

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
DECEMBER 14, 1960

IN THE MATTER OF: :

CASE 2142: Application of the Oil Conservation Commission: :

on its own motion to consider prorating the : :

gas production from the Monument-McKee Gas : :

Pool, the Bagley-Upper Pennsylvanian Gas Pool : :

and the Bagley-Lower Pennsylvanian Gas Pool, : :

all in Lea County, New Mexico. : :

BEFORE:

Murray Morgan
A. L. Porter

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

MR. PORTER: The Commission will take up next Case 2142.

MR. MORRIS: Case 2142. Application of the Oil Conserva-
tion Commission on its own motion to consider prorating the gas pro-
duction from the Monument-McKee Gas Pool, the Bagley-Upper Pennsyl-
vanian Gas Pool and the Bagley-Lower Pennsylvanian Gas Pool, all in
Lea County, New Mexico.

MR. PAYNE: Mr. Commissioner, we have one witness in this
case, Mr. Utz. I would like to ask that he be sworn.

MR. PORTER: I would like to call for other appearances
so if we have anyone else desiring to present testimony we can have
the witnesses sworn at the same time.

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MR. CAMPBELL: I would like to enter an appearance. We have no witnesses. Enter an appearance on behalf of Texas Pacific Oil & Gas Company.

MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, Santa Fe, representing Amerada Petroleum Corporation. I have an associate with me, Mr. H. D. Bushnel, a member of the Oklahoma Bar. It is not our present intention to offer any testimony, although if any of it corresponds, we may wish to do so.

MR. PORTER: You will have that opportunity, Mr. Kellahin.

MR. PAYNE: We also have a written appearance on Seth, Montgomery, Federeci, who have associated with them Ben Howell and Mr. Garrett Witworth from El Paso Natural Gas Company.

MR. MORRIS: Let the record show that Mr. Utz has previously been sworn.

ELVIS A. UTZ,

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

DIRECT EXAMINATION

BY MR. PAYNE:

Q Will the witness please state his name, by whom he is employed and what capacity?

A Elvis A. Utz, engineer with the New Mexico Oil Conservation Commission.

Q Mr. Utz, in connection with Case No. 2142, have you made

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a study concerning the gas takes in the Bagley-Lower Pennsylvanian Gas Pool, the Bagley-Upper Pennsylvanian Gas Pool, and Monument-McKee Gas Pool?

A Yes, sir, I have.

Q Mr. Utz, would you please explain briefly the system under which the pools are presently operating, and discuss whether, in your opinion, this system has proved to be satisfactory?

A The Bagley-Upper and Lower Pennsylvanian Gas Pools are now operating under ratable takes, Order R-1091-A and R-1031-A respectively. In compliance with these orders, the Commission has attempted to enforce ratable take by keeping a record of allowable and production, and informing the purchasers and operators periodically as to the status of these wells. This procedure has failed to accomplish the desired results. It is my opinion that the only way to accomplish ratable take is to prorate and issue status reports in proration schedules as to -- and to have proper rules for controlling overproduction. This is the subject matter of this case as it pertains to the Upper, Lower Bagley Pennsylvanian Pools, as well as the Monument-McKee Pools.

Q Mr. Utz, have you prepared Exhibits to show the manner in which the wells have been produced from the period of June 1st, 1959 to July 1st, 1960, and from July 1st, 1960 to October 1st, 1960?

A Yes, sir, I have. I have prepared bar graphs which show the production for the year's period, as stated, from 7/1/59 to

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7/1/60, as well as the last three months' production history that was available at the time these were made, which is July, August and September, 1960. In order to show how these wells were being produced up to the latest possible time, first, I have --

Q First, Mr. Utz, do you have copies of these Exhibits which we could distribute?

A I have copies which were distributed to the Commission, and I have copies that went out to the audience. There is one down there on this table, if it is not being used.

(Whereupon, Applicant's Exhibit No. 1 was marked for identification.)

Q All right. Mr. Utz, if you'll refer to Exhibit No. 1, would you please explain to the Commission what that Exhibit depicts?

A Exhibit No. 1 is a bar graph showing the production history for the past fifteen months of the Bagley-Lower Pennsylvanian Pool, the vertical is MCF total for each period, and, of course, the horizontal scale is per well. There are only three wells in this pool, and the production from these wells for the period, year's period ending 7/1/60 is as follows:

The Amerada Shell No. 1 is 279,186 MCF. The Amerada Caudel, 7 and 2. I might explain here that the Caudel No. 2 replaces the No. 7 on the same unit, so it is carried as one unit as actually the same well. That well produced 161, 192 and the Amerada Bto No. 1 produced 645,531. You will note from these figures that the

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takes were substantially different, and, therefore, the takes were, in my opinion, unratable. During the last three months, July, August and September, '60, the Shell -- Amerada Shell No. 1,60,814. Caudel No. 2, 124,362, and the Amerada BTO No. 1, 148,581. Of course, if it was a six months' proration period, these three wells would have an opportunity to come in better balance, but I merely show this to show that during the three months of the latest production history we have, the takes were not too ratable.

Q In your opinion, Mr. Utz, does this Exhibit substantiate your recommendation that the Bagley-Lower Pennsylvanian Gas Pool be prorated?

A In my opinion, that is the only way to enforce ratable take.

(Whereupon, Applicant's Exhibit No. 2 was marked for identification.)

Q Please proceed to Exhibit No. 2 and explain what that depicts.

A Exhibit No. 2 is the same type bar graph for the Bagley-Upper Pennsylvanian Pool. The vertical scale is again MCF for the total period shown, horizontal for each individual well. This well has -- this pool has five wells. Two of these wells were determined by marginal estimating, so the production shown by the Amerada Mathers No. 2 and the Amerada BTM No. 2 are considered to be -- all these wells are capable of producing, and so would not enter into a determination of ratable take. The three remaining

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wells, however, which are the Amerada Caudel No. 7 and No. 2, again, this was a well -- the No. 7 apparently played out, and the No. 2 took over the same unit dedication, the year's production ending 7/1/60 for this well was producing 229,918. The second well, the Amerada BTM No. 1 produced 794,586, and the third well, the Texas & Pacific State "C" No. 2, 336,008. The takes, as noted, are considerably different and, therefore, in my opinion, unratable.

The same picture for the three months from July, August and September, 1960, the Caudel, Amerada Caudel No. 2 produced 135,167. The BTM No. 1, 144,740, and the Texas & Pacific State "C" No. 2, 210,539. The takes from these three wells which have been, up to the present time anyway, non-marginal wells, are substantially different, so this shows that the takes are still somewhat unratable, as a matter of fact, considerably unratable for the past three months' production history.

Q Do you feel, then, Mr. Utz, by prorating this pool, the takes can be made more ratable?

A In my opinion, it can be made ratable as long as we only have one purchaser.

(Whereupon, Applicant's Exhibit No. 3 was marked for identification.)

Q All right. Please proceed to Exhibit No. 3 and explain to the Commission what that depicts.

A The Exhibit No. 3 is the same type of bar graph, vertical



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and horizontal scales being the same as the previous two, which depicts the production history for the like period of the Monument-McKee Pool. We have only three wells in this pool, but the takes have been rather erratic. The first well, the Amerada 5-A, produced during the year's period ending 7/1/60 165,315. The Amerada 5-N 166,048, and the Sinclair 8-M 472,490, or about two and eight-tenths times as much as the Amerada wells. The like information for the last available three months' production history was the Amerada 5-A 22,589,000, Amerada 5-N 23,335,000, and the Sinclair 8-M 178,499, which is 7.7 times as much as either of the Amerada wells. I just learned yesterday that there is a third well -- a fourth well in this pool which I had a record of that was Anderson-Pritchard "A" No. 7-K, which up until the time I made these charts had produced only 1552 in the month of July, 1960. However, my information from the telephone conversation with Anderson-Pritchard yesterday indicates this well is now producing almost as much, if not as much, as the Sinclair well.

Q Mr. Utz, is there also only one purchaser in the Monument-McKee Pool?

A No, sir. There are two purchasers in the Monument-McKee. I believe one purchaser is connected to the Amerada wells, and the other purchaser is connected to the Sinclair and Anderson-Pritchard wells.

Q Do you feel, Mr. Utz, by prorating the Monument-McKee Pool more ratable takes can be accomplished than is presently being



accomplished?

A Mr. Payne, that has been previously true in other pools where we have two purchasers.

Q Mr. Utz, in view of your studies and Exhibits, what are your recommendations to the Commission in regard to these three pools?

A I recommend that in order to prevent waste and protect correlative rights that the Commission prorate these three pools on a straight acreage basis beginning March the 1st, 1961, and that the first proration period end July 1, 1961 so tyat future proration periods will coincide with the proration period of other pools in Southeast New Mexico.

Q Mr. Utz, what is your reason for recommending that these pools be prorated on the straight acreage basis?

A In the first place, these are very small pools, the largest pools having five wells. Reserve information is rather difficult to come by, and the deliverabilities would appear to be rather consistent except for the two marginal wells in the Upper Bagley Pennsylvanian. I just don't believe that the pools are large enough to justidy anything but a straight acreage formula.

Q Mr. Utz, you are undoubtedly aware we have special rules for both the Bagley Upper Pennsylvanian and Bagley-Lower Pennsylvanian. You are not recommending any change in those, any change other than that to prorate these particular pools?

A That's correct. I would recommend that Order R-1091-A

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and 1031-A be superceded and all three of these pools be incorporated under R-1607.

Q That is an order which deals with all prorated gas pools in New Mexico?

A That's correct.

Q If I understand you correctly, you are recommending that the initial gas proration period commence March the 1st and end July the 1st, 1961 --

A That's right.

Q -- so that the six months' prorated period is following from July the 1st and would coincide with the other prorated gas pools in that area?

A That's correct.

Q Do you have anything further you would like to present?

A I don't believe I have anything.

MR. PAYNE: I would like to offer Oil Conservation Commission's Exhibits 1 through 3.

MR. PORTER: Without objection, these Exhibits will be admitted.

(Whereupon, Applicant's Exhibits Nos. 1 through 3 were received in evidence.)

MR. PORTER: Does anyone have any questions? The witness may be excused.

(Witness excused)

MR. PORTER: Anyone desire to present testimony? Do you

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have any statements to make to the Commission?

MR. ANDERSON: R. M. Anderson, Sinclair. We have a well in the Monument-McKee Pool; we wish to concur with Mr. Utz' recommendations concerning gas proration in the Monument-McKee Gas Pool.

MR. PORTER: Mr. Bushnell.

MR. BUSHNELL: Amerada concurs in the recommendations made by Mr. Utz.

MR. ROBINSON: J. E. Robinson, Texaco, Inc. Texaco has the fifth well in the Monument-McKee, and we have finalized the contract with the third purchaser for this field and we concur with the recommendation made by the Commission.

MR. PORTER: Three purchasers and five wells. Anyone else want to make a statement?

MR. PAYNE: Mr. Commissioner, we received the following communication from Anderson-Pritchard Oil Corporation. This is to inform the New Mexico Oil Conservation Commission that Anderson-Pritchard's operator of the Britt "A" unit Well No. 7 recommends (1) that 160-acre proration units be adopted for the Monument-McKee Gas Pool, and (2) that the proration of gas production therefrom be based entirely on surface acreage.

MR. PORTER: Nothing further to be offered in this case, the Commission will take it under advisement and have a short recess.

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