the Blinebry Pool are given oil and casinghead gas allowables under the general proration rules of the Commission and gas wells in the Blinebry Pool are given allowables under the provisions of the special pool rules for the Blinebry Pool included in Order No. R-1670.
5. The allowables given oil wells are considerably greater, volumetrically, than are the allowables given gas wells in the pool such that there are serious inequities resulting from the two systems working co-extensively throughout the pool.

6. Applicant proposes pool rules which, in large measure, would eliminate inequities between oil wells and gas wells through the utilization of a volumetric withdrawal formula.
7. There is a vertical interval which is currently undesignated below the vertical limits of the Blinebry Pool which should be included within the Blinebry Pool limits.
8. That the granting of this application and the proposed pool rules will result in the prevention of waste and will protect correlative rights.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before the Commission's duly appointed Examiner and that upon hearing, an order be entered amending the Blinebry Pool Rules as described above.

Respectfully submitted,

CONTINENTAL OIL COMPANY


L. P. Thompson

rw



SHELL OIL COMPANY

PETROLEUM BUILDING
P.O. BOX 1509
MIDLAND, TEXAS 79701

May 2, 1972

RECEIVED
MAY 5 - 1972
OIL CONSERVATION COMM.
Santa Fe

Subject: Application for Unorthodox
Location - Argo "A" Well No. 5
Lea County, New Mexico

Gulf Oil Corporation (3)
P. O. Box 1150
Midland, Texas 79701

Attention New Mexico Gas Accounting Unit

Gentlemen:

This is a notification that Shell is applying for unorthodox location in its Argo "A" No. 5 located 2130' FWL and 1980' FNL, Section 22, T-21S, R-37E, Lea County, New Mexico. The well was a Blinebry oil producer in the Blinebry pool. The Blinebry was abandoned and the well recompleted in an undesignated gas zone.

Your approval of this location will be signified by signing and returning one copy of this letter.

Yours very truly,

A. L. Lowery

BWB:BP

For: Jack L. Mahaffey
Production Manager
Mid-Continent Division

cc - New Mexico Oil Conservation Commission
Box 2088
Santa Fe, NM 87501

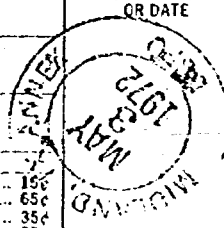
New Mexico Oil Conservation Commission
Box 1980
Hobbs, NM 88240

Approved _____
Company _____
By _____
(Name) (Title)
Date _____

RECEIVED
MAY 5 - 1972
OIL CONSERVATION COMM.
Santa Fe

No. 091337

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO Gulf Oil Co.-U. S.		POSTMARK OR DATE
STREET AND NO. P. O. Box 1150		
P.O., STATE AND ZIP CODE Midland, Texas 79701		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN	1. Shows to whom and date delivered	15¢
RECEIPT	With delivery to addressee only	65¢
SERVICES	2. Shows to whom, date and where delivered	35¢
	With delivery to addressee only	85¢
DELIVER TO ADDRESSEE ONLY		50¢
SPECIAL DELIVERY (2 pounds or less)		45¢

POD Form 3800
July 1969

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See other side)
* GPO : 1969 O-358-312

553
NSL - same
date will be
5-25-77
agrees
that there is a separate
common source supply.
None Shell furnished
Santa Fe and Hobbs
office logs of the well.

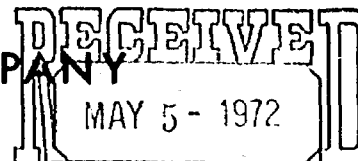
SHELL OIL COMPANY

PETROLEUM BUILDING

P.O. BOX 1509

MIDLAND, TEXAS 79701

May 2, 1972



OIL CONSERVATION COMM.
Santa Fe

Subject: Application for Unorthodox Location
Argo "A" Well No. 5 - Location 2130'
FWL & 1980 FNL - Sec. 22, T-21S,
R-37E, Lea County, New Mexico

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

Attention Mr. A. L. Porter, Jr.

Dear Sir:

Shell Oil Company respectfully requests administrative approval for an unorthodox well location for Argo "A" Well No. 5 in an undesignated gas pool according to Rule 104 F. The well is located on Shell's Argo "A" Lease (160 acre tract) consisting of the NW/4 Section 22, T-21S, R-37E.

The well was a Blinebry oil producer in the Blinebry Pool. The Blinebry Pool was sealed with 1,000 gallons gelled water and packers set above and below the perforated interval. The well was then recompleted from 5892' to 5937' in an undesignated pool with limits 5884' to 5942' between the Blinebry and Tubb Pools, as specified in Blinebry Gas Pool Order No. R-1670, H, Rule 25, and Tubb Gas Pool Order No. R-1670, H, Rule 25. These orders define the vertical limits of the Blinebry Pool (300 feet below the "Blinebry Marker") and Tubb Pool (a point 100 feet above the "Tubb Marker").

Enclosed is a copy of the registered notification sent to Gulf Oil Corporation (the only owner of 40-acre tract directly or diagonally offsetting the 40-acre tract) of the unorthodox location.

Yours very truly,

R.A. Lowery
for Jack L. Mahaffey
Production Manager
Mid-Continent Division

BWB:BP

Enclosure

cc - New Mexico Oil Conservation Commission (2)
P. O. Box 1980
Hobbs, NM 88240

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:

Wk
APPLICATION OF CONTINENTAL
OIL COMPANY FOR AMENDMENT
OF THE BLINEBRY POOL RULES,
LEA COUNTY, NEW MEXICO.

CASE NO. 4775

Order No. R- 4526

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 23, 1972,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of May, 1972, 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,
appeared at said hearing and offered, for consideration
of the Commission, several amendments to the rules
~~governing~~ governing the Blinebry Gas Pool and the
Blinebry Oil Pool, which amendments, if adopted,
would result in sweeping changes in said pool rules.

(3) That Gulf Oil Corporation also appeared
at said hearing and offered for consideration
of the Commission several equally broad and
sweeping amendments to the Blinebry Pool Rules.

(4) That numerous other operators, ^{in the Blinebry Pool}
offered support to ^{the proposals of} either one or the other of the aforesaid

companies, and further offered ~~and~~ suggested amendments to the proposed amendments.

(5) That the Blinebry ^{Gas} ~~Oil~~ Pool and ^{the} Blinebry Oil Pool have long been recognized as being a part of a complex system of interrelated gas-bearing and/or oil-bearing stringers, ~~and~~ the administration of which ~~is~~ both for the prevention of waste and the protection of correlative rights is unusually complicated.

(6) That the complexity of protecting correlative rights in the subject pools is further aggravated by the differential between ~~in~~ casinghead gas allowables assigned to the oil wells in the Blinebry Oil Pool and ~~the~~ ^{gas} ~~allowables~~ ^{assigned to} the gas wells in the Blinebry Gas Pool.

(7) That after diligent ~~ex~~ examination of the record in ~~Case No.~~ the subject case, the Commission ~~is~~ has determined that the notice of the hearing and the record of the hearing are both ^{insufficient} ~~inadequate~~ to ~~enter adequately preventing waste and protecting the correlative rights of~~ ~~an order which~~ to the entry of an order which will adequately prevent waste and yet afford the greatest protection to the correlative rights of all operators.

(8) That Case No 4775 should be dismissed, and the Secretary Director of the Commission should appoint a committee

of interested operators in the Blinebry Gas Pool and the Blinebry Oil Pool to ~~make~~ make a study of the pools and to make ~~a~~ recommendations to the Commission at a hearing ~~to be held~~ which should be called by the Commission no later than ^{six} ~~5~~ months after the entry of this order.

IT IS THEREFORE ORDERED: ~~That Case No.~~

(1) That Case No. 4775 is hereby dismissed.

(2) That the Secretary-Director of the Commission appoint a Blinebry Pool Study Committee, composed of no less than 15 operators in the Blinebry Gas Pool and the Blinebry Oil Pool, and no less than two major gas purchasers in said pools; that any operator not appointed to the Committee shall be permitted to attend the meetings of the Committee and be permitted full expression as though a member; that the District Supervisor of the Commission's ^{Hobbs} District Office shall be appointed Chairman of the Committee; and that the Chairman of the Committee shall issue notice to Committee members and to all other operators in the Blinebry Gas Pool and the Blinebry Oil Pool of ~~at~~ the time of all meetings of the Committee, and the place of all such meetings, which shall be the Commission's District Office, 1000 West Broadway, Hobbs, New Mexico.

(3) That a case be called no later than November 20, 1972, to consider the amendment of the Blinbry Pool Rules.

(4) That jurisdiction etc

CASE 4776: MOTION OF OCC TO AMEND
SPECIAL RULES GOVERNING CERTAIN
FOOLS & ESTABLISH 1-YR. PRORATION