

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

ALBUQUERQUE, N. M.
PHONE 243-6691

BEFORE THE
OIL CONSERVATION COMMISSION
High School Auditorium
1300 East Scharbauer
Hobbs, New Mexico

May 16, 1962

REGULAR HEARING

IN THE MATTER OF:

Application of Gulf Oil Corporation for an amendment of Rule 112-A. Applicant, in the above-styled cause, seeks an amendment of Rule 112-A to delete that portion of said rule which requires that offset operators be notified of the taking of packer-leakage tests. Applicant further proposes that said rule be amended to provide for notification to an offset operator of the taking of such a test where the offset operator has previously requested that such notification be given.

CASE NO.
2559

BEFORE: Edwin L. Mechem, Governor
A. L. "Pete" Porter, Secretary-Director of Commission
E. S. "Johnny" Walker, Land Commissioner

TRANSCRIPT OF HEARING

MR. PORTER: Next case on the docket is 2559.

MR. MORRIS: Application of Gulf Oil Corporation for an amendment of Rule 112-A.

MR. KASTLER: My name is W. V. Kastler, representing Gulf Oil Corporation, from Roswell, and appearing on behalf of



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Gulf, and our witness in this case is Mr. John H. Hoover.

MR. PORTER: Any other appearances to be made in Case 2559, anybody else that desires to present testimony?

(No response.)

Call your witness, please, sir.

(Witness sworn.)

JOHN H. HOOVER,

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

DIRECT EXAMINATION

BY MR. KASTLER:

Q Will you please state your name, your employer and your position?

A John Hoover, employed by Gulf Oil Corporation, Roswell, New Mexico, petroleum engineer.

Q Have you previously qualified as an expert witness and testified before this Commission?

A Yes, sir, I have.

MR. KASTLER: Mr. Chairman, are the qualifications of Mr. Hoover acceptable?

MR. PORTER: Yes, sir, they are.

Q (by Mr. Kastler) What is Gulf seeking in this application?

A We are requesting that a portion of Statewide Rule 112-A be revised to delete the requirement that offset operators be



notified when packer-leakage tests are to be commenced.

Q Would you please state what portion of Rule 112 A this provision would apply to?

A Yes, sir, Section VI of Statewide Rule 112-A provides in part that all multiple completions, whether approved after hearing or by additive procedure shall be subject to the following rules: Paragraph (c) under this Section VI is one of the following rules referred to. A portion of this paragraph which I will quote reads as follows: "Offset operators as well as the Commission shall be notified of the time such tests are to be commenced."

This Paragraph sub-(c) is the portion to be revised to eliminate the necessity for notification to offset operators, unless such offset operators advise in writing that he desires to be notified.

Q Does Gulf Oil Corporation have a proposal to show how the rule should read or how it should be worded to eliminate the necessity of notifying all offset operators?

A Yes, sir, and we marked it as Exhibit 1.

(Whereupon Gulf Oil Corporation's Exhibit No. 1 marked for identification.)

Q Before I ask you to read this proposed revision, I would like to state we still have a few more copies up here which any of you in the auditorium might care to get and read along with us.

Would you please read Gulf's proposal?

A Yes, sir.

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We propose that Paragraph (c) of Section VI, Statewide Rule 112-A would read as follows:

"The operator shall commence a segregation test and/or packer leakage test not later than seven (7) days after actual multiple completion of the well. Segregation tests and/or packer leakage tests shall also be made any time the packer is disturbed and at such other times as the Commission may prescribe. The Operator shall also make all other tests and determinations deemed necessary by the Commission. The Commission, and any offset operator who has given the Operator notice in writing of his desire to witness segregation tests and/or packer leakage tests, shall be notified of the time such tests are to be commenced. Results of such tests shall be filed with the Commission within fifteen (15) days after the completion of tests; provided, however, that in the event a segregation test or packer leakage test indicates that there is communication between the separate strata, the Operator shall immediately notify the Commission and commence remedial action on the well."

Q Mr. Hoover, what facts prompted this proposed revision?

A In order to comply with the existing rules which require that offset operators be notified, we sent out approximately in our operations in Southern New Mexico between a thousand and eleven hundred notices each year. It has been the experience

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that we do not witness the offset operators tests, and as far as we know, no offset operators have ever witnessed our tests.

Therefore, we feel that continually sending out these notices is unnecessary because, as previously stated, it appears that the witnessing is not practiced.

Q Suppose an offset operator decides that he desires to witness one or more tests. Can he do so?

A Yes.

Q How can this be done?

A The proposed revision specifically provides that if the offset operator notifies the producer that he desires to be notified, then he will receive such notification.

Q Would the Commission be furnished notification when segregation and/or packer leakage tests are to be conducted?

A Yes, sir, the proposed revision makes no change in the notification to the Commission, and such notification would be continued as it is now practiced.

Q Would this proposed revision impair correlative rights in any way, in your opinion?

A No, sir, it would not.

Q Do you have any further to add in this case?

A No, sir, I believe that is all.

MR. KASTLER: That concludes our direct examination, Mr. Chairman.

MR. PORTER: Anyone have a question before your moving



for admission of your exhibit?

MR. KASTLER: Well, yes, I do have one more.

Q (by Mr. Kastler) Was this exhibit prepared by you?

A Yes, sir.

MR. KASTLER: I move it be put into evidence.

MR. PORTER: Without objection, Exhibit No. 1 will be admitted to the record.

(Whereupon Gulf Oil Corporation's Exhibit No. 1 admitted into evidence.)

MR. MORRIS: I have a question, not of Mr. Hoover, but of the audience in general. I would like to know if anyone has ever witnessed this taking of packer-leakage tests?

(No response.)

MR. MORRIS: I see Mr. Ramey raised his hand.

MR. PORTER: That is all.

MR. MORRIS: I have no questions of the witness.

MR. PORTER: Anyone else have a question?

(No response.)

MR. PORTER: Anyone have an thing further to offer in this case?

MR. NESTOR: E. W. Nestor for Shell Oil Company. We would support Gulf in this recommendation.

MR. PORTER: Mr. Gordon.

MR. GORDON: Joe Gordon moves to support Gulf's proposal since it will eliminate much unnecessary paper work.



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MR. PORTER: Mr. Bratton.

MR. BRATTON: Howard Bratton, representing Humble Oil Company, supports the proposal by Gulf.

MR. PORTER: Anyone else? Mr. Morris.

MR. MORRIS: The Commission has received correspondence from Pan American Petroleum Corporation supporting the application of Gulf in this case.

MR. PORTER: Mr. Storm.

MR. STORM: L. O. Storm of J. R. Cone, Inc. of Lubbock. We are in support of Gulf's recommendation.

MR. PORTER: Mr. Christie.

MR. CHRISTIE: Clarence Christie of Amerada Petroleum Corporation. We also support Gulf's application.

MR. PORTER: Any opposition to this case?

(No response.)

MR. PORTER: The Commission will take the case under advisement.

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2559
Order No. R-2255

APPLICATION OF GULF OIL CORPORATION
FOR AN AMENDMENT OF RULE 112-A.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 16, 1962, at Hobbs, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

Now, on this 7th day of June, 1962, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Gulf Oil Corporation, seeks an amendment of Rule 112-A to delete that portion of said rule which requires that offset operators be notified of the taking of packer-leakage tests.

(3) That the applicant further proposes that said Rule 112-A be amended to provide for notification to an offset operator of the taking of a packer-leakage test where that offset operator has previously requested that such notification be given.

(4) That inasmuch as the proposed rule change will neither cause waste nor impair correlative rights and will ease the administrative burden of many operators, the subject application should be approved.

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CASE No. 2559
Order No. R-2255

IT IS THEREFORE ORDERED:

That Paragraph (c) of Section VI of Rule 112-A is hereby amended to read in its entirety as follows:

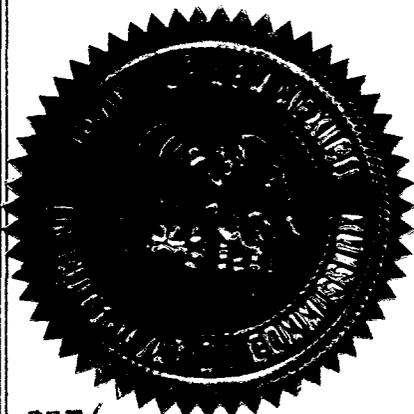
- (c) The operator shall commence a segregation test and/or packer-leakage test not later than seven (7) days after actual multiple completion of the well. Segregation tests and/or packer-leakage tests shall also be made any time the packer is disturbed and at such other intervals as the Commission may prescribe. The operator shall also make all other tests and determinations deemed necessary by the Commission. The Commission shall be notified of the time such tests are to be commenced and tests may be witnessed by the Commission at its election. Representatives of offset operators may witness such tests at their election and shall advise the producer in writing if they desire to be notified when such tests are to be conducted. Results of such tests shall be filed with the Commission within fifteen (15) days after the completion of tests; provided, however, that in the event a segregation test or packer-leakage test indicates that there is communication between the separate strata, the operator shall immediately notify the Commission and commence remedial action on the well.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



EDWIN L. MECHEM, Chairman


E. S. WALKER, Member
A. L. PORTER, Jr., Member & Secretary

esr/