

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
July 18, 1962

REGULAR HEARING

FARMINGTON, N. M.  
PHONE 325-1182

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, N. M.  
PHONE 243-6691

IN THE MATTER OF:

Application of R & G Drilling Company, Inc.,  
for a hearing de novo in the matter of its appli-  
cation for permission to operate twelve wells  
under a project allowable, San Juan County, New  
Mexico. Applicant, in the above-styled cause,  
seeks a hearing de novo in the matter of its appli-  
cation for permission to produce twelve wells in  
the West Kutz-Pictured Cliffs Gas Pool, located in  
Sections 22, 27, 28, 32, 33 and 34, Township 28  
North, Range 11 West, and Section 10, Township 27  
North, Range 11 West, San Juan County, New Mexico,  
under a project allowable of 3300 MCF of gas per  
day to be produced from any well or combination of  
wells in the project. Applicant further seeks  
approval to install compression equipment with which  
to produce said wells.

CASE 2528  
(De Novo)

BEFORE: Governor Edwin L. Mechem, Chairman.  
A. L. "Pete" Porter, Jr., Secretary-Director.

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: The Commission will take up next Case 2528.

Application of R & G Drilling Company, Inc., for a hearing de  
novo in the matter of its application for permission to operate  
twelve wells under a project allowable, San Juan County, New  
Mexico.

MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, represent-  
ing the Applicant.



MR. PORTER: Mr. Kellahin, you may proceed with any statement.

MR. KELLAHIN: If the Commission please, there is an application for hearing de novo before the Commission on a case originally heard before the Commission's Examiner. The Application of R. & G. Drilling Company as filed in Case 2528 was for the Commission to determine whether the Applicant was to install compressor equipment on some 12 wells in the West Kutz-Pictured Cliffs Gas Pool and for the assignment of a project allowable of 3300 MCF of gas per day to be produced from any well or combination of wells within the project. The Application was based upon the contention that unless the approval was given for the installation of that equipment and the assignment of an allowable which would equally justify this type of operation, it could be no longer economically operated and produced and would result in waste and loss of gas in the reservoir. The Case was heard before the Commission's Examiner and after hearing the Commission entered its order granting permission to install the compressor equipment and utilize it on the 12 wells involved. The order also assigned a project allowable of 3300 MCF per day as requested but for a period of 90 days. Beginning July 1, 1962, in order to evaluate this project, and with the provision for an extension of an additional 90 days in the event it was necessary. But, that at the conclusion of the period of evaluation, all the wells would be tested and an allowable assigned on the basis of deliverability as found

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during the test period, so that an overage which accrued as a result of this retroactively assigned allowable contained for during the period of the evaluation, but that no well would be shut in for over production during the period of the test period.

Actually, in my opinion, the only thing the Commission granted in that case, and with the good faith of the Commission for one minute more, as I say, at this date here, and we know it is a serious case to the Commission and to the correlative rights and I know that an effort was being made to give R & G something and evaluated this project and see if they could promise something.

We propose to show they can not operate under this order. The only thing the order gives R & G Drilling Company is that no well would be shut in for over production during the test period. On that basis, anyway during the test period, under the present rules, on that basis we have now filed an application for hearing de novo and contended in this application the same and we propose to show that the order is not extensive to the application which was originally filed and that the order is not in accordance with the evidence which was presented and that the correlative rights of the Applicant will not be protected against premature involvement.

I would like to request, at this time, that the order in Case Number 2528 as heard all before the Examiner, together with all exhibits introduced and points made, both for and against



the production, be entered into the record here.

MR. PORTER: The motion has been made by Mr. Kellahin that the record of the Examiner Hearing had in these proceedings be made a part of the record. Does anyone care to comment concerning counsel's motion? If there are not any objections, the record in the Examiner Hearing will be made a part of the present proceedings.

MR. KELLAHIN: At this time, I would like to call Mr. W. C. Russell.

(Witness Sworn.)

W. C. RUSSELL

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you- -

MR. PORTER: Mr. Russell, would you take the stand at the end of the table, please?

Q (By Mr. Kellahin) Would you state your name, please?

A William C. Russell.

Q Are you the same William C. Russell who testified in Case 2528 at the original hearing?

A I am.

Q Mr. Russell, are you familiar with the application that was originally filed in this case?



A Yes, sir. I am.

Q And have you received a copy of the Order Number R-2260 which was concerned in that case, the subject in that hearing?

A Yes, sir. I have.

Q Have you evaluated the order in regard to the the project allowables produced in your original application?

A Yes, sir. I have.

Q Will you state what the result of the order would be on your operations?

A Well, in as much as these compressors and equipment that we want to put on the wells would cost in excess of \$10,000.00, per well, for a period of 90 days it wouldn't be practical. We don't know they would work. We feel that within 90 days we would determine this, but as far as putting expensive equipment on a well for 90 days, it wouldn't make any sense at all.

If we are limited to any time or limit, it would be experimenting with expensive equipment on our part. We want to be able to do this any way we see fit to salvage any gas.

If it can't be legally be done, but we have been advised so, and it's strictly looking at the economic side of the thing, we think we can get some gas out of all the paying units, but we will have to have complete freedom in every respect to attempt it.

Q Would a period of 180 days be of any benefit to you?

A I wouldn't undertake it with any limitations at all.

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Q In the event you are not permitted to install the compressors, and equipment, what action will you take?

A I am going to plug all wells immediately.

Q Do you have any interest there?

A None whatsoever.

Q What is your occupation and position with R & G?

A I am president and general manager of R & G and I drilled the wells and plotted them for R & G Drilling Company and I am convinced, as some other people are, that there is gas in a paying quantity there and I just hate to plug the wells and lose the gas for all time.

Q Is that a situation that exists generally in the western area?

A As I understand it, it is.

Q Have you any other suggestion that might relieve the situation in this pool?

A No. I haven't.

Q Do you have anything you want to add to your testimony?

A I just want to impress upon the Commission that we are not attempting to go into the engineering aspect at all. The gas reserve in there is not phenomenal. We are going on a strictly economic side of this. We know we can put compressors on there and in effect get our money back out of the compressors and the wells. We have lost \$700.00 on the operation of 12 gas wells and that we are not going to do for another year.



MR. KELLAHIN: That is all I have.

MR. PORTER: Does anyone have a question of Mr. Russell?

CROSS EXAMINATION

BY MR. UTZ:

Q Do you feel that if you install compressors on these wells, it will increase deliverability?

A We know it would. We wouldn't attempt it otherwise. The engineers that have looked at the deliverability of the well feel it would. The general deliverability now is strickly nil.

Q With an increase in deliverability, you don't feel the increase- - I will rephrase the question. With the increased deliverability, you don't feel that the allowables would be as much as you are asking for?

A Well, I don't understand the question.

Q Well, if you increase the deliverability of your wells to 75 deliverability in the formula you will receive more deliverability than you are receiving now, would you not?

A That is right.

Q Do you feel that the increase on compressors would be enough to give you what you want?

A No. It won't.

Q In your opinion if you can produce, well I believe, 3300 MCF for 12 wells, it would be pretty close to 300,000 a day, maybe a little less?

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A Yes.

Q Do you feel that you can produce that much gas from these wells and the purchaser would buy it?

A I think so.

MR. UTZ: That is all I have.

MR. PORTER: Does anyone else have a question of Mr. Russell?

BY MR. PORTER:

Q Mr. Russell, I notice you made a statement here and at the Examiners Hearing that you would need complete freedom of operation for these 12 wells?

A Complete freedom in every respect.

Q That includes the allowable, I suppose. In other words, you wouldn't want any limit on the allowables?

A None whatsoever. No.

MR. KELLAHIN: If the Commission please, may I state that we filed an application for a different allowable and production scale and we certainly don't propose to exceed that. I don't believe he quite understood your phrase.

Q (By Mr. Porter) The question that occurred to me, Mr. Kellahin, was that if we imposed a limit on the 3300 MCF as requested in the application, you still would not have complete freedom of operation?

A We would have 3300 MCF out of one well, two wells or three wells. We want to get it anyway we see fit. That is what



we are asking the Commission for, to give us complete freedom to get this 3300 MCF.

Q You don't want it on a temporary basis, you want a permanent order?

A Permanent order. Yes, sir.

MR. PORTER: Does anyone else have a question? The witness may be excused.

(Witness Excused.)

Does anyone desire to make a statement in the case?

MR. WHITWORTH: Garrett Whitworth representing El Paso Natural Gas Company. Since the record in the Examiner Hearing, has been made a part of the record in this case and Mr. Ben Howell representing El Paso Natural Gas Company made a statement in the previous case setting out El Paso's position, we wish to urge a reiteration of that statement and state that we rely on it.

MR. PORTER: Does anyone else have a statement?

MR. DURRETT: I would like to read into the record the fact the Commission has received two telegrams concerning the case. We have a telegram from Texas Company stating that they are opposed to R & G Drilling Company's application for this production allowable.

I also have a telegram that we have received from Pan American, that they have asked I read in the record and I would like to do so at this time.

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MR. PORTER: You may proceed, Mr. Durrett.

MR. DURRETT: This telegram reads as follows:

"Reference is to the de novo Hearing on Case No. 2528 on the application of R and G Drilling Company for a project allowable in the West Kutz-Pictured Cliffs-Gas Pool which is docketed for the Regular Hearing on July 18, 1962. By Mr. T. M. Curtis' telegram of April 10, 1962, Pan American Petroleum Corporation opposed the granting of a project allowable as requested by the Applicant at the Examiner Hearing held April 11, 1962. This is to advise that Pan American Petroleum Corporation still opposes the granting of a permanent project allowable as requested by the Applicant. It is felt that the granting of the Applicant's request would exclude him from the requirements of established field rules for the West Kutz-Pictured Cliffs-Gas Pool and, consequently, would afford possible violation of correlative rights within this field. Pan American has no objection to Order No. R-2260 entered by the Commission as a result of the April 11, 1962, Examiner Hearing in that our interpretation of this order is that it is temporary in nature and only affords Applicant an opportunity to test wells under varying conditions after which allowables will be assigned in accordance with existing field rules for the West Kutz-Pictured Cliffs-Gas Pool. Please read this telegram into the record of the hearing.

KENNETH J. BARR PAN AMERICAN PETROLEUM CORPORATION."

MR. PORTER: They didn't send that collect did they,

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