

BEFORE THE  
**Oil Conservation Commission**  
SANTA FE, NEW MEXICO  
August 17, 1955

IN THE MATTER OF:

CASE NO. 941

**TRANSCRIPT OF PROCEEDINGS**

**ADA DEARNLEY AND ASSOCIATES**  
COURT REPORTERS  
605 SIMMS BUILDING  
TELEPHONE 3-6691  
ALBUQUERQUE, NEW MEXICO

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
August 17, 1955

-----  
IN THE MATTER OF:

Application of the Commission upon its own  
motion for an order revising and mending  
the provisions of Orders R-128-C, R-565,  
R-566, R-333-B with regard to deliverability  
tests and the initial potential test per-  
formed on gas wells in the San Juan Basin.

Case No. 941

-----  
BEFORE:

Honorable John F. Simms,  
Mr. E. S. (Johnny) Walker  
Mr. William B. Macey.

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 941.

E L V I S A. U T Z ,

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

DIRECT EXAMINATION

By MR. GURLEY:

Q State your name please.

A Elvis A. Utz.

Q What is your position?

A Engineer with the Oil Conservation Commission.

Q Have you, in your official capacity, Mr. Utz, had opportunity  
to study the proposed revision of Order Number R-333-B?

A Yes, I have.

Q Do you feel that a revision in these rules is necessary at this time?

A Yes, I do.

Q Would you state to the Commission the reasons behind your thinking?

A The old Order R-333-B provided for an initial potential test to be used in estimating a deliverability for prorationing which estimated deliverability should be recalculated, or the allowable on the well should be recalculated. When a deliverability was run, in accordance with R-333-B the recalculation of these estimate deliverability wells has run into a monumental task. After only about five months of prorationing and when the connections increase, as I certainly anticipate that they will up there, the task will become even greater.

I am recommending a change in this order in order to eliminate estimated deliverabilities and to provide a deliverability, or initial deliverability which will be more in accordance with the wells' ability to produce into the pipeline. If this is done, then the need, as far as proration is concerned, of an initial potential test, is no longer necessary.

Not only does it require considerable amount of work on the part of the Commission to recalculate these deliverabilities, we have found that the estimated deliverabilities are invariably high, which, of course, in effect removes a certain amount of allowable from the rest of the pool for a considerable length of time. Therefore, I am proposing that the Order be revised to eliminate from the order the initial potential test, and to provide for as simple a test as possible in order to put the well on the proration schedule

with a more realistic deliverability.

Q Do you have any further recommendation concerning Order R-333-B?

A Yes. I would like to run through the order and briefly point out the changes, and to elaborate somewhat on any of the more important changes.

MR. MACEY: Before you start, Mr. Utz, it is my understanding that the case is going to be continued to September, is that correct?

A To the best of my knowledge it isn't.

MR. MACEY: All right, go ahead.

A Under Section A of the proposed Order which has been circulated here, and which I presume you all have copies of, the Sub-section entitled: "Initial Deliverability and Shut-In Pressure Tests For Newly Completed Gas Wells"; this entire sub-section was changed, as noted by the underlining. Briefly, this section provides for a 7-day shut-in pressure immediately after completion; provides for a test within 45 days after connection. It also, in Paragraph C, eliminates any information test as an official test for the establishment of allowables.

On Page 2, under Paragraph B, in parenthesis, the reference to deliverability retest, this is a change which allows an operator, or rather clarifies the proposition of retesting any deliverability test, and provides that the operator may retest for substantial reason, either a deliverability test after recompletion, or an annual deliverability test.

Further, which is not shown here, I would like to recommend that another change be made. In the third line, after "commence," I would like to recommend that the following sentence be put in this para-

graph for clarification. It reads as follows: "Such notification shall consist of scheduling the well as required for the annual deliverability test in Sub-section 3, Paragraph (A), above."

It seems that in regard to retest, some people are somewhat in the dark as to rescheduling a well for retest. This further provides that it shall be mandatory to retest all recompleted wells.

Under Section (B) of Page 3 is really the heart of the change, and has to do with the initial deliverability and shut-in pressure test. Briefly, this test is made as simple as possible in order to evaluate the well's ability to produce into the pipeline. The reason that this test has to be made as simple as possible, and with as little field work as possible, is that some of the areas in San Juan Basin are almost inaccessible in the wintertime; accomplishing a test in accordance with R-333-C, which test, is the same in the recommended order, is almost impossible. In accomplishing this test, the only field work that is necessary is to take the shut-in pressure. This pressure is required immediately after completion, and is the pressure that probably will be used, and should be used in connection with the calculating of the initial deliverability. The deliverabilities run as follows: Within 45 days after connection to the pipeline, a 7 or 8-day production chart may be used as a basis for calculating the deliverability. This chart should be preceded, if at all possible, by 14 days of continuous production. The purpose being, of course, to have as near stabilization as possible.

With the aid of the information on the chart and the 7-day shut-in pressure, and calculating the  $P_w$ , as prescribed later in R-333-C, a deliverability may be arrived at for the well's ability to produce

at the static wellhead working pressure of 50 percent of the 7-day shut-in pressure.

I have on Page 4 a slight change which I would like to put into the record, in Sub-paragraph b. It states as follows: "This shall be the shut-in pressure required in Section A, Sub-section 1, Paragraph (A), which is the shut-in pressure that is required immediately after recompletion of the well."

MR. MACEY: You are going to add that statement? Repeat what you said.

A The Paragraph b, which now reads: "A shut-in pressure of at least seven days duration shall be taken", I would like to add the following sentence. "This shall be the shut-in pressure required in Section A, Sub-section 1, Paragraph (A), which is the shut-in we require in Sub-section 1, Section (A).

Further, on Page 5, the first paragraph which is underlined, the last sentence, I would like to strike. Since the chart will be integrated and the static, average static pressure in the integrated volume will be furnished by the pipeline furnishing the gas, I see no reason for a requirement of the photostatic copy of the chart.

Still on Page 5, the last paragraph, which is underlined, has to do with relinquishing somewhat on 25 percent drawdown requirement. There are some wells, particularly, at the present time, in the north end of the Fulcher Kutz-Pool, which have line pressures high enough that it is impossible to get 25 percent drawdown. These wells are old wells in a partially depleted area, and I believe it is in order to re linquish on this particular requirement.

Also, this is a situation which is going to become more and more apparent as the field grows older. At the same time, it is my feel-

ing that all drawdowns possible should be accomplished with the test in order to get a more accurate deliverability. It may not be worth calling attention to, but for the matter of the record, on Page 8, the third paragraph down, which begins, "When supercompressibility (superexpansibility) correction is made for a gas containing either nitrogen or carbon dioxide in excess of 2 per cent, the supercompressibility factors of such gas shall be determined by the use of Table 5", which is an insert after the words "of the above mentioned TS-402". Strike out "and Table 5". It is merely a clarification. It would read: "-- TS-402 for pressure 100-500 psig", and strike out and insert "Table 2" for "and TS-461", and after "461" strike out "and Table 2". To finish the paragraph it would read: "-- for pressures in excess of 500 psig.

Briefly, I believe that covers the important changes to be made in Order R-333-B.

Q Mr. Utz, have you, in your official capacity, had an opportunity to study the proposed changes in Order R-128-C?

A Yes, I have.

Q Would you state to the Commission your reason behind your findings there?

A The changes that I am about to recommend in R-128-C, which is the Mesaverde Proration Order for the San Juan Basin are to allow that order to conform with the recommended changes in R-333-B, and to incorporate in the order another order, namely, R-614, which is now written, and which actually is a part of the order.

On Order R-128-C, under Rule 1, Paragraph b, I recommend that the Commission incorporate the Order R-614 as now written in this order.

Further, under Rule 5, on Page 4, after the words, "R-333-A", I recommend that the wording, "provided, however, that the deliverability pressure shall be determined as follows:--" and refers to 50 percent of the seven-day shut-in pressure. This is taken care of in Order R-333-B as recommended. Also --

MR. MACEY: You mean 333-C.

A 333-C, that is right.

MR. MACEY: Okay.

A Also, under Rule 9, I recommend that the paragraph which has reference to using the initial potential test, 20 percent of the initial potential test be stricken from the order. That concludes the changes on 128-C.

Q In your official capacity, Mr. Utz, have you had an opportunity to study Order R-565?

A Yes, I have.

Q Do you have any recommendations as to possible revisions of that?

A Yes, I have.

Q Would you state those recommendations and reasons behind them?

A Yes, sir. Order R-565 is a proration order for the Aztec-Fulcher Kutz and South Blanco Pools, Pictured Cliffs Pools. The changes that I recommend in this order are as follows: I recommend the revision of Order R-620, and its inclusion in Rule 6, the second paragraph, and Rule 9, which is an additional paragraph of Rule 9. This briefly has to do with the requirements for non-standard units -- Correction, it does not. Order R-620 has to do with the revision of allowables on low acreage factor wells to prevent premature

abandonment.

I further recommend the inclusion of R-565-A, which is a nunc-pro-tunc to be included in R-565, replacing Rule 3 in the Fulcher Kutz and Aztec special rules of this order. I further recommend the inclusion of R-565-B, also a nunc-pro-tunc to be included in Order R-565, replacing Rule 3 of the South Blanco-Pictured Cliffs Special Rules section. This has to do with spacing.

I further recommend inclusion of R-614 in Order R-565 to replace Paragraph b of Rule 6 in the Fulcher Kutz, Aztec and South Blanco Special Rules section. This is the order that has to do with the changes in non-standard proration units.

Further, as recommended in the other Order R-128-C, Rule 10, after the reference to R-333, I recommend that the wording, "provided, however, that the deliverability pressure shall be determined as follows:", and refers to the 50 percent of the seven day shut-in, be stricken.

Further, in Rule 14, the third paragraph, I recommend that it be stricken entirely, which has reference to 15 percent of the initial potential test. That is all I have on R-565.

Q The majority of the statements that you have made deal with the deliverability tests and the initial potential tests performed on gas wells in the San Juan Basin, that is, the proposed changes?

A No. sir, the changes, most of the changes that I am proposing in these orders are just the inclusion of orders already written and nunc-pro-tunc. In other words, to clean up the order.

Q The actual changes are dealing with that that was advertised in the initial notice?

A That is right.

Q In your official capacity, Mr. Utz, have you had an opportunity to study the proposed revisions of Order R-566?

A Yes, I have.

Q Is it your opinion that such order should be revised at this time?

A Yes, it is.

Q Would you state to the Commission the reasoning behind your proposal and your recommendations thereof?

A Yes, I will. In Order R-566, I recommend the inclusion of R-566-A, which is another nunc-pro-tunc to replace Rule 3 in R-566. Other than that, the only recommendations I have is that the reference to the 50 percent shut-in pressure in Rule 10 be stricken, as well as Rule 14, being revised as follows: -- The third paragraph. I recommend it be stricken. This also has reference to the use of 15 percent of initial potential as estimated deliverable.

In all three of the orders, proration orders, I recommend that any reference to R-333-B be changed to R-333-C.

MR. GURLEY: That is all.

MR. MACEY: Any questions of the witness? Mr. Rieder?

MR. RIEDER: If it please the Commission, and without objection from the operators, I would like to propose that all orders mentioned in Case 941 be rewritten in their entirety, so that the orders that will result from these changes will be clear to all parties. I would like to have the inclusion of all these nunc-pro-tunc and additional orders, and each order to be written separately as a result of this hearing.

MR. MACEY: Anyone else? Mr. Utz, I have one question, and maybe the rules take care of it. I didn't want to dig through there

and find it. When an operator completes a well, after it is connected, as I understand it, he has 45 days in which to either take a deliverability test upon which the Commission will base the well's allowable, effective the date of the connection, or he has the right to take a so-called production test in the third week, is that correct, in at least the third week, is that correct?

A That is correct, it can be from the third week to the last week in the 45 days.

MR. MACEY: What provision do you have in the event an operator doesn't get the test taken and submitted to the Commission? Say he submits a test on the 55th day, when do you give him his allowable?

A According to the way the order is written, actually if you don't get the test in by the 45th day, you should be taken off the schedule.

MR. MACEY: He is not on it to start, because you can't give him an allowable --

A You can recalculate the allowable when you do get the test, for the first 45 days, which is valid production under the order.

MR. MACEY: I am not sure I understand. You mean that the test taken the third week, is that mandatory that he has to take the production test on the third week, is that correct?

A It is mandatory that he has to take that production test and report it during the 45-day period after connection to the pipeline.

MR. MACEY: Then you give him an allowable based on that figure, is that right?

A That is right, a revised allowable.

MR. MACEY: What is his original allowable, if that is the revised?

A That would be the original allowable then.

MR. MACEY: Then he takes a deliverability test, is that correct, within 45 days?

A No, sir. The test within 45 days would be one of two tests, either in accordance with R-333-C, the section which sets out the regular deliverability test, or this production test, as you call it. Either one, he runs would be the basis for giving him his allowable for any production prior to the receiving of that test.

MR. MACEY: Now, my question is this. If he submits the deliverability test on the 55th day, what allowable do you give him and when do you give it to him? You know you are going to have that happen.

A Yes, I certainly do. If you want to live to the letter of the order, then you would give him an allowable for 45 days, when you receive the test, and he would not have any allowable from the 45 days to the time that you receive the test. He may have been producing but it would be charged against his allowable, not calculated from the interim period for the 45 days, and the time that you received the test.

MR. MACEY: For every day that he is late beyond the 45-day limit, he is penalized with the lack of an allowable for each day that he is late, is that correct?

A That is correct.

MR. MACEY: Okay, I wanted you to make sure.

MR. ABBOTT: W. D. Abbott, Amerada.

CROSS EXAMINATION

By MR. ABBOTT:

Q Elvis, if I understand this correctly, if we go out and drill a wildcat, complete a gas well, the only thing we submit to the Commission is a shut-in pressure, is that right?

A Unless we write an initial potential order, that is right.

Q Don't you think that maybe under "C" here, this -- one of these tests for information purposes should be turned into the Commission?

A There is an apparent need for an initial potential test of some kind. As far as proration is concerned, we have no need for it if this order is accepted. My recommendation would be this, that if the need is sufficient, and apparently it is for initial potential test, that an order be written setting out that initial potential test which may be run for the benefit of the operators, for information purposes or any other use it is to be used for, such as unit agreements.

While I am on the subject, I also would like to recommend that if the Commission sees fit to write an initial potential order, that the initial potential be the same as in the old R-333-B, with this exception, that all wells with two inch tubing shall be tested through the tubing, and all wells tubed with one-inch tubing shall be tested through the casing. There is a reason for that. It is in the interest of consistency, you get a different figure on the same well by testing through the tubing, or the casing. Usually you get a larger figure testing through the casing. Further, since sand fracing is quite common, testing through the casing is cutting

out a lot of wellheads. Testing through one-inch-gives you an initial potential that is considerably too high, since the well does not stabilize.

MR. MACEY: Mr. Grenier?

By MR. GRENIER:

Q Mr. Utz, referring again to Mr. Macey's question regarding the penalty for late filing of this test data with the Commission, I wasn't quite clear in this. Identical case we were discussing, of an operator who got in a report on the 55th day, whether he would lose production from days 1 through 10, or whether he would lose production from days 46 through 55. Maybe I am just getting unduly complicated and all you are going to say is that he will have 45 days production, and this is what he did produce in the 55, and whatever the excess is going to have to be made up by under-production later. Is the latter the way you would vision it as working?

A I would vision it being that from the 46th to the 55th day would be the production that he should lose.

Q Suppose he waits a year --

A (Interrupting) If he waited a year he would long since have a shut-in order from us, I am sure.

Q Fine. What is the basis for that? In other words, I am suggesting that this is a matter of sufficient importance that unless the well is spelled out already in some section of the orders, that I am not familiar with, don't you think it would be well to give a little explanation of those mechanics in the orders so that everybody would know what they were faced with? When you are applying a penalty the person ought to be told what the penalty is, just as an

ordinary principle of law-writing, or regulation writing?

A Well, are you suggesting that we write in the order what the penalty would be?

Q I think it entirely appropriate where you have even an indirect penalty application of this kind, that it be definite as to what the penalty is.

A I would be agreeable to doing that. I do feel that since the 45-day period is set out in the order that it is very apparent that is the only production that would be --

Q (Interrupting) I am thinking that maybe one sentence somewhere, in any event you won't get more than 45 days retroactive production allowed, in advance of the date you report.

A I would be willing to incorporate that in the order and recommend it.

MR. GRENIER: Thank you.

MR. MACEY: In other words, you are recommending that the man be given a 45-day grace period of allowable so to speak, and that if any days he is in violation, why the order so state that he would be in violation that many number of days from the date of his original connection?

MR. GRENIER: That is right, and that he is just going to have his balance period, he is going to be cut down proportionately by that number of days, as if he weren't on the line. I am sure he would be producing it, but would be going against the allowable on a shorter period. Whenever you have a penal provision, or one penal operation, though not expressly stated so, it seems to me you need to spell it out, for no other reason than the Commission's own protection save of argument there is to quote them chapter and

verse and tell them to go home.

A You recommend that be put in the proration order or testing order?

MR. MACEY: Either one.

MR. GRENIER: I haven't got into that much detail. It is something that ought to be in the pattern is all I am saying to you. If you would like me to make a specific recommendation and language just where to put it -- Obviously the Commission is going to have to do some work on this, particularly if Mr. Rieder's suggestions are adopted to rewrite and revise these rules, in which I would like to concur. It is confusing to have three sets of field rules in one order. It is hard to refer to them and keep track of what you are doing. I think you can find a place to put it. If you would like me to make a recommendation --

A We would be glad to have it.

MR. GRENIER: When I get back I will write you a letter as to where it might be

MR. MACEY: Anyone else have a question of the witness?

MR. TRUBY: L. G. Truby, with Pacific Northwest.

By MR. TRUBY:

Q Even generally the rules look satisfactory to me. I have one question to the effect that our operations may be a little bit peculiar, in that we may possibly be in a position to putting one to three wells on a pipeline in over one to two months. We don't know how we would develop. I didn't notice any provision in the rule for an exception to this 45 days. It could be extremely difficult for us to get that completed number of well tests in with the available personnel in that time. Has that point been considered, or

would there be some provision for exception, if that situation should arise?

A There is no provision that I know of in the order. However, any Commission order is subject to an exception. However, there is no provision even for administrative exceptions that I know of in the order as presently written.

Q Well, it would appear to me in a case of this type, there should probably be some provision for administrative exceptions for unusual cases of that type that might arise in the rule itself.

A Would you object to bringing those to hearing?

Q No.

MR. MACEY: Each individual one?

A If he had a group of them.

Q Yes, I should think that each individual case would be time consuming and in our case would all occur in a short period of time. I wouldn't think it would be a matter for the Commission to hear each individual case, but it could be handled by administrative exception, if there was provision in the rule for administrative exception.

A I see no reason why a provision couldn't be put in the rule for an exception.

MR. MACEY: Anyone else have a question of the witness? If not the witness may be excused.

(Witness excused.)

MR. MACEY: Does anyone have anything further in Case 941?

MR. WOODRUFF: I haven't reviewed these orders, and I think they are reasonable and workable. I do concur in the suggestion that the other revisions, other than for testing, as Mr. Rieder

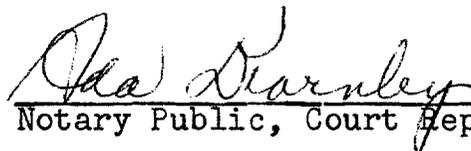
suggested, be put out in final form so they can be seen. I think that the request of Mr. Truby, that some exception be permitted in extenuating circumstances is reasonable. I do believe that it will be necessary to have an initial potential order, not that the test requires it necessarily, but an order which would provide for a consistent manner of testing, if and when the tests are taken. I would strongly recommend that such an order be prepared which would provide a test to be used when found necessary by the Commission, or by the operator. It may be well for Commission purposes, for the Commission to require that to be filed with you.

MR. MACEY: Anyone else? If nothing further we will take the case under advisement.

STATE OF NEW MEXICO )  
   : SS.  
 COUNTY OF BERNALILLO )

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 22nd day of August, 1955.

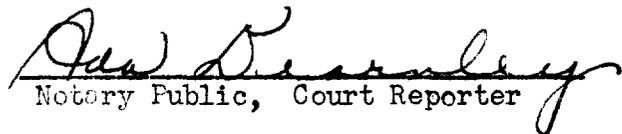
  
 Notary Public, Court Reporter

My Commission Expires:  
 June 19, 1959.

STATE OF NEW MEXICO )  
                              :    ss.  
COUNTY OF BERNALILLO )

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 19th day of August, 1955.

  
Notary Public, Court Reporter

My Commission Expires:

June 19, 1959