

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 17, 1961

IN THE MATTER OF:)

Application of the Oil Conservation)
Commission on its own motion to con-)
sider prorating the Atoka-Pennsylvan-)
ian Gas Pool, Eddy County, New Mexico.)

Case 2275

BEFORE: Mr. A. L. Porter,
Mr. Murray Morgan

TRANSCRIPT OF HEARING

MR. MORRIS: Application of the Oil Conservation Com-
mission on its own motion to consider prorating the Atoka-
Pennsylvanian Gas Pool, Eddy County, New Mexico.

Let the record show that the witness was sworn in the pre-
vious case, please.

(Whereupon, Commission Exhi-
bits No. 1 and 2 were marked
for identification.)

MR. PORTER: At this time I would like to call for
appearances in Case 2275, Mr. Buell.

MR. BUELL: For Pan American Petroleum Corporation,
Guy Buell.

MR. LOSEE: A. J. Losee, Losee and Stewart, Artesia,
New Mexico for Yates Petroleum Corporation and Martin Yates, III.



MR. SETH: ~~Oliver Seth for Ohio Oil Company with Mr. Terrell Couch from the Ohio.~~

MR. ANDERSON: R. M. Anderson, Sinclair Oil and Gas Company.

MR. KNIGHT: Will Knight, Southern Union Gas Company.

MR. DINGER: T. J. Leighner, Standard Oil Company of Texas and California Oil Company.

MR. PORTER: Mr. Morris, you may proceed.

ELVIS A. UTZ

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

DIRECT EXAMINATION

BY MR. MORRIS:

Q Will the witness please state his name and position?

A Elvis A. Utz, Engineer with the Oil Conservation Commission.

Q Mr. Utz, have you made a study concerning the necessity of prorating the Atoka-Pennsylvanian Gas Pool in Eddy County, New Mexico?

A Yes, sir, I have.

Q Would you proceed and give us your comments on the result of that study?

A I have a prepared statement which I would be glad to read and two exhibits which I will cover. The Atoka-



Pennsylvanian Gas Pool was discovered in September, 1955 by Standard of Texas, Everest No. 1; until October 1960 there was very little market for the gas. At this time the Transwestern Pipeline Company of Houston, Texas began taking gas from the pool.

The next month, November, 1960, the Southern Union Company also began purchasing from the pool. At the present time there are eleven wells completed, nine of which are connected to transportation facilities, as of the time of this writing. I understand that possibly two Yates wells are now connected.

As required by Chapter 65, Article 3 of the 1953 New Mexico Statutes, the Commission makes periodic surveys of non-prorated gas pools. In connection with this routine it was noted that the production from the wells in the Atoka-Pennsylvanian Gas Pool did not conform to any pattern, and because of this, correlative rights were not being protected. In this case I intend to show by the pool's production history that the correlative rights are not being protected and that the pool should be prorated.

Exhibit 1, which is an outline of the pool, merely shows the nomenclature of the pool. There are figures inside the pool limits which are numbered, and the numbers are listed below, which list each individual well in the pool. It's merely to show the outline of the pool, the location and the development up to the time the exhibit was made.

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Exhibit No. 2 is a bar graph which shows the production from each well connected in the pool. The production, well, the vertical scale is in MCF, the horizontal scale is non-dimensional and merely shows the relationship between the production of the wells. The vertical bar graphs on the vertical scale are in MCF and per day for the number of days that the well has been connected to the pipe line. It might be two months, it might be one month, it might be six months, but the average production for the time that the well has been reported to us as being connected.

There are nine wells in this study. The first well has average production of 1557 MCF a day, the second one of 1947 MCF per day; the third one, 1468; the fourth, 1323; the next one, 4419, and then we drop down to 526 MCF per day. The next one, 775, 1565 and 225. This, to me, shows that the takes in the Atoka-Pennsylvanian connection has been on no pre-determined basis. It appears to be first come, first served, or you'll note that the one well here produced quite a lot more than the other wells.

If they were taking from the pool on a straight acreage basis, then all of these should be relatively even across the top. If they were taking on some deliverability formula, then you would have a certain slope which would be even.

Now, I haven't shown, arranged these to prepare what the slope might be in accordance with the absolute open flows or the potentials, and I'm not too sold on the potentials we have in

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this pool at the present time anyway, so I didn't want to use bad information in order to try to show something. From the information that we do have, it makes no rhyme or reason as far as straight acreage or deliverability takes. In my opinion, this study shows that the correlative rights are being considerably disturbed; further, it has been my experience that where this condition exists, it becomes worse rather than better.

There is little doubt in my mind that this will be true in this pool. It is, therefore, my opinion that the best way to prevent waste and to protect correlative rights is to prorate the pool on a straight acreage basis. My recommendation to the Commission, insofar as this case is concerned, is that in order to prevent waste and to protect correlative rights, the Commission prorate the Atoka-Pennsylvanian Gas Pool on a straight acreage basis beginning July 1st, 1961.

I would further recommend that the order be written in this case to provide that other proration factors be studied after more reservoir data is available and that well tests should be conducted in order to obtain satisfactory data with which to make such a study.

That completes my case.

Q Mr. Utz, are you aware of any factors that exist in this pool that should be considered to exempt any well from prorationing?

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A I have never felt that any prorated gas pool that there were any factors that would cause a well to be exempt from prorationing.

Q Mr. Utz --

A If you are going to prorate all of them you ought to prorate them all, you shouldn't prorate just part of them.

Q On your average per day figures that you used in preparing Exhibit No. 2, did you use the latest available data that you had?

A Yes, sir, I did. I used the producers' reports, the C-115's, as reported by the producers, through the last month available at the time this was made. The last month available was March, 1961. We don't have April as yet.

Q Did you prepare Exhibits No. 1 and 2, Mr. Utz?

A Yes, I did.

MR. MORRIS: At this time, Mr. Commissioner, we would like to offer Commission Exhibits No. 1 and 2 in Case 2275 into evidence.

MR. PORTER: Without objection, the exhibits will be admitted to the record.

MR. MORRIS: That concludes the direct examination of this witness.

MR. PORTER: Any questions of the witness? He may be excused.

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(Witness excused.)

MR. PORTER: Does anyone else desire to present testimony in the case? Then I'll call for statements.

MR. ANDERSON: R. M. Anderson, Sinclair Oil and Gas Company. We have 160 acres within the probable field limits which is currently being developed and we concur with Mr. Utz' recommendations to prorate the field.

MR. PORTER: Mr. Couch.

MR. COUCH: Terrell Couch of the Ohio Oil Company. The Ohio certainly agrees that proration should be applied to this field, and that it should be at this time on the basis of one hundred percent acreage. However, Ohio is inclined to believe that in order to afford each interested party a reasonable opportunity to recover its fair share of recoverable gas and liquid hydrocarbons, the proration formula should include deliverability or some other factor that will give greater protection to the correlative rights. Therefore, as an aid to further evaluation by the Commission and by all interested parties, the Ohio recommends that the order to be entered by the Commission in this case include a provision specifically requiring that certain tests be run on each well in this pool during the month of August or September, 1961, as directed by the Commission, and that the results of such tests be reported to the Commission so as to be available to all interested

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parties. This is the testing program which the Ohio recommends. First, a multi point back pressure test to be run in accordance with the Commission's manual for back pressure test for natural gas, such test to include at least one point taken after a flow period of a minimum of twenty-four hours and the results of the test to be reported on Form C-122.

Second, a static bottom hole pressure test to be taken at the end of the seventy-two-hour shutin period required at the beginning of the multi point back pressure test. The bottom hole pressure test to be corrected to a datum of 5600 feet subsea and reported to the Commission on Form C-124, including a pressure gradient and all data provided for in that formula.

Third, that the deliverability of each well, based upon the twenty-four-hour flow period, and other data obtained during the multi point back pressure test, should be calculated in accordance with the Commission's memorandum of March 15, 1954, with such modifications as the Commission deems necessary, and that the result of that calculation be reported to the Commission on Form C-122 C.

Ohio believes that by this testing program we will have comparable data from these tests on all wells in the field at approximately the same time and that the information obtained from such a testing program, together with other data and information, will enable the Commission and all interested parties to make a



~~more complete study of the type of proration formula needed to protect correlative rights in this pool to the extent that they can be protected. This should furnish us a basis for further consideration of this question at a hearing by the Commission, if any interested operator or other party deems it advisable to have such a hearing.~~

Thank you, sir.

MR. PORTER: Mr. Buell.

MR. BUELL: Pan American would concur that this pool be prorated. We would also concur with the recommended proration or allocation formula of one hundred percent acreage.

With respect to the testing program recommended by Ohio, we would be completely willing to run such tests. They'll not be expensive to run and will be an excellent source of engineering data other than deliverability. We will be perfectly willing to take the tests.

MR. PORTER: Mr. Kellahin.

MR. KELLAHIN: Jason Kellahin, Kellahin and Fox, representing Standard Oil Company of Texas. Standard is in accord with the recommendations that have been made by Mr. Utz to the effect this pool be prorated, and supports the recommendation of the one hundred percent acreage as the basis of the proration formula. In accordance, the Standard is in accord with the recommendation that these tests be made.

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MR. PORTER: Mr. Losee.

MR. LOSEE: Yates Petroleum Corporation operates two wells in this pool. It also owns a working interest in two other wells in the pool and Martin Yates the III is the owner of a third working interest in the Atoka Gas Pool. These parties concur with the recommendation of Mr. Utz to prorate the Atoka-Pennsylvanian on a one hundred percent acreage basis effective June 1, 1961.

We have no recommendations for any tests to be made on the wells in the pool. We will be willing to make such reasonable tests on our wells as required by the Commission to further evaluate the pool. However, Yates does not, at this time, want to go on record as recommending any other method for prorating the Atoka-Pennsylvanian Gas Pool other than a straight acreage formula.

MR. GORDON: J. C. Gordon, Jr., Socony Mobil. Socony Mobil, as an interest owner in the field, concurs with the recommendation of Mr. Utz for the proration of gas production on the basis of acreage and acreage alone, at this time.

MR. PORTER: Any further statements? The Commission will take the case under advisement and we'll take up next Case 1669.

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STATE OF NEW MEXICO)
COUNTY OF BERNALILLO ;

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 22nd day of May, 1961.

Ada Dearnley

Notary Public-Court Reporter

My Commission Expires:
June 19, 1963.

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