

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 SANTA FE, NEW MEXICO

6 3 December 1986

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of the Oil Conservation Division on its own motion to reopen Case No. 8586. CASE 8586

10 and

11 Application of the Oil Conservation Division on its own motion to amend Order No. R-8170. CASE 9050

12 BEFORE: Michael E. Stogner, Examiner

13
14
15 TRANSCRIPT OF HEARING

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17
18 A P P E A R A N C E S

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1 MR. STOGNER: We'll call next
2 Case Number 8586.

3 MR. TAYLOR: May it please the
4 Examiner, Counsel for the Division, and I have one witness.

5 MR STOGNER: Are there any
6 other appearances in this matter?

7 MR. STOGNER: This is Case
8 8586.

9 MR. TAYLOR: Mr. Examiner, I'd
10 like to request that we consolidate for purposes of
11 testimony Case 9050 with this case?

12 MR. STOGNER: Are there any ob-
13 jections to consolidating these two cases?

14 MR. DUKE: I have an appearance
15 to make, Mr. Examiner.

16 I'm Jonathon Duke, Keleher and
17 McLeod, Albuquerque, representing Gas Company of New Mexico.

18 I don't anticipate calling any
19 witnesses but I would ask leave to make a brief statement.

20 MR. STOGNER: Okay.

21 MR. DUKE: And also cross exa-
22 mine, if I can, --

23 MR. STOGNER: Okay, are you en-
24 tering an appearance, Mr. -- what was your name, I'm sorry

25 --

1 MR. DUKE: Johnathan Duke.

2 MR. STOGNER: -- Mr. Duke, in
3 Case Number 9050?

4 MR. DUKE: 9050 and 8586.

5 MR. STOGNER: All right. Let's
6 go ahead, and if there's no objection in consolidating these
7 two cases, I will now call Case Number 9050, which is also
8 the application of the Oil Conservation Division on its own
9 motion to amend Order No. R-8170.

10 So we have the OCD, Mr. Taylor,
11 and you're putting in an appearance for this case, right?

12 MR. TAYLOR: Yes, sir, in both
13 cases.

14 MR. STOGNER: Okay, and Mr.
15 Duke, you are also appearing in both cases.

16 MR. DUKE: Yes, I am.

17 MR. STOGNER: Are there any
18 other appearances in either case, or both?

19 Okay, there being none, Mr.
20 Duke, do you wish to make an opening statement or a closing
21 statement?

22 MR. DUKE: Whatever pleases
23 you, Mr. Examiner. Either way it will be very brief.

24 MR. STOGNER: Why don't we just
25 go ahead and hold it to the end?

1 MR. DUKE: All right, fine.

2

3 H. L. KENDRICK,

4 being called as a witness and being duly sworn upon his
5 oath, testified as follows, to-wit:

6

7 DIRECT EXAMINATION

8 BY MR. TAYLOR:

9 A Would you please state your name, occupa-
10 tion, and place of residence?

11 A I'm Harold L. Kendrick. I work for El
12 Paso Natural Gas Company as Conservation Engineer. I live
13 in El Paso, Texas.

14 Q And are you familiar, Mr. Kendrick, with
15 the matters in Cases 8586 and 9050?

16 A Yes, sir, I am.

17 Q And have you testified previously before
18 the Commission or its examiners and had your credentials ac-
19 cepted?

20 A Yes, I have.

21 MR. TAYLOR: Mr. Examiner, I
22 tender the witness as an expert.

23 MR. STOGNER: If there are no
24 objections Mr. Kendrick's qualifications are accepted.

25 Q Mr. Kendrick, would you tell us in what

1 capacity you're appearing here today?

2 A In January, 1984, the New Mexico Oil Con-
3 servation Division appointed a committee to study the de-
4 liverability testing procedures for gas wells in the San
5 Juan Basin area of New Mexico, and I have served as Commit-
6 tee Chairman since that time and today we're trying to
7 flange (sic) up the activity of this committee and leave the
8 data on the desk of the Commission and let them publish a
9 manual from it.

10 Q And we've had a hearing in this matter
11 before, have we not?

12 A Yes, a hearing was held on May the 8th of
13 1985 at which time we had much of the data in a submittable
14 form at that time but there was other data needed and since
15 then we have gathered all or most all of that data and are
16 now ready to go ahead with that.

17 Q And you're presenting your testimony to-
18 day as chairman of that committee on behalf of the commit-
19 tee, are you not?

20 A Yes, sir.

21 Q Would you please then give us the recom-
22 mendations or the decisions of the committee?

23 A First I need to make some comments about
24 the testimony given at the previous hearing on May the 8th
25 of 1985.

1 At that hearing I supposedly was reading
2 into the record some of the material contained in the test
3 procedure that we in the committee had formulated and in
4 doing so I paraphrased some of the words from the document.

5 Regardless of what I said that day, or
6 may say today, the written text as we had it is the text
7 that we would like to submit to the Division to be enacted
8 as the rules of procedure for testing in the San Juan Basin.

9 Unless it is decided at this hearing to
10 specifically change certain words in the written text.

11

12 (Thereupon a brief recess was taken.)

13

14 MR. STOGNER: Recess is over.

15 Q Okay, Mr. Kendrick, I'm not exactly sure
16 where we are but were you ready to give us the recommenda-
17 tions of the Committee, then?

18 A Yes, I have some table and the written
19 material to supply into this testing procedure as we now re-
20 commend it to the Division.

21 This that I'm handing you is an exhibit
22 which you may mark as we go.

23 This is updated through November with the
24 latest additions we have from the Committee, and the only
25 change in this one, other than the corrections that were

1 made at the hearing on May the 8th, 1985, is a paragraph ad-
2 ded on Page 7 of this, and I think we should go over that
3 wording on that. I believe it's the second paragraph in
4 that addition and it starts: "If a well is producing
5 through a compressor that is located between the wellhead
6 and the meter run, the meter run pressure and the wellhead
7 casing pressure and the wellhead tubing pressure are to be
8 reported on Form C-122A." Then in parenthesis, (Neither the
9 suction pressure nor the discharge pressure of the compres-
10 sor is considered wellhead pressure.)

11 "A note shall be entered in the remarks
12 portion on Form C-122A stating this well produces through a
13 compressor."

14 That was the addition to that particular
15 document.

16 Also I notice on the very last page, the
17 last line on that page says that completes this report.
18 That should be stricken from the back of that.

19 MR. STOGNER: What page is that
20 again, sir?

21 A The last page, I believe it's 14.

22 MR. TAYLOR: And that was in-
23 troduced at the last hearing.

24 A Yes, that exhibit was introduced at the
25 last hearing. The corrections were made to that and you now

1 have that document as Exhibit One, plus the addition of the
2 paragrph that I just read that shows on Page 7.

3 Now this exhibit is the same exhibit as
4 was passed out with the last line of the document stricken
5 from it and that paragraph that I read is in it but this has
6 a little different sequencing tab stops throughout the
7 paper. All it was doing was trying to beautify it somewhat
8 for the Commission's handling, and I would say that if they
9 have recommendations to make to that, I'd be happy to change
10 it in form they'd like to have.

11 The paragraph that I read was place in
12 the procedure because we believe that there are or have been
13 testers in the area that have not fully understood what the
14 correct procedure should be when compressor is in use on an
15 individual well.

16 The committee believes that this testing
17 procedure will define the types of tests that are required
18 in the San Juan Basin and that everyone testing wells in the
19 area will do it in the same manner; at least this is our
20 intention.

21 Along with this text we are submitting a
22 group a table to be incorporated into the test manual and
23 these table include a table of values of l-E to the -S power
24 calculated from various values of gravity times length, and
25 I have a few copies of that. That will be Exhibit Three, I

1 suppose.

2 Mr. Counselor, I don't know whether you
3 want to stamp all of those because if we're going to print
4 from that they may want a clean one for it or if they need a
5 clean one let me know and I'll submit it.

6 Q I've noticed, Mr. Kendrick, in these ex-
7 hibits that they were, at least the first one, was intro-
8 duced at the last hearing, and I believe at that time it was
9 marked Exhibit A.

10 A All right.

11 Q Do you think we should then, the one that
12 we have marked Exhibit 1, instead we should mark that Exhi-
13 bit A-1 so it would be clear that it's a -

14 MR. STOGNER: Sure, that way we
15 won't have to --

16 MR. TAYLOR: And have counsel
17 clarify that they were introduced at different times.

18 MR. STOGNER: So today's Exhi-
19 bit One is A-1.

20 MR. TAYLOR: Right.

21 MR. STOGNER: And Exhibit A was
22 the same thing that was --

23 MR. TAYLOR: Right, at the
24 earlier hearing.

25 MR. STOGNER: And the earlier

1 hearing being the one back in 1985?

2 MR. TAYLOR: May of '85, right.

3 So we can label this second one
4 B-1 and the charts we can label C-1. Hopefully at least
5 that will differentiate it from --

6 A B-1 is the rewrite of the committee re-
7 port.

8 MR. TAYLOR: Just the rewrite.

9 And then C-1 would be the
10 charts.

11 A A set of tables for friction factors, or
12 F sub C values for small and large size tubing and for annu-
13 lar flow with various combinations of casing and tubing
14 sizes is presented.

15 I have only one set of those exhibits.
16 That has small tubing, large tubing, and then annual flow.

17 MR. DUKE: And what is this one
18 marked?

19 Q And should we designate this one D-One to
20 make it clear?

21 A That will be okay, whatever is satisfac-
22 tory with the examiner and the Division.

23 One of the things missing at the last
24 hearing was a set of tables to interpret the value for the
25 amount of gas glowing from a well with a pitot tube measure-

1 ment.

2 I now have a set of table made up for
3 that that are made at an elevation of 6000 feet and are made
4 with a gas gravity of .600 and with a table of impact pres-
5 sures there is also a table of specific gravity correction
6 factors to correct that flow rate value to the proper value
7 if the gravity is other than .600.

8 Q And we will denominate this as Exhibit E-
9 One.

10 A Fine. The other tables and examples of
11 calculations for various procedures are to be taken from the
12 back pressure manual as published by the NMOCC. The copy
13 that I have is dated January the 1st, 1966.

14 The pages of material that should be
15 duplicated from this manual and placed in the new manual
16 for the San Juan Basin would be listed as -- I have a list
17 for those various values, and forgive me if I get mixed up
18 on them.

19 This \$5.00 book lost its cover on the way
20 to the car. I'm sorry about that but we'll do better next
21 time. This page one, the cover page, needs to be changed.

22 Acknowledgment page could stay or we
23 could drop it.

24 A new table of contents does need to be
25 made and the preface, a new preface has not been written.

1 This book contains an introduction and a
2 new introduction has not been written. If the Division so
3 desires I'd suggest that those items be taken.

4 The introduction is Section 1 of this
5 booklet.

6 Section 2 has nomenclature and I am not
7 certain that all the nomenclature is complete in that data
8 as we will need by adding the deliverability test to it, but
9 it can be quickly updated. It would be only values that
10 would come out of deliverability type testing that would
11 have to be added to this if any of those are lacking. Pos-
12 sibly someone here today can answer whether that needs any
13 additional data or not.

14 Section 3 is a test procedure that is
15 talking about back pressure testing, rules of procedure for
16 back pressure testing, and this section is what I would re-
17 commend be withdrawn from the booklet and our Exhibit A-One
18 or Exhibit B-One be put in its place, because that would a
19 complete set of testing rules as applied in the San Juan Ba-
20 sin of New Mexico.

21 Section 4 has the various forms of the
22 Commission that are required to be filed with the test pro-
23 cedure. This will need a C-122A form and we propose to show
24 with that how each of the values are ascertained and what
25 values are to be placed on that form, and I do have a sample

1 of that to add to that.

2 Q And we'll mark this as Exhibit E-One --
3 F, F-One.

4 A Also a Form C-122 is the initial
5 potential type test and we should have one of those filled
6 in with the data and telling where the data comes from for
7 that should also be added into this booklet, and a Form C-
8 125, by whatever nomenclature the Division uses for the
9 electronic data processing form as printed in Santa Fe and
10 sent to the field for the shut-in pressures to be filed on
11 and sent back. I've asked that as question. Is it C-125-B?
12 C-125-B, if that number is correct; if
13 not, use the proper number for it.

14 There are wells in the San Juan Basin
15 that are nonprorated wells that the shut-in pressures are
16 required to be measured and they would be submitted either
17 on Form C-122-A or C-125 and the C-125 needs to be identi-
18 fied in this manner.

19 Section 5 of this back pressure testing
20 manual has basic calculations and those could be carried
21 forward into the new booklet.

22 Section 6 has test examples and in the
23 deliverability test procedure that was passed out as Exhibit
24 A-One or Exhibit B-One, there is a reference to the back
25 pressure testing manual and I cannot tell you what page

1 that's on, but that should be -- the wording should be chan-
2 ged in that to examples in this manual. I'll find you a
3 page for that, if I had a copy of that,

4 Q A copy of this?

5 A Yes.

6 MR. STOGNER: B-One?

7 A Yes, sir, either A-One or B-One. One re-
8 ference is in Exhibit A-One, the fourth paragraph on Page
9 10, that states, "and it should specifically conform to the
10 New Mexico Oil Conservation Division back pressure test man-
11 ual", in quotes, and it says, "or this manual."

12 I believe there is one other reference to
13 the back pressure test manual in this booklet.

14 In any case, the test booklet that would
15 be published from this data, test manual, will have all the
16 data necessary to file those tests.

17 Section Seven contains many tables. Some
18 of the tables are square root tables and with the advent of
19 various types of calculators and computers in use today, I
20 think the tables Roman Numeral VII-6 through VII-8 could be
21 eliminated because I feel that no one has a real need for
22 them.

23 Pages Roman Numeral VII through 86
24 should be left in the booklet. This concerns other tables
25 and particularly the supercompressibility tables, which are

1 the largest ones, shown as Page 17 through 83 in Section
2 VII.

3
4
5 Table Roman Numeral VII Pages 87 to 93
6 are calculated tables for values of 1 - E to the - S, and
7 those should be withdrawn from the booklet and new tables
8 put in it that I have for you as an exhibit today, and I
9 think I passed out with something else, but -- but they are
10 specifically calculated for the conditions of the San Juan
11 Basin.

12 Table 14, Page Roman Number VII, 87 to 93
13 will be replaced. That -- I just mentioned that, okay.

14 Table VII-94 and 95 will be replaced and
15 95-A and 96 would be replaced.

16 Pages A-1 and B-1 can stay in the book;
17 C-1 to C-5 might be eliminated.

18 Pages D-1 to 6 can stay in the book.

19 Let's see if I got it all. At this time
20 I do not know of other data that should be submitted into
21 this for the San Juan Basin testing procedure.

22 I'd like to go now to Case 9050 for a
23 statement.

24 As advertised on the docket, this case
25 includes language that asks to define retest in Order No. R-

1 8170.

2 We feel that a re-definition or a defini
3 tion of retest is necessary to cover the process applied to
4 deliverability retests as they occur in the San Juan Basin.
5 We are looking for a procedure to be applied to all wells so
6 that they can be treated automatically and all in the same
7 manner when so needed.

8 The definition of deliverability retest,
9 as we have it defined, and as we propose that it replace the
10 rule 9-B in Order R-8170, is, and I quote: Rule 9-B.
11 Deliverability retest, a change in a well's deliverability
12 due to retest after any activity other than routine
13 maintenance, which changes the deliverability of the well to
14 become effective the later of (1) the date of redelivery
15 after such activity, such date to be indicated on the sundry
16 notice if a sundry notice is required, and on the remarks
17 portion of the Form C-122-A, or (2) ninety days prior to the
18 date of receipt of the appropriate deliverability test
19 report form at the appropriate Division District Office.

20 A change in a well's deliverability due
21 to any other reason shall become effective on the first day
22 of the month following the month during which the retest is
23 approved in the appropriate Division District Office.

24 And as I say, this we feel is necessary
25 so that everyone will be playing by the same rules according

1 to the conditions that he is retesting a well whatever he
2 has done.

3 In reading the rules as written in Order
4 R-8170 for the four prorated gas pools in northwest New
5 Mexico, I notice that Rule 9-A is included in each of the
6 special pool rules. I feel that it is not necessary to in-
7 clude Rule 9-B in each of the special pool rules as it is a
8 common rule to all of those pools.

9 Now, the Committee recommended that we do
10 a little bit of changing in this 1985/1986 question mark
11 1987 hectic year of testing wells. Presently there are a
12 few wells that have not had a test for 1986 completed and it
13 is the recommendation of the Committee that we extend the
14 delinquent date until March 31st of 1987 in order to conduct
15 the 1986 deliverability tests that are required for 1986.

16 With this late date in getting the 1986
17 tests completed, the Committee felt it might be a headache
18 problem to be able to schedule all of the necessary wells
19 under the presently presumed scheduling of tests for 1987,
20 particularly in that we would start conditioning periods for
21 1987 in December of 1986 in a normal year.

22 So far we have not started a conditioning
23 period in December but the attitude at the last Committee
24 meeting was that we should suspend deliverability test re-
25 quirements for the year 1987, of the biennial test require-

1 ments to obtain the flow pressures, flow pressures and flow
2 data, necessary to conduct a deliverability test, and what
3 I'm trying to say is that for those pools that would normal-
4 ly be required to be tested i;n 1987, that those tests be
5 suspended until the same normal testing period of 1988 and
6 the wells that would normally be tested in 1988 would be
7 suspended for a year until 1989.

8 Now there are certain wells in the San
9 Juan Basin as new wells or worked over wells, wells that do
10 not have three annual deliverability tests on file with the
11 Commission at this time. Those would normally be tested
12 this year regardless of what pool they're producing from.
13 We do not ask for a suspension of testing on those wells be-
14 cause until they get three tests, they are tested annually
15 anyway.

16 So with that recommendation we would like
17 to submit that as a Committee recommendation and there are
18 people here today from various companies that may have their
19 own idea of what their company would desire to do and they
20 have been advised to freely give that information to the
21 Division.

22 Q Mr. Kendrick, if I just might interrupt
23 for a second, in reference to this latest recommendation for
24 an extension of the 1986 deliverability test period and a
25 suspension of the 1987 deliverability flow test requirement,

1 I've received some calls from -- from people involved in the
2 business and their concern is that if this test period is
3 suspended, that it may affect various contract rights, espe-
4 cially take or pay, if that determined by deliverability.

5 Do you know how they might deal with this
6 or what the -- how this might affect them?

7 A No, I do not how this might affect them,
8 but surely if they have the space to take the gas into their
9 pipeline I would think for them to go ahead and take at test
10 in the normal manner, but not use that test value as a pro-
11 portion factor in mixing with other wells in the same pool
12 that are tested the same year.

13 Q So you're saying that the extension is
14 optional and operators and producers can go ahead and test
15 their well if they desire.

16 A Yes, I would think that they could.

17 Q And use that. Okay. Do you have any-
18 thing further before I get into a few general questions we
19 have?

20 A Just on this deliverability testing we're
21 asking for suspension of the flow test part for 1986, mean-
22 ing the 21 days that is made up of the 2-week conditioning
23 period and 7-day flow period, but we're asking that they
24 still take a shut-in pressure that year, and whether it's
25 seven days or more, as long as it is seven days or more,

1 submit that pressure to the Division, Division's District
2 Office.

3 Well testing in nonprorated pools would
4 not be suspended for 1987 and the test would be scheduled
5 and tested according to the normal test procedure.

6 I have a list of members that have worked
7 with me on this deliverability test committee through the
8 years. This has been updated as well as I can and I'm not
9 sure today that I have left some of the people off that were
10 in the early days that are no longer with us, but I'd like
11 to submit that to the Commission and thank each of those
12 people for the help that they have given to the committee
13 and doing the work that we have tried desparately to do in
14 the three year time.

15 Q And we'll -- could we mark that as Exhi-
16 bit G-1?

17 Okay, Mr. Kendrick, you answered one of
18 my questions by giving us that membership list.

19 Another one is that since it's been such
20 a period of time since we had the last hearing on this, I
21 recall at that hearing that you testified the purpose for --
22 for having this hearing and changing the rules was that old
23 Rule 333 had been compiled over a period of time. It was
24 confusing and difficult to understand, and that this was es-
25 sentially a recompilation to simplify the understanding of

1 the rule. Is that why we've reopened the case today? Es-
2 sentially there's -- we're not really changing a lot, you're
3 simply continuing the process of recompiling, making that
4 rule simpler to understand?

5 A Yes, sir.

6 Q And just also to clarify the record,
7 could you explain how the committee met and went about mak-
8 ing these latest recommendations, just very briefly?

9 A The committee met in Farmington on Novem-
10 ber the 6th and at that time we did have a good discussion
11 about how many tests were lacking tied to different pipe-
12 lines. Would you as a pipeline be able to take the gas for
13 deliverability testing next year? When can you finish up
14 this year's test? The whole compendium of items were well
15 discussed and we felt that these recommendations that we
16 have given you today best satisfies the overall attitude of
17 the industry at that time.

18 Q Okay. I believe that's all the general
19 questions I have and because this is a complex subject I'll
20 let industry representatives that are more familiar with it
21 ask you any more specific questions if they have any.

22 MR. TAYLOR: So that's all I --
23 I would, I suppose, ask if Exhibits A-One through G-One were
24 prepared by you or under your supervision or are they com-
25 pilations of the recommendations of the Committee?

1 A They're more a compilation of the recom-
2 mendations of the Committee.

3 MR. TAYLOR: And I would move
4 that those be admitted as exhibits.

5 MR. STOGNER: Exhibits A-One
6 through G-One will be admitted into evidence at this time.

7 Does that conclude your ques-
8 tions, Mr. Taylor?

9 MR. TAYLOR: Yes, sir.

10 MR. STOGNER: Mr. Duke, I'll
11 have you -- I'll open questioning up to you before I open it
12 up to the general --

13

14 CROSS EXAMINATION

15 BY MR. DUKE:

16 Q Very briefly, Mr. Kendrick. Are you re-
17 commending that 1987 flow tests be suspended and not shut-in
18 pressure tests?

19 A Yes, sir, the requirements for the flow
20 tests be suspended, yes, sir.

21 Q And how about for '86?

22 A '86 we will -- the requirements will re-
23 main that that test must be filed but we have extended the
24 filing date until March the 31st of '87 to get all of the
25 1986 deliverability tests on file with the Aztec Office of

1 the NMOCD.

2 Q Thank you, that's all I have.

3 MR. STOGNER: Mr. Stamets?

4
5 QUESTIONS BY MR. STAMETS:

6 Q Mr. Kendrick, as I recall originally the
7 discussion was to come up with a testing manual for the San
8 Juan Basin that would be a separate document. What you've
9 identified as Exhibit A-One, I think, is this the -- has the
10 title page and everything?

11 A Yes, sir.

12 Q Now is that going to be a separate docu-
13 ment or do you propose that that be a part of the Division's
14 Gas Well Test Manual?

15 A May I answer it this way: That's -- we
16 have certain proposals that we would give to the Commission
17 to recognize a new manual to take the place of the back
18 pressure test manual of New Mexico; that this manual would
19 be identified as for San Juan Basin use. It would be all
20 inclusive of everything we do in the San Juan Basin but
21 would not necessarily be applicable to the rest of the State
22 of New Mexico.

23 Q So what we wind up with would be two gas
24 testing manuals, one the general manual, one specifically
25 for deliverability for San Juan Basin.

1 A Deliverability and any other testing that
2 is required in San Juan Basin, yes, sir.

3 Q Okay, and what you've presented here to-
4 day would be a part of that manual.

5 A Yes, sir.

6 Q All right, and are you going to subse-
7 quent to this hearing submit me a complete copy of that that
8 we can use to -- for printing purposes or are we going to
9 have to go through the transcript and figure out exactly
10 what it was you said each page, each section?

11 A I thought that's what the hearing was
12 for?

13 I would be happy to help you any way I
14 can at putting this together.

15 Q Outstanding. In these rules tell me
16 where it makes it clear when you're supposed to only take a
17 shut-in pressure as opposed to a full deliverability test.

18 A The write-up that you are holding in your
19 hand, which I believe is Exhibit B-One, starts with prorated
20 well testing requirements and near the back of that write-up
21 is nonprorated wells.

22 Now, there are only four prorated pools
23 in San Juan Basin, four prorated gas pools, so whoever is
24 operator of a well should know what pool they're in and
25 whether it's prorated or not, and then could go to prorated

1 or nonprorated and I believe the description found in that
2 write-up in Exhibit B-One will tell whether.

3 Q So the -- if you are filing a shut-in
4 pressure for a prorated pool because you had no gas passed,
5 that would be on form C-122-A.

6 A Yes, sir, and I believe that's covered.

7 Q Okay, and then if you're in an unprorated
8 pool, you would be required to take a biennial shut-in pres-
9 sure test and that would be -- let's see -- that would be
10 filed then on Form C-122 -- or C-125-B.

11 A Yes, sir.

12 Q Now, remembering back, the C-125 that we
13 used for the rest of the state is one that we would now gen-
14 erate by computer and send to each operator and say to the
15 operator, you've got to test your wells and submit the data
16 on this form and that avoids a tremendous amount of head-
17 aches for the Division.

18 Are we talking about that same sort of a
19 procedure for the San Juan Basin?

20 A Yes, sir, we are. We're talking about
21 using the same form that's generated in Santa Fe and submit-
22 ted to the operator and he puts the shut-in pressure on that
23 and submits it back to the --

24 Q Okay, now why does that need a separate
25 number?

1 A It does not need a separate number. I
2 was trying to identify that as the same form that you are
3 using in southeast at the present time.

4 Q Okay, so if it's a C-125 in the southeast
5 it will still be a C-125.

6 A Yes, sir. I had understood that the
7 electronic data process printed form did have a separate
8 number of suffix letters, or something. I'm not --

9 Q No, it doesn't.

10 The other thing that I recall from ear-
11 lier discussions on this is that the C-125 that we use does
12 not have a psia on it; that we have programmed the computer
13 to automatically add 13.2 psia to all of the reported pres-
14 sures. Is there any problem with that same sort of a proce-
15 dure in the San Juan Basin where we'll get the gauge pres-
16 sure and plug in the San Juan Basin number to get psia?

17 A As long as the form identifies what
18 pressure is submitted so that everyone submits the same
19 pressure, whether it be gauge pressure or absolute pressure,
20 then 12 pounds added to gauge pressure for San Juan Basin.
21 I see no problem with either way as long as everyone knows,
22 and there may be another answer from another staff member
23 available to that question.

24 Q Okay. Moving on to other areas, the --
25 what's the reasoning behind the proposed change in the

1 definition of a -- it's not a workover any more, it's re-
2 test. Why? Why has that been done?

3 A In the taking of deliverability test in
4 the San Juan Basin, it has become extremely difficult at
5 some times to decipher, to discern, to truly know what is a
6 workover, and in two conditions nearly identical one could
7 be a workover and treated as a workover and one would not be
8 a workover and would not be treated.

9 So the definition that we have recommend-
10 ed to the Division here is that anything that changes the
11 deliverability which is the element of the producing ability
12 of that well, that becomes used in allocating the monthly
13 allowables to the well, that factor changing needs a new de-
14 liverability test, and as deliverability is used only in the
15 San Juan Basin as one of the factors in assigning allow-
16 ables, then this is the main place that that would be neces-
17 sary.

18 Q And the reason for the extension of the
19 period of time for submittal of 1986 deliverability is what?

20 A 1986 being as hectic a year as it has
21 been, some pipelines have not been able to schedule all of
22 the wells tied to their system for the deliverability test
23 up to this date.

24 Q And that goes back to the problems of
25 marketing gas.

1 A Yes, sir, it does.

2 Q And would those same problems be the
3 reason for suspension of the 1987 testing or delay of 1987
4 testing.

5 A If we look at what has happened in the
6 year of 1985 and 1986 in the marketing problems, and those
7 problems experienced by various pipelines, I think they
8 might look and say we may expect problems in 1987, and this
9 may be one way to alleviate the problem and still be -- have
10 wells evaluated on an equitable basis to prorate between
11 wells in the same pool.

12 MR. STAMETS: That's all.

13 MR. STOGNER: We'll open it up
14 to Mr. Chavez?

15

16 QUESTIONS BY MR. CHAVEZ:

17 Q Mr. Kendrick, by moving the test year up
18 one year for the different pools, would we possibly miss a
19 pool, for example, the '87 test year would be for taking the
20 Basin Dakota Pool, if we were to move the deliverability
21 testing of that pool to 1988, what would happen to the Mesa-
22 verde information which would be lost during what would nor-
23 mally have been its test year during 1988?

24 A It -- its flow test requirement would
25 move to '89, so there would be a 3-year span of data for each

1 of the four pools for the flow test data of deliverability
2 between '86 and '88 that -- it would go on a 3-year cycle
3 for a one time only time period.

4 MR. CHAVEZ: That's all I have.

5 MR. STOGNER: Then we'll start
6 with general questions.

7 We'll start on this side of the
8 room and go around. If you'll stand up, state your name and
9 your affiliation it will make it a lot quicker.

10

11 QUESTIONS BY MR. WILLIAM CLARK:

12 Q William Clark, Blackwood and Nichols.

13 Babe, is it the intention of the Commis-
14 sion or of your test committee there, that if an opertor did
15 something like installed a stopcock or a plunger lift sys-
16 tem, that that would qualify for any activity and he could
17 then go and request a retest of that well?

18 A I'll answer that with a semi-question and
19 say that if it changes the deliverability of the well, then
20 it meets the requirement for a deliverability retest.

21 Q Okay, normally those are installed to im-
22 prove performance of the wells.

23 A And if it causes a change in deliver-
24 ability that qualifies for a retest.

25 Q Okay, thank you.

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QUESTIONS BY MR. ED MARCUM:

Q Ed Marcum with El Paso Natural Gas.

On your question about this testing is optional, Babe, I didn't really understand there on the take or pay contract. Was it your interpretation that if an operator under a take or pay contract had a desire to have a deliverability test run, would that be run just for the take or pay contract or would that test be filed with the OCC?

Because if that's true, I think we're going to have some tests filed and some not next year.

A My answer to that is it's not a required test. It is satisfying a condition between the operator and the pipeline and what they do is beyond the testing requirement by the Division for that testing, and it would not be necessary to file that test with the Division if the operator of that well should be -- continued to be prorated on the same deliverability that was of the same year as all other wells in that pool.

Q Okay, it would not be filed through Frank's office, then.

A It would not be necessary to file it through his office.

Q We -- I agree heartily with what Babe said here about the relief that we need in the pipeline area

1 about deliverability scheduling.

2 But at the same time quite a few
3 operators have addressed the question to me in Farmington
4 that they're concerned that they would like to run
5 deliverability tests, and I don't know if they have got back
6 to you people or not or if Frank can help answer that.

7 We didn't get very much input, did we?
8

9 STATEMENT BY MR. JOEL FOX:

10 Joel Fox, with Tenneco Oil. As
11 part of the Deliverability Test Committee, as being a member
12 of that and also representing Tenneco, our definite stance
13 is somewhat dependent upon the pipelines in the San Juan
14 Basin area and their ability to take the gas due to the de-
15 mand situation more than a contractual.

16 Our stance would be to continue
17 with deliverability testing for '87 unless there exists the
18 testimony from any pipeline such that the testing would
19 really -- that such testing would really be impossible due
20 to contract or demand, system demand problems.

21 If there is such a moratorium
22 on testing issued, we would be in favor of reinstating the
23 past deliverability on record for that well to account for
24 its allowable. In other words, we'd be afraid, we would not
25 want the allowable of that particular proration unit to be

1 lost if delayed by the testing of that unit was not able to
2 be completed.

3 So kind of in conclusion, we're at the
4 mercy of the pipelines, I guess, on the testing.

5 MR. STOGNER: Any questions?

6
7 QUESTIONS BY MR. STAMETS:

8 Q Babe, I understood that your proposl
9 would do what Tenneco asked for at the end, which was that
10 we continue the current deliverability until a new test be-
11 gan.

12 A Until new tests are required for all
13 wells in the pool, yes, sir.

14 Q Right.

15
16 QUESTIONS BY MR. CHAVEZ:

17 Q Mr. Kendrick, one point for clarification
18 in the change to Rule 9-B, the word in there is changes of
19 deliverability. That will account for any decreases in de-
20 liverability that may require testing also, doesn't it?

21 A The door is open. If I were an operator
22 and did something to a well that caused my deliverability to
23 go down, I might be hesitant about telling anyone about it
24 but I think that I would not be hesitant to tell anyone that

25

1 I had done something to my well to increase the deliver-
2 ability, and if I have increased that deliverability, then I
3 would try to get credit for that by a new deliverability
4 test, getting a higher deliverability, and consequentially a
5 higher allowable.

6 MR. STOGNER: Are there any --
7 okay, Mr. Marcum?

8 MR. MARCUM: I have a question.

9
10 QUESTIONS BY MR. MARCUM:

11 Q On brand new wells, Babe, I understood
12 the 3-year test would be required for (not understood) but
13 on the new wells, prorated pools, they still would require
14 the deliverability test, right?

15 A Yes, a brand new well in any prorated
16 pool would be required to be -- to have a deliverability
17 test conducted until there are three annual tests on record
18 before they could fall into any suspended period of time.

19 Q Following the guidelines that we now
20 stipulate in the manual for ninety days.

21 A Yes, sir.

22 MR. STAMETS: I'd also point
23 out that Exhibits C-One and D-One might ought to have some
24 titles on them to say what they are.

25 A Mr. Stamets, that's one thing I haven't

1 learned how to do on that magic box is put titles on pages
2 of calculations. Some way we can doctor that, I hope.

3 MR. STAMETS: I think we've
4 probably got a typewriter that will do it if you'll tell us
5 what the titles ought to be.

6 A Okay.

7 MR. STOGNER: Scissors and
8 other paper work wonders.

9 Any further questions of Mr.
10 Kendrick at this time?

11 I believe we're ready for
12 statements.

13 Is there any further testimony
14 at this time from anybody?

15 We're ready for -- I believe
16 we're ready for statements at this time.

17 Mr. Duke, I'll let you go
18 first, and Mr. Taylor, if you have anything further, or is
19 there anybody else that would like to make a statement at
20 this time?

21 Okay, Mr. Duke.

22 MR. DUKE: Mr. Chairman, Mr.
23 Examiner, I think many of our concerns have been addressed
24 by Mr. Kendrick. I guess what Gas Company's main concern is
25 that as old deliverability tests become more and more stale

1 that they become more inaccurate and thus the allowables be-
2 come unrealistic.

3 We're afraid, and I don't know
4 the extent of this possibility, that a producer could be
5 producing at capacity and still not meeting his allowable
6 and be subject to a cancelled allowable, and of course, this
7 affects us as far as take or pay and our contractual obliga-
8 tions. Like I say, I don't know the extent of the problem.
9 I think the Division would be in a better position to assess
10 that.

11 I concur with Mr. Fox that if
12 -- if it is a case of impossibility, that then some relief
13 needs to be granted as far as testing goes.

14 But I would ask that the Divi-
15 sion take -- take this possibility into account of allow-
16 ables being based on old deliverability data.

17 That's all.

18 MR. STOGNER: Thank you, Mr.
19 Duke.

20 Mr. Taylor:

21 MR. TAYLOR: I have no state-
22 ment.

23 MR. STOGNER: Does anybody else
24 have anything further in either of these cases at this time?

25 If not, both Cases Numbers 9050

1 and 8586 will be taken under advisement.

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(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case Nos. 8586 and 9050 heard by me on 3 December 1986.

Michael J. Stogatz, Examiner
Oil Conservation Division