

BEFORE THE
NEW MEXICO OIL CONSERVATION EXAMINER
FARMINGTON, NEW MEXICO
JUNE 25, 1957

CASE NO. 1271

T R A N S C R I P T O F P R O C E E D I N G S

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
FARMINGTON, NEW MEXICO
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IN THE MATTER OF:

CASE NO. 1271: Application of El Paso Natural Gas Company
for the non-cancellation and/or transfer of
allowable for a well currently involved in
a maximum pressure build-up test in the Blanco-
Mesaverde Gas Pool, San Juan and Rio Arriba
Counties, New Mexico. Applicant, in the
above-styled cause seeks an order authorizing
the non-cancellation and/or transfer of
allowable for its Sunray No. 2-A Well located
in the E/2 of Section 10, Township 30 North,
Range 10 West, San Juan County, New Mexico,
which well is presently involved in a maximum
pressure build-up test for the Blanco-Mesa-
verde Gas Pool.

BEFORE:
Warren W. Mankin, Examiner

T R A N S C R I P T O F P R O C E E D I N G S

MR. MANKIN: The hearing will come to order. Next case on the docket is Case 1271.

MR. COOLEY: 1271. Application of El Paso Natural Gas Company for the non-cancellation and/or transfer of allowable for a well currently involved in a maximum pressure build-up test in the Blanco-Mesaverda Gas Pool, San Juan and Rio Arriba Counties, New Mexico.

MR. DANIEL: L. R. Daniel, appearing for El Paso Natural Gas Company. My witness in this case is D. H. Rainey.

(Witness sworn.)

MR. DANIEL: This witness has been previously qualified to testify before the Commission as an expert witness. Are the qualifications of this witness acceptable to the Commission?

MR. MANKIN: They are.

DAVID H. RAINEY

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

DIRECT EXAMINATION

BY MR. DANIEL:

Q Will you state your name and address and occupation?

A David H. Rainey, Staff Assistant, Proration Department, El Paso Natural Gas Company, El Paso, Texas.

Q Are you the same Mr. D. H. Rainey who testified in the previous case, No. 1270? A Yes, sir, I am.

Q Are you familiar with the application filed in this case?

A Yes.

Q In your own words, will you tell us what it seeks to do?

A This application seeks authorization for maximum pressure build-up test of a well which is currently on test in the Blanco-Mesaverde Gas Pool.

Q I hand you this paper marked Exhibit A and ask you whether it lists the well, its location, the acreage to which it is dedicated and the field in which it is located, covered by the application in this case, which is presently shut-in for maximum pressure build-up

test and with respect to which El Paso desires the non-cancellation and/or transfer of allowable?

A It does. This again, is a copy of Exhibit A filed with the application in this case which is merely furnished for a matter of information.

MR. DANIEL: Any objection on the part of the Commission on that procedure?

MR. COOLEY: No.

Q (By Mr. Daniel) Does El Paso operate the oil and gas lease upon which the same is located? A It does.

Q When was the well shut-in?

A This well was shut-in the 8th day of June, 1956.

Q Has it remained continuously shut-in from that date?

A It has.

Q Has it been subjected to a maximum pressure build-up test during all of this time? A Yes, sir.

Q What was the reason for this test?

A As in the previous case, the reason for this test was to get the reservoir information to enable us to more accurately determine the reserves in place in this area.

Q What have been the results of this test so far?

A At the present time, the results are still inconclusive on the well. The well is building up at the rate, approximately, of one pound per week, and has not attained maximum stabilization.

Q When does El Paso propose to complete the testing of this

well?

A El Paso proposes, as outlined in the application, to complete this test within the next six months.

Q Is it possible that this test could be completed in a shorter period of time?

A It's quite possible, and it is hoped that it will be.

Q Does El Paso desire that the Commission grant longer periods of testing than this six months' period where necessary?

A In the event this well does not stabilize within six months, El Paso will request the administrative approval for an extension of time in regards to testing this well.

Q How does El Paso propose that such permission be obtained?

A El Paso proposes to make application to the Commission for an extension of time upon authorization granted by the Secretary of Director of the Commission.

Q Have any underages of production accrued to this well as a result of this testing?

A Yes, there have.

Q Over what period of time does this underage accrue?

A Under this, from the time of shut-in of the well in June, 1956, until the present date.

Q Have any of such underages which have previously accrued to this well been canceled by the Commission's Order?

A No, sir, they have not.

Q Will such underages accrue to this well in the future?

A It is contemplated the underages will accrue 'till such time as it is turned on to production.

Q Is there a possibility that certain of the underages which have previously accrued to this well will be canceled in the absence of a suspension of cancellation by the Commission?

A Yes, sir.

Q On what date, would you specify?

A It is anticipated there will probably be a cancellation of underages accrued to this well on the next balancing period in the San Juan Basin, which would be August 1--I beg your pardon, July 31st, 1957.

Q The actual cancellations which would be under consideration are those which accrue over what period?

A Underages which have accrued to the period of actual cancellation of that underage would be underages which accrue from the periods, August, 1956, to February 1st, 1957.

Q In your opinion will the acreage dedicated to this shut-in well be drained by adjoining wells during the test period?

A Yes, sir.

Q In your opinion would a cancellation of this unproduced allowable deprive the operator, royalty and other interest owners in this well of their correlative rights?

A Yes, sir, it would.

Q What action does El Paso desire that the Commission take during the test period with respect to underages and overages

balancing provisions governing the Blanco-Mesaverda Gas Pool which have previously accrued to this well, as well as underages of production which will accrue to said well on August 1, 1957?

A El Paso requests under the rules, that this well be allowed to be transferred to other wells on the same basic lease, or the appropriate provisions of Order R 128-D in regard to underages be suspended until the end of six months' proration period following the proration period during which the testing of such shut-in well is completed.

MR. DANIEL: Request Exhibit 1 and 2 be marked for identification purposes.

(Marked for identification El Paso Natural Gas Company Exhibits 1 & 2.)

Q Mr. Rainey, you have a copy of Exhibit 1 and 2, which I have just handed to the Commission for marking?

A Yes, sir, they are exhibits, the first is a plat showing the nine section area surrounding the test well, with the wells and ownership identified. The test well is marked with a square in red, off-set well on the same basic lease are circled in red; the second sheet is a data sheet showing completion data on the test well, the date of shut-in of that well, and, at the bottom of the sheet, the other wells on the same basic lease to which allowable might probably be transferred; the locations of those wells, estimate of deliverability, and the date of that deliverability test.

Q Does your Exhibit 2 show wells, possibly transfer wells

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to which its underage may be transferable?

A Yes, sir, it does.

Q Does El Paso request an alternative, that in case the Commission does not wish to transfer the underages of allowable which accrue, that the allowable be accumulated at the time of the shut-in of the well and produced at a later date?

A Yes, sir.

Q Over what period of time would El Paso show production of allowable?

A As previously stated, El Paso requests that the underages provisions of the appropriate rules in Order R 128-D be suspended until the end of the six months' proration period, following the proration period in which the test is completed.

Q Each of these exhibits were prepared under your supervision?

A Yes, sir.

Q They reflect accurately the information of El Paso's--

A Yes, sir.

Q What action does El Paso desire that the Commission take with respect to Order R-333-C and D during the time that the maximum pressure build-up test covering this well is being conducted?

A Under the provisions of R-333-C and D, these wells were tested in 1956 for the annual estimated deliverability test; it was requested that the provisions of that Order be suspended until such time as this test was completed in regard to the testing of that well during the year 1957.

Q Is it your opinion that such maximum pressure build-up test being conducted with respect to this well is being conducted without violation of correlative rights?

A Yes, sir, provided the provisions requested in the application in regard to non-cancellation of allowable and/or transfer of allowable be granted.

Q Is it your opinion that such maximum pressure build-up test can be conducted in the future with respect to these wells without violation of correlative rights?

A Yes, sir, with the same provision as stated above.

MR. DANIEL: I have no further questions of this witness. Does the Commission have any?

BY MR. MANKIN:

Q Mr. Rainey,--

A Yes, sir.

Q I am a little bit confused in regard to the wells on the same basic lease. Your Exhibits 2 reflects 5 wells, other than the test well, of which they are called Koch No. 1, the Atlantic Federal 8 B, San Juan Unit 10, Sunray 1 H, and the Sunray 1 A; you mean by that that those other five wells are in the same basic lease?

A I have been informed by a nod of the head that all the extras cannot be communitized in the same basic lease.

Q Are they in a unit?

A Not to my knowledge.

Q San Juan Unit, is that San Juan Unit 10-30-10 or what is the unit, or what is the--I am a little confused at this.

MR. DANIEL: Mr. Mankin, let me see, just a moment here.

A That could be an error, I don't think that should be San Juan Unit, I think that is a Sunray No. 10. I'll check on that and file a corrected exhibit with the Commission, if that is agreeable with you?

MR. MANKIN: I believe those both, 1 and 2 reflect the same information as the San Juan Unit.

A I noticed that. The unit at the bottom of Exhibit 2 was copied from the plat, that is the reason, if they are drawn in the plat, there is a possibility of an error in the other things.

MR. ARNOLD: I am Mr. E. C. Arnold. I think that was drawn up as Sunray, and not as San Juan, it does not infer that is a San Juan Unit Well.

A There are no 30 and 10 units to my knowledge.

MR. MANKIN: I don't know of any. I was wondering if it meant San Juan, but San Juan has nothing to do with these unitized Township--

A No.

Q Is it your information that all five of your surrounding wells are on the same basic lease, and there would be no problem as far as the correlative rights or transfer is concerned, is that your testimony?

A Yes, sir, it is my information from our Lease Department that those leases have been communitized and are connected with the

same basic lease, because there are parts of several wells where those leases show ownership and they communitize the whole area.

Q They communitize the whole body, the Federal Lease and patented acreage?

A The basis of my knowledge is that all acreage is Federal acreage.

MR. MANKIN: Mr. Cooley.

BY MR. COOLEY:

Q Mr. Rainey, you have no objection to entering an order in the event that this application were approved that the duration of the test would be for such time as maximum build-up pressure would be obtained?

A No, sir, no objection whatever.

Q You testified on direct examination that if non-cancellation and/or transfer is not granted there would be drainage. Would you please point out on the plat, shown on Exhibit 1, in what direction that drainage would occur?

A It would be a little inconclusive just pointing to it on the plat. You have to conduct tests to prove it, but it is possible that drainage could have occurred to this well, No. 5, in the southwest quarter of Section 2, and there is a possibility that drainage could have been down the line near Well No. 11 in the southwest quarter of Section 11.

Q Now, which wells are owned by El Paso Natural Gas?

A They are on the same basic lease. I think they are both

owned by El Paso, but not on the same basic lease.

Q There are the royalty owners, would that apply to their fair share of oils and gases? A Yes, sir.

Q The purpose of maximum pressure build-up test is to obtain reservoir information? A Yes, sir.

Q This reservoir information that you will give us will have a greater, probability of an increased ultimate recovery?

A It is believed so, yes, sir.

Q To prevent waste? A Yes, sir.

Q I am a little troubled by this divergence of ownership in the transfer wells. You have testified that you think they are communitized or--

A (Interrupting) The information was furnished by our Lease Department that they were communitized, I don't know it of my own personal knowledge, and therefore, it's merely a reflection from our records of El Paso Natural Gas Company.

Q Would it be possible to submit a copy of the communitization agreements on those wells to the Commission?

A Yes, I think so.

Q Would you be willing to do so? A Yes, sir.

Q At your earliest convenience then, will you please submit copies of the communitized agreements involving all the six wells? A Yes, sir.

Q Those are on Exhibit 1 in this case.

MR. DANIEL: Mr. Cooley, may I offer other proof of

communitized ownership of these wells?

MR. COOLEY: What do you have in mind?

MR. DANIEL: We don't know exactly. We might come up with something other than communitization agreements, but our records indicate that these wells are communitized and the ownership of wells are commonly owned, and if there is anything else, we would like to submit it to the Commission.

MR. COOLEY: Alright, I'll ~~amend~~ amend my request, if the evidence is satisfactory to the Commission that you enter all, both royalty and unassigned ownership on the wells shown on Exhibit 1 to Case 1271 and furnish it to the Commission.

MR. MANKIN: Any further questions of this witness? Mr. Utz.

BY MR. UTZ:

Q Mr. Rainey, your Exhibit No. 1 shows this well was shut-in 6-8-'56.

A Yes, sir.

Q Do you know what the status of that well was at the time?

A Yes, sir, at that time, to the best of my knowledge, that well was overproduced. I can check that information tomorrow, but my recollection was it was overproduced.

Q That is a satisfactory explanation. I was trying to determine why there was no underage cancellation if it was an underproduced well.

A Yes, sir, it is currently underproduced, at the time of

the shut-in, it was not.

Q It was not. Since it was an overproduced well, at that time, it would be quite apparent, would it not, that it was a non-marginal well? A Yes, sir.

Q Capable of making its allowable? A Yes, sir.

MR. UTZ: That is all I have.

MR. MANKIN: Any further questions of this witness? Do you wish to offer your exhibits?

MR. DANIEL: El Paso wishes to have Exhibits 1 and 2 accepted into evidence by the Commission.

MR. MANKIN: Any objections? If not, they will be entered. Any further questions of this witness? Are there any statements to be made in this case?

MR. BUELL: May it please the Commission, my name is Guy Buell, representing Pan American Petroleum Corporation. Normally, Pan American is in favor of the use of the annual test of the reservoir data, such as the extension of pressure build-up tests that have been discussed at this hearing. However, where these tests will necessitate a request for non-cancellation of underproduction or transfer of allowables, or both, Pan American recommends that these tests not be initiated until after notice of hearing. We further recommend that if any test of this nature is sanctioned by the Commission in the form of non-cancellation of underproduction or allowable that period progress reports be made to the Commission, along the Order of these required by Order No. R-939. We feel that

if the Commission does not choose to require such periodic reports, as setup in that Order, that certainly then a confidential report to the Commission would be better than no report at all; but, again, let me say that we feel, where special treatment is being requested that such data should be made available to the Commission and to the industry. In closing, Pan American feels that the granting of the request here today, that is, insofar as the retroactive features are concerned, would be an undesirable precedent, and certainly, it is our recommendation that insofar as their request is concerned, that their request should be denied, and that any privileges such as non-cancellation of underproduction or transfer of allowable be effective only after the date of the Order the Commission issues, approving these tests, and, of course, there, I am assuming the Commission will approve future testing of this well, but that the non-cancellation of underproduction ~~or the~~ transfer of allowable is not predicated to that Order.

MR. MANKIN: Any further statements to be made in this case?

MR. RAINEY: May I make one clarifying statement in that regard to Mr. Buell. At the time we initiated these tests, I pointed out that the Sunray Well was overproduced, and we initialed the test to obtain maximum pressure build-up test; it was not anticipated it would take an extreme length of time that has been necessary to attain that pressure build-up. That is the reason that we had not come in previously requesting authorization for that test because it

did not seem at the time it was shut-in, it would be necessary to have any transfer or cancellation of allowable in regards to these wells.

MR. MANKIN: Any further statements?

MR. DANIEL: For the benefit of Pan American, might I state, it has been our experience to get an order from the Commission to shut-in these wells. First, we are not going to shut-in until we get their order. When we made our application; we didn't anticipate what happened, that was an unforeseen situation.

MR. COOLEY: Would El Paso have any objection to submitting periodic reports to the Commission detailing the results of the progress data and dates, provided such reports were kept confidential?

MR. RAINEY: I can see no objection. As was stated, in the previous cases, it has not been taken up with management, but I personally can see no objection as long as the information is kept confidential.

MR. COOLEY: This means until such time that El Paso has had time to evaluate it. What period of time do you feel would be necessary?

MR. RAINEY: Frankly, I have no idea. The Reservoir Section in Houston would be evaluating these tests, and due to the normal work load, there is no way to foresee that; I don't know how long it would take to get around to making a complete study based on this information.

MR. COOLEY: For the purpose of expediting this, that if such test reports were kept confidential, it would only be for a limited period of time?

MR. RAINEY: Yes, sir.

MR. COOLEY: Until such time as you have had an opportunity to evaluate it in your own departments?

MR. RAINEY: Yes, sir. I couldn't say myself how long it would be.

MR. COOLEY: Thank you.

MR. MANKIN: Is there any further statements to be made in this case? If not, we will take the case under advisement.

(Witness excused.)

MR. MANKIN: We will adjourn until one thirty before we proceed with Case 1272.

(Noon recess.)

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