

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1591

TRANSCRIPT OF HEARING

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February 4, 1959

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

Application of Angels Peak Oil Company for the assignment of minimum allowables to two gas wells in the Fulcher Kutz-Pictured Cliffs Gas Pool, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order assigning minimum allowables to two gas wells in the Fulcher Kutz-Pictured Cliffs Gas Pool in order to prevent premature abandonment thereof, said wells being applicant's Angels Peak Well No. 3 located 595 feet from the North line and 1240 feet from the East line of Section 11 and Angels Peak Well No. 5 located 285 feet from the North line and 1520 feet from the West line of Section 11, both in Township 28 North, Range 11 West, San Juan County, New Mexico.

Case No.
1591

BEFORE:

Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: The next case will be 1519.

MR. PAYNE: Application of Angels Peak Oil Company for the assignment of minimum allowables to two gas wells in the Fulcher Kutz-Pictured Cliffs Gas Pool, San Juan County, New Mexico.

MR. VERITY: Mr. George Verity, appearing for Angels Peak Oil Company.

May it please the Examiner, this is an application for a special allowable for two wells drilled in the Fulcher Kutz-Pictured Cliffs formation, which wells were drilled prior to June 22nd, 1948, the time at which the present formula and field rules were set, which spaced this pool on 160-acres.

The two wells for which we are asking special allowable are the Angels Peak No. 3, located in Section 11 of 28 North, 11 West, and Angels Peak No. 5, located in the same section. Both of these wells are on an irregular shaped tract in that they are not in a regularly divided subdivision of 640-acres. No. 3 has 48.33 acres; No. 5, 49.15 acres attributed to it. With the acreage attribution factor that is given to formulating the allowable for these wells, or the monthly allocation of these wells, the allocation comes out so small that the applicant finds that it is impossible to continue to operate these wells economically, and they are going to be abandoned unless a special allowable takes into consideration that they were lawfully drilled on this size tract at the time they were drilled and that oil and gas will be left in place and wasted. Granting a special allowable, that will permit them to be continued.

I would like to call, after that introduction, Mr. Paul Clote as a witness.

(Witness sworn.)

MR. UTZ: Are there other appearances in this case? If not, you may proceed.

P A U L J. C L O T E, a witness called by and on behalf of the Applicant, being first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY: MR. VERITY:

Q Will you state your name, please?

A Paul J. Clote.

Q Mr. Clote, what is your educational background?

A I have a BS degree in petroleum engineering from Tulsa University.

Q Have you testified before this Commission heretofore as an expert petroleum engineer?

A I have.

MR. VERITY: We submit that this witness is qualified as an expert.

MR. UTZ: His qualifications are acceptable.

Q (By Mr. Verity) Mr. Clote, are you familiar with the Angels Peak Oil Company's No. 3 well located 595 feet from the North line and 1240 feet from the East line of Section 11, 28 North, 11 West?

A I am.

Q Are you also familiar with Angels Peak's No. 5 well located 280 feet from the North line and 1520 feet from the West line in Section 11, 28 North, 11 West?

A I am.

Q Mr. Clote, I hand you what the Reporter has marked Exhibit 1. Will you tell us what it is, please.

A This is a plat showing the locations of Angel Peak Well 3 and 5.

Q I notice that they are both within the same marked land lines there, without a dividing line. Is the acreage allocated to No. 3 the W/2 of that long rectangular tract?

A It is the north -- or the east part of that Section, which consists of 48.33 acres allocated to Well No. 3, and Well No. 5 has an allocation of 49.15 acres.

Q Being roughly the W/2 of that tract?

A That's correct.

Q Do you know when these wells were drilled and completed?

A These were drilled in 1930, December 20th of 1930, Well No. 5 was completed; Well No. 3 was completed March 19th, of 1930.

Q Does this plat reflect that the only offset operators to this lease are Aztec Oil and Gas Company, Congress Oil Company, and Summit Oil Company?

A That is correct.

Q And Angels Peak, of course.

A Yes.

Q Had you made inquiry from the records of Angels Peak as to what it would cost them to operate these gas wells?

A These wells will normally run around seventy-five dollars a month per well.

Q Is it your experience as a production engineer, or let me ask you this, have you had experience producing gas wells in this area?

A I have.

Q By virtue of that experience, are you familiar with the cost of producing --

A Yes, I am.

Q Do you think that that seventy-five dollars is a figure that is encountered in the area generally?

A I believe that's a fairly approximate figure for wells in the area.

MR. VERITY: We offer in evidence Exhibit 1.

MR. UTZ: Without objection, Exhibit 1 will be received.

Q (By Mr. Verity) Mr. Clote, I had you what the Reporter has marked Exhibit No. 2 consisting of two sheets. Will you please tell us what that is?

A This is a list indicating the production and allowable on the Angels Peak Well 3 and 5. It is shown for January through December for 1958 in both cases.

Q What was the allocation for these wells, for No. 3 in September of 1958?

A The allowable was 268,000 cubic feet for the month.

Q For the month. And on No. 5?

A During the month of September, it was 276,000 cubic feet.

Q And what was the highest, this Exhibit reflects from January through Decemeber, does it not, '58?

A Yes.

Q What was the highest allowable you had on No. 3 during that year?

A During November, an allowable of 952,000 cubic feet.

Q And on No. 5?

A On No. 5, it was 983,000 feet, also during the month of November.

Q What was your total allocation on each of the two wells for the year?

A Total, 8,485,000 cubic feet on the Angels Peak No. 3, and the Angels Peak No. 5 we had 8,924,000 cubic feet for the year.

Q That's considerably less than a million a month?

A That's correct.

Q What was your actual production from these two wells?

A Actual production during the year, 4,965,000 cubic feet, and from --

Q And from No. 5?

A 3,330,000 cubic feet.

Q Was that production less than the allocation because these wells are incapable of making it, or for other reasons?

A For other reasons.

Q Do you know what the deliverability of these wells is?

A Angels Peak No. 3 has a deliverability of 240,000 cubic feet per day. Angel Peak No. 5 has a deliverability of 203,000 cubic feet per day.

Q Can either of these wells be continued to be operated economically on a continued allocation similar to which they have had in the past?

A No, they cannot.

Q Is the company losing money on the operation of these wells at the present time, Angels Peak?

A I feel that they are.

Q If it is necessary to abandon these wells by virtue of the insufficient allocation, in your opinion, will gas under these locations be recovered?

A No, it will not.

Q In your opinion then, will it commit waste if the allocation is continued on its present basis?

A That is correct.

Q Mr. Clote, in your opinion, would it be economically sound and feasible for Angels Peak Oil Company to continue to produced these wells if they were granted a special allowable of a million and a half barrels a month?

A It would.

Q And can both of them make that allowable?

A Both wells are capable of making the allowable.

MR. VERITY: Your Honor, I would like to request that

the Commission take judicial knowledge of the fact that Order No. R-1212 was entered in Cause No. 1461 granting an allowable to nine wells in this same pool, special allowable of a million and a half barrels because of the same factors there as here, that we would have, they were not economically sound to continue operating because of the acreage attribution reduction, and also Order No. R-1280 that was entered in Case 1538 to the same effect. I believe that Aztec Oil and Gas Company, who the Commissioner will remember was one of the offset operators, has written the Commission under date of January 28 with regard to the application stating that they have no objection to the entry of this order. I would like to submit to the Commission a letter from Congress Oil Company stating that they do not object, and also a letter from Summit Oil Company granting their permission.

MR. UTZ: Would you like to introduce these two letters into evidence?

MR. VERITY: Yes, I would like to off these two letters in evidence, and also, if the Commission please, an original copy of the letter from Aztec.

That's all we have, Your Honor.

MR. UTZ: Without objection, Exhibit 2, 3, and 4 will be accepted. Are there any questions of the witness?

MR. PAYNE: Yes.

MR. UTZ: Mr. Payne.

CROSS EXAMINATION

BY: MR. PAYNE:

Q Could you tell me the status of the acreage in Section 10 insofar as the Fulcher Kutz-Pictured Cliffs gas pool is concerned?

A I believe the acreage in Section 10 has not been dedicated to any drilling.

Q Do you know if this acreage is within the horizontal limits of the Fulcher Kutz-Pictured Cliffs Gas Pool?

A I believe it is.

Q What acreage is dedicated to Well No. 18 in Section 12?

A I believe it's the W/2 of that section, which would be, I would say, approximately 105 acres, something on that order.

Q Do you know when this No. 18 Well was drilled?

A No, sir, I do not.

Q What I am trying to get at, was it drilled before 160-acre spacing was in effect?

A I believe it may have been, that was prior to my time with the company.

Q Now, how about the No. 17 Well in Section 13, do you know what acreage is dedicated to that well?

A I believe it is 160-acres, the NW/4 of that section.

Q Now, is the S/2 of the E/2, I believe you said, it is the S/2 of the E/2 of Section 10, that is not dedicated to any well in the Fulcher Kutz at the present time?

A I don't believe it is, no, sir.

Q What allowable do you consider necessary to prevent the premature abandonment of these two wells?

A Minimum allowable, 1,500,00 per month would be adequate.

Q Would both of these wells make that?

A Yes, sir, they would.

Q Now, to your knowledge, have both of these wells paid out?

A Yes, sir, they have.

MR. PAYNE: That's all, thank you.

MR. UTZ: Off the record.

(Discussion off the record.)

MR. UTZ: Are there any additional questions of the witness?

MR. PAYNE: Yes, I would like to ask one other question.

CROSS EXAMINATION (continued)

BY: MR. PAYNE:

Q Mr. Clote, why can't you dedicate the N/2 of the E/2 of Section 10 to the No. 5 Well?

A We could do that.

Q And also perhaps the entire W/2?

A Unless it is already dedicated, but to my knowledge, it is not.

Q Have you attempted to work out an agreement with Aztec Oil and Gas Company as to the S/2 of the E/2 of Section 10?

A No, we have not.

MR. VERITY: I believe, Your Honor, that the order doesn't allow you to cross the section line.

MR. PAYNE: It does after notice and hearing. That's all.

EXAMINATION BY MR. UTZ:

Q How much acreage, Mr. Clote, would it take in order to bring your well up to fifteen hundred MCF a month, do you have an estimate in that matter?

A Possibly it would take an additional 60 to 70 acres, I would imagine.

Q I think that's about right. Actually, you have the acreage to the west of this well, do you not, on the No. 5?

A Yes, we do.

Q However the S/2 of Section 10, partially, is already dedicated to the No. 4, is that correct?

A That is correct.

Q Section 11 instead of 10. Are there any other questions of the witness? If not, the witness may be excused.

(Witness excused.)

MR. UTZ: The case will be taken under advisement.

MR. PAYNE: Mr. Examiner, we received a statement here from Pan American Petroleum Corporation in regard to this case which states as follows:

"Pan American Petroleum Corporation wishes to enter a

statement in Case 1591 which is scheduled to be heard at the February 4, 1959 Examiner Hearing. We request that the following statement be read in the record of this case:

Pan American Petroleum Corporation is operator of approximately 44 wells in the Fulcher Kutz-Pictured Cliffs Pool. We recognize that under certain circumstances increased allowables may be necessary for economic reasons to prevent premature abandonment of certain wells which were drilled on short spacing prior to June 22, 1948. Pan American is opposed to the granting of any increased allowables for these wells if other wells were drilled after that time in the same immediate vicinity at locations which would preclude the assignment of additional acreage to form standard size units for the previously existing wells. We also oppose the granting of increased allowables if additional acreage can be assigned to these wells and no valid attempt has been made to do so. We further believe that increased allowables should only be granted for wells that would qualify under the provisions of the Statutes after examining the economic factors concerning each individual well and then only in the amount necessary to prevent premature abandonment.

Very truly yours, Alex Clarke, Jr.

MR. UTZ: Any other statements in this case? If not, the case will be taken under advisement.

STATE OF NEW MEXICO)
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COUNTY OF BERNALILLO) SS

I, Joseph A. Trujillo, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript by me, and that the same is a true and correct record, to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this 7th day of February, 1959, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Joseph A. Trujillo
Notary Public

My Commission Expires;
October 5, 1960

ILLEGIBLE

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1581, heard by me on *Feb 7*, 1959.

Thomas H. [Signature], Examiner
New Mexico Oil Conservation Commission