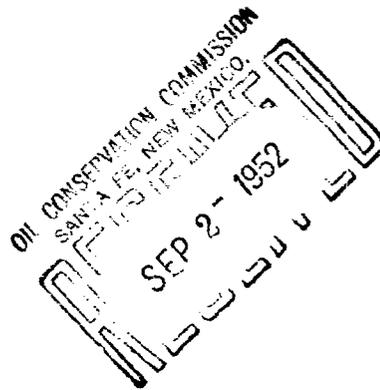


BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

TRANSCRIPT OF HEARING

August 19, 1952

Case No. 401



BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

In the matter of the application of the Oil)
Conservation Commission upon its own motion)
for an order revising Rule 301 of the Oil) Case No. 401
Conservation Commission's Rules and Regula-)
tions.)

TRANSCRIPT OF HEARING

August 19, 1952

(See transcript in case entitled, "Allowable"
for register of attendance and appearances.)

MR. SPURRIER: The next case on the docket is a similar case, Case No. 401.

(Mr. Graham reads the Notice of Publication.)

(Witness sworn.)

W. B. MACEY

being first duly sworn, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. WHITE:

Q Mr. Macey, state your full name and position for the record, please.

A W. B. Macey, engineer, Oil Conservation Commission.

Q In your capacity as Engineer for the Oil Conservation Commission, have you had occasion to study the case of 401, changing of Rule 301?

A Yes, I have.

Q Will you give the Commission a report of your studies, together with your recommendations and conclusions?

A I recommend that Rule 301 as to gas-oil ration tests be changed in accordance with the following. --

Does everyone have a copy of the proposed change of Rule 301?

MR. SPURRIER: If everyone has a copy of the proposed change, we can dispense with the reading. If not, we will read the change. Just submit it to the reporter for the record.

(Report referred to submitted for the record was as follows):

"PROPOSED REVISIONS
RULE 301 GAS OIL RATIO TEST

"(a) Each Operator shall take a gas oil ratio test upon completion or recompletion of an oil well provided that (1) the well is a wildcat, or (2) the well is located within a pool not exempted from the requirements of this rule, (wells located within one mile of the outer boundaries of a defined oil pool shall be governed by the provisions of this rule which are applicable to the nearest pool producing from the same formation). The results of such test shall be reported on form C-116 which must accompany form C-104, 'Request for allowable'. Each operator shall also make an annual gas oil ratio test of each producing oil well, located within a pool not exempted from the requirements of this rule, during a period prescribed by the Commission. A gas oil ratio survey schedule shall be established by the Commission setting forth the period in which gas oil ratio tests are to be taken for each pool wherein a test is required.

(b) The results of gas oil ratio tests taken during regular survey period shall be filed with the Commission on form C-116 not later than the 15th of the month following the close of the survey period for the pool in which the well is located. The gas oil ratios thus reported shall become effective for proration

purposes on the first day of the month following the month in which they are reported. Unless form C-116 is filed within the required time limit no further allowable will be assigned the affected well until form C-116 is filed.

(c) In the case of special tests taken between regular gas oil ratio surveys, the gas oil ratio shall become effective for proration purposes upon the date form C-116 reporting the results of such test is received by the Proration Department. A special test does not exempt any well from the regular survey.

(d) During gas oil ratio tests, each well shall not be produced at a rate exceeding top allowable for the pool in which it is located by more than 25 per cent. No well shall be assigned an allowable greater than the amount of oil produced on official tests during a 24 hour period."

MR. SPURRIER: Are there any comments on these recommendations?

A VOICE: Did you say this case will be continued, also?

MR. SPURRIER: Yes, we will continue this case.

MR. MACEY: There are a number of reasons why we want to change the rule. Mr. Porter and I have discussed this situation for quite awhile, and I have got them listed. If you would care to have me go over them, I will read them off to you,

MR. SPURRIER: Go ahead.

MR. MACEY: Under the old rule, the requirement is stated as follows:

"No well shall be given an allowable greater than the amount of oil produced on official test during a 24-hour period. The results of such test shall be reported on Form C-116 on or before the 15th day of the month following the month during which such test is made."

Now, where you have fields with survey schedules spread out over a three-month period, it is conceivable that you could have your gas-oil ratio test put into effect one month, and the offset operator's gas-oil ratio test change would be put into effect three months later. It will be creating an inequity. The new rule sets a very specific date for the filing of all forms on the pool; and it also sets the date that they shall go into effect.

That is another failure in the present rule, in that there is no effective date for new gas-oil ratio tests to go into effect for proration purposes in the old rule. Also, there is no effective date under the old rule if you hand in a special test between regular surveys.

Now, under paragraph (b) of the old rule--I'll read it:

"Even though no gas-oil ratio test is required to be taken, the operator shall annually file form C-116 and shall show thereon the reason no test was taken."

Now, it is pretty obvious to me that if they are not required to take a test, then to send form C-116 in to tell them they don't have to take a test is certainly superfluous.

Another item found to be unsatisfactory is the provision that the Commission shall drop from the proration schedule any proration unit for failure to make, or report such test as herein provided until such time as a satisfactory explanation is given.

Now, what a satisfactory explanation is, we don't know; and it gives rather arbitrary powers on the proration, which is something we don't think should be given. We think there should be a steadfast rule as to whether they should turn the test in, and what happens if they don't turn the test in.

The other provision is in the fourth line of the rule. It says:

"During such tests each well shall be produced at a rate equal to or not exceeding its allowable by more than 25 percent,"

by the terms of the rule requiring an operator to produce a

well at a capacity that it might not be able to produce. Frequently wells are over-nominated one or two barrels, and by the terms of the rule, we are requiring them to produce their wells at a rate they can't make. So we think that rule should be corrected.

Now, some of you may have other recommended changes. The one change in our proposed rule which has come up is that we are requiring, under the new provisions, that you file a gas-oil ratio test at the time the well is completed. The rule also provides that the well shall not be produced at a rate greater than 25 per cent of its allowable. So that, when you take a potential test on a well that has a high capacity and you produce, say, 500 barrels a day, and the allowable for the field is 250 barrels per day, you have to turn around and take another test in order to comply with the provisions of the rule.

We are going to have to make recommendations for some changes at the next month's hearing, to provide for completion test, but we haven't been able to work it out yet.

MR. SPURRIER: Does anyone else have a comment?

MR. McPHERSON: Weren't we at this hearing supposed to make recommendations as to the dates that these gas-oil ratio tests were to be made in each pool? I know the operators had two days of meetings down there trying to agree upon some

dates for these surveys.

MR. MACEY: Mr. McPherson, the rules of the Commission state that the Commission shall set the survey dates. They don't say it shall be set by the operators, or anyone else. And consequently, we have interpreted that to mean that it is strictly an administrative act of the Commission, and they shall set the survey dates once a year. And we have told several of the operators that they should make their recommendations in writing to the Commission as to the 1953 survey schedule.

MR. PORTER: For the record, Bill, isn't it a fact that those survey dates as advocated by the Lea County operators, haven't they been submitted to the Commission for consideration in setting this schedule?

MR. SPURRIER: I think so.

MR. PORTER: And they will be taken into consideration?

MR. SPURRIER: Yes. Any other comment?

MR. SCOTT: Will that schedule then be published by the Commission and sent out to the operators?

MR. SPURRIER: Yes. Anyone else?

If there is no further comment, we will continue this case to September 16.

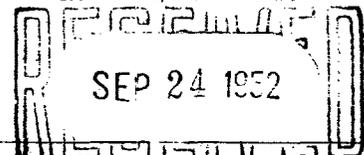
BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

TRANSCRIPT OF HEARING

CASE NO. 401 (Continued)

SEPTEMBER 16, 1952

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO



ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 12, CROMWELL BLDG.
PHONES 7-9645 AND 5-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

SEPTEMBER 16, 1952

Case No. 401 (Continued)

MR. WHITE: If the Commission please, I believe Mr. Macey has a statement to make in this case.

MR. MACEY: I have one other recommended change in the proposed revision. It involves the second sentence of Paragraph B, the sentence starting, "Gas-Oil ratios thus reported ...". I recommend it read, "Gas-Oil ratios thus reported shall become effective on the first day of the second month following the close of the survey period." The purpose of the change is so that all of the operators during a three month survey period will not wait until the month following the close of the survey period to report their ratios. That is all I have.

MR. SPURRIER: Anyone else have a comment?

MR. HILTZ: R. G. Hiltz, Stanolind Oil and Gas, Fort Worth, Texas. I would just like to state we are in agreement with the revised rule but we would like to make this suggestion. We would like to concur in any field where there are top allowable wells and where gas-oil ratio surveys are not required, the Commission should provide for the annual well productivity test.

MR. SPURRIER: Mr. Holloway.

MR. HOLLOWAY: I was wondering if it wouldn't be better to give the operators 30 days to make initial tests. It would be

MR. COLLISTON: We would like the gas-oil ratio test to be taken. We would prefer the gas-oil ratio tests required be taken between the 30 and 60 days. It would be a more realistic test to be taken on a penalized well.

MR. PORTER: In other words, regardless of what the gas-oil ratio was the allowable would not be effected for the first 30 days.

MR. MACEY: That would be something we would have to work out.

MR. SPURRIER: Anyone else? Mr. Brown.

MR. BROWN: D. R. Brown, Sun Ray Oil Company. You are going to have to file one of these C-116 forms to get an allowable. You got a well out there, you are going to make so much, you have got to file a C-116. There is going to be some sort of an estimate from this potential test. If you get 25 per cent of the top allowable, you are not going to run a test on that.

MR. SPURRIER: Mr. McKellar.

MR. MCKELLAR: McKellar representing Magnolia Petroleum Corporation. I am inclined to agree with this gentleman. We have to file one report with the Petroleum Commission down there to get your initial allowable. Then we have to come back within another 30 or 60 day period and file another report, I am against that. We now, in Texas and all the other states, have to file this initial report within a 30 day period, and true enough, it is not always correct. Then you follow it up in six months or a year. I am forced to go on record as opposing Mr. Colliston's

suggestion.

MR. SPURRIER: Anyone else?

MR. HOLLOWAY: Will the completion of the report of the well have some provision for the indicated gas-oil ratio, I mean other than Form C-116? The form filed with the completion of the well, doesn't it have a provision for the operator to show the indicated gas-oil ratio?

MR. MACEY: It does, the Form 1 - -

MR. PORTER: (Interrupting) The present Form C-104 does not have a space for it.

MR. HOLLOWAY: That is what confused me, I was thinking the Commission would be apprised of the 30 day period. As it stands now, that initial report would be effective for a year. I think it would be better provided for with my suggestion or Mr. Colliston's.

MR. SPURRIER: Mr. McPheron.

MR. MCPHERON: Bob McPheron, Gulf Oil Corporation. We concur with the proposed revision as corrected by Mr. Macey and do not agree with Continental's proposal.

MR. PORTER: I would like to clarify my position. I do not oppose the suggestion, I was merely trying to get the matter clarified. If, like on the old C-104 we would have a place for an operator to report his GOR. The new form does not provide that space. Some fill it in and some do not. On those wells in which this space was filled in, the gas-oil ratio was put into effect, I think creating an inequity, with some put into effect

and with the assignment of initial allowables. I think it should be uniform, one way or the other.

MR. SPURRIER: Anyone else? If no further comment, the case will be taken under advisement and we will go on to Case No. 404.

(Witness excused.)

STATE OF NEW MEXICO)
 :
COUNTY OF BERNALILLO)

I HEREBY CERTIFY that the foregoing and attached transcript of hearing in Case No. 401 (Continued) before the Oil Conservation Commission, State of New Mexico, at Santa Fe, on September 16, 1952, is a true and correct record of the same to the best of my knowledge, skill and ability.

DATED at Albuquerque, New Mexico, this 23 day of September, 1952.


REPORTER