CASE 5645: AMOCO PRODUCTION COMPANY FOR SUSPENSION OF RULES 14A & 15A OF THE GAS C PRORATION RULES, INDIAN BASIN-UPPER PENNSYLVANIAN GAS POOL, EDDY COUNTY, NM

CASE NO.

5645

APPlication, Transcripts, Small Exhibits,

ETC.

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BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION Santa Fe, New Mexico March 17, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Amoco Production Co. for) suspension of Rules 14A and 15A of the gas proration rules, Eddy County, New Mexico.

CASE 5645

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BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

APPEARANCES

For the New Mexico Oil Conservation Commission:

William F. Carr, Esq.

Legal Counsel for the Commission State Land Office Building

Santa Fe, New Mexico

For Amoco Production Co.:

Antone L. Peterson, III, Esq. Legal Counsel, Amoco Production

P. O. Box 3092 Houston, Texas

Charles F. Malone, Esq.

ATWOOD & MALONE Attorneys at Law Roswell, New Mexico

For Flag-Redfern Oil Co.:

W. Thomas Kellahin, Esq.

Kellahin & Fox Attorneys at Law 500 Don Gaspar Santa Fe, New Mexico

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MR. NUTTER: We will call the next: Case Number 5645.

MR. CARR: Case 5645, Application of Amoco Production Company for suspension of Rules 14A and 15A of the gas proration rules, Indian Basin-Upper Pennsyvanian Gas Pool, Eddy County, New Mexico.

MR. PETERSON: Mr. Examiner, my name is Antone

Peterson, I'm representing Amoco Production Company. Amoco
will offer one witness today, Mr. John Hunter.

MR. KELLAHIN: If the Examiner please, I'm Tom Kellahin of Kellahin and Fox appearing on behalf of Flag-Redfern in support of Amoco and I have one witness.

MR. CARR: Will both witnesses please stand and be sworn.

(THEREUPON, the witnesses were duly sworn.)

MR. NUTTER: The record will show that Charles F.

Malone has made an appearance in the case for Mr. Peterson.

JOHN HUNTER

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

DIRECT EXAMINATION

BY MR. PETERSON:

Q. Would you please state your name, residence, employer and the position you occupy with that employer?

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A. Yes, my name is John Hunter, I'm employed by Amoco
Production Company in Houston, Texas. I'm a Petroleum Engineer,
Senior Grade.

- Q. You have testified previously before the Commission?
- A. Yes, sir, I have.

MR. PETERSON: Are Mr. Hunter's qualifications acceptable?

MR. NUTTER: Yes, they are.

Q (Mr. Peterson continuing.) To begin with do you have an exhibit showing the three wells which may be pertinent in the proceedings today and an overview of the gas pool in which they are located?

A. Yes, sir, I do. Exhibit One is a map showing all of the completions in the Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.

As I have said, all of the completions in the Upper Pennsylvanian are shown on the map, as well as dry holes around the periphery of the field.

Q I notice, Mr. Hunter, you have marked three of these wells with red dots, those three wells being the Flag-Redfern Winston Gas Comm No. 1 and the Amoco Smith Federal Gas Comm No. 1 and the Amoco Smith Federal No. 1. Would you explain the purpose for those red dot, what they indicate?

A. Yes, sir, the red dots indicate three non-marginal wells which had accumulated substantial underproduction, I

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wells were the subject of a hearing held on March 5th, 1975 at which Southern Union Gas Company, purchaser of the gas from these three wells appeared before the Commission and requested suspension and amendment of certain provisions of Rules 14A and 15A of the General Rules and Regulations for prorated gas pools of Southeastern New Mexico relative to the Indian Basin-Upper Pennsylvanian Gas Pool. Rules 14A and 15A provide for cancellation of unproduced allowable and shutting in of over-produced wells. Subsequently Order No. R-4985 was issued on March 25, 1975, suspending Rules 14A and 15A in the Indian Basin-Upper Pennsylvanian Gas Pool for a period of one year, until April 1st, 1976.

Q. I notice you have also indicated two of these wells with red arrows, those two wells being the Flag-Redfern Winston Gas Comm No. 1 and the Amoco Smith Federal No. 1, would you explain what those arrows indicate, please, Mr. Hunter.

A. Yes, sir, during this current gas balancing period, which will end April 1st, 1976, all of the underproduction in the Smith Federal Gas Comm No. 1 was made up. However, the red arrows are pointing to the two wells in which underproduction was not made up.

Q. You earlier indicated that Southern Union was granted an exception covering the three wells indicated by the red dots, allowing underproduction attributable to these wells

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to be carried over to the period beginning April 1st, 1975, are you aware of the basis for that exception, Mr. Hunter?

A. Yes, sir, Southern Union at the Hearing stated that they had made efforts to bring these three wells into balance but due to problems with pipeline construction, weather, delays in new industrial connections and the rapid completion of new gas wells in the area, they were unable to bring these wells into balance. They further stated that the completion of these facilities would permit the taking of gas from these wells such that the wells would be brought into balance before April 1st, 1976 and upon this assurance the Commission suspended Rules 14A and 15A for a period of one year.

Q. I see. I would like now to look specifically at the Amoco Smith Federal No. 1, do you have an exhibit or something of that nature that will set out the production of that well in a little bit greater detail?

A. Yes, sir, I do. Exhibit Number Two is a tabulation labeled "Allowables Subject to Cancellation, Amoco Smith Federal No. 1". In the left margin of Exhibit Two are listed the twelve months which constitute the current gas balancing period, starting with April of 1975 and going through March of 1976.

The first column on Exhibit Number Two is a tabulation of actual allowables month by month for the Smith Federal No. 1 as reflected on the Commission gas provation schedules. sid morrish reporting service
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Column number two is a tabulation of actual gas production for the first eleven months of the gas balancing period. Production for the twelfth month, which is the month we are in right now, has been estimated.

Column number three is a month by month status of underproduction or overproduction for the well. It is simply the difference between column one and column two. As you can see the Smith Federal No. 1 has been produced in excess of its allowables during each month of the current gas balancing period.

Column four is a running account of the underproduction subject to cancellation on April 1st, 1975. As you
can see, when we went into this current balancing period we
had eight hundred and eighty-five thousand, one hundred and
eighty-five MCF subject to cancellation and which would have
been canceled had not Order No. R-4985 allowed us to carry it
over into the current gas balancing period. As you can see,
we estimate that all of this underproduction will be made up
as of the current gas balancing period.

Column number five shows additional unproduced allowables subject to cancellation on April 1st, 1976. As you can see, we went into this gas balancing period with a balance forward of four hundred and sixty thousand, three hundred and sixty-seven MCF and this has remained constant throughout this gas balancing period while we have been working

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off the allowable that was subject to cancellation on April 1st, 1975. You can see from looking at our estimated March number in the fifth column that we will probably just make a small dent in the amount of unproduced allowable subject to cancellation on April 1st, 1976.

- Q In your opinion, Mr. Hunter, could the underproduction represented by the last two columns have conceivably
 been made up during the current balancing period?
- A. Well, frankly, sir, I would have to admit that that gas probably could have been made up by this well. I believe that this well did have the capability.
- Q. In light of that response, why was the production rate not set to liquidate the underproduction represented by the last two columns?
- have been producing the well during the gas balancing period thinking that that would be sufficient to make up all of the allowable that would be subject to cancellation on April 1st, 1976. What we had, frankly, was just a micinterpretation of Order No. R-4985. We misinterpreted it. We thought that by working off the eight hundred and eighty-five thousand, one hundred and eighty-five MCF by April 1st, 1976 that we would be working off all of the underproduction that would be subject to cancellation and we thought that we had an additional year to make up the gas that was underproduced and is now

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subject to cancellation on April 1st, 1976 shown in the fifth column.

- Q. When was this mistake or misconception concerning the amount of underproduction first discovered?
- A. We first became aware of this slightly over a month ago when Southern Union brought it to our attention that we had an unproduced allowable that would be canceled on April 1st.
- Q Do you have any further comments regarding Exhibit
 Two?
 - A. Not at this time.
- Q. Do you have any illustrative data comparing the current balancing period with the upcoming balancing period?
- A. Yes, sir, Exhibit Number Three is such an exhibit and it is entitled, "Allowables and Well Capability for the Amoco Smith Federal No. 1".
 - Q What does that exhibit show?
- A. The first portion of the exhibit pertains to the current gas balancing period that began April 1st, 1975 and will end March 31st, 1976.

The first row of numbers reflect predictions made by Southern Union at the hearing on March 5th, 1975. What they were attempting to show on their Exhibit Number Three in that hearing was that the Smith Federal No. 1 would have the capability during this current gas balancing period to make up all of the underproduction that attributed to the well.

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The way they did this was, first of all, they estimated what the total allowable would be for the twelve-month balancing period as is shown in column one. Column two shows the status that they estimated for the well as of April 1st, 1975. This would be the underproduction that it accumulated and was attributed to the well and the third column, they totaled columns one and two. In column number four they estimated the capability of the Smith Federal No. 1 over the twelve-month gas balancing period. This number was in excess of the number in column three and this shows that they believed that the well would be able to make up all of the underproduction as well as produce the allowable during the current gas balancing period.

The next row of numbers indicates the actual conditions that have occurred during the gas balancing period. First of all we see that the actual allowables for the twelve months were in fact two hundred thousand MCF greater than had been predicted. Underproduction was about two hundred thousand MCf greater than had been predicted, for a total difference of about four hundred thousand MCF and in the next column you can see that the well actually had a capability of about four thousand MCF less than had been predicted.

MR. NUTTER: Four hundred thousand?

Yes, sir, four hundred thousand less than had been predicted.

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So, in short, this indicates that actual allowables were in excess of the predicted allowables during this gas balancing period. The actual underproduction at the beginning of the gas balancing period was in excess of that that had been predicted and the capability of the well was less than had been predicted.

A. I notice that you have some data on the second part of your Exhibit Three relating to the upcoming balancing period. Would you explain those figures to us, please?

A. Yes, sir, these are predictions that I have made which indicate that the well, the Smith Federal No. 1, would be able to catch up on all of its underproduction within the next twelve months without any problem.

In the first column I show that I have estimated a total allowable for the balancing period of one million, five hundred and thirty-six thousand, seven hundred and thirty-two MCF and having no better basis to go on, I based this on the actual allowable, or rather for the current gas balancing period.

And the second column I have shown the predicted status of the well as of April 1st, 1976 as being four hundred and sixty thousand, two hundred and twenty-nine MCF. This is the number that came from the fifth column on Exhibit Number Two.

The total of these first two columns is one million,

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nine hundred and ninety-six thousand, nine hundred and sixtyone MCF and in the fourth column I have estimated that the
capability of the well over the next twelve months would be
two million, nine hundred and twenty thousand MCF and that is
well in excess of the total amount of production needed to make
the allowable and make up underproduction during the next
twelve months.

Q All right, Mr. Hunter, we see your predictions, is there any doubt in your mind that the Smith Federal No. 1 will be able to make up the underproduction attributable to the well in the upcoming balancing period if the application that has been made today is granted?

A. No, sir, there isn't. Exhibit Number Two shows that we are producing the well at a steady eight million cubic feet a day rate, at least the first three months of 1976 and also December 1975 we are producing it at an eight million cubic feet a day.

Southern Union has assured us that they will be able to continue to take this amount of gas throughout the coming balancing period and using this eight million cubic feet a day rate, I estimated the twelve-month capability shown on Exhibit Number Three for the upcoming balancing period and as I have said, that is well in excess of what I believe we will need to produce to make up all of the underproduced gas.

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Q In your opinion will the granting of this application serve to promote conservation, prevent waste and protect the correlative rights of all of the owners in this gas pool?

A. Yes, sir, the suspension of Rules 14A and 15A for an additional twelve months in the Indian Basin-Upper

Pennsylvanian Gas Pool would afford each operator the opportunity to produce his just and equitable share of the gas in the pool while protecting the correlative rights and preventing waste.

MR. PETERSON: Mr. Examiner, that concludes Amoco's direct testimony. I would like to move that Amoco's Exhibits One through Three be admitted into evidence.

MR. NUTTER: Amoco's Exhibits One through Three will be admitted into evidence.

(THEREUPON, Amoco's Exhibits One through Three were admitted into evidence.)

CROSS EXAMINATION

BY MR. NUTTER:

Mr. Hunter, this is the well that did so well, what about the other two wells, what is their status? I mean the well that is shown on Exhibits Two and Three. Didn't you say that this one had accomplished more in the way of making up the underproduction than the other two had?

A. No, sir, the Smith, we've got a little confusion here because the names are so similar. We've got a Smith

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Federal No. 1 and a Smith Federal Gas Comm No. 1. The Smith Federal Gas Comm No. 1 was the well that was able to make up all of its underproduction during this gas balancing period. That's the well in Section 12 on Exhibit One.

- Q. And Exhibits Two and Three relate to the Smith Federal, not the Smith Gas Comm then?
 - A. That is correct.
- Q Okay. Now, the allowables apparently have been ranging from about three to five million MCF a day in here, is that correct, three to five million cubic feet a day?
 - A. Yes, sir.
- Q. And the well is capable of making eight million or more a day?
 - A. Yes, sir.
- Q. What about the pool as a whole, what is the status of the pool as a whole?
- A. Well, as I have said, the Flag-Redfern Winston Gas

 Comm No. 1 is also underproduced. The amount of underproduction

 on that well amounts to, I would estimate it to be about a

 hundred ten thousand, five hundred and forty-one MCF which

 would be subject to cancellation on April 1st, 1976.
- Q. What is the net status of the pool, though, is the pool overproduced or underproduced?
 - A. I don't --
 - Q Or have you made a study of the pool?

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A. I can't recall what it said on the allowable schedule about that. As far as I know, these are the only two wells that are underproduced but I'm not positive about that.

MR. NUTTER: I would like the record to show that the Examiner will take administrative notice of the records in the proration department in analyzing this case if there is no objection to that?

Are there further questions of Mr. Hunter? He may be excused.

(THEREUPON, the witness was excused.)

MR. NUTTER: Do you have anything further, Mr.

Peterson?

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MR. PETERSON: No.

MR. NUTTER: Mr. Kellahin?

JOHN SWENDIG

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

- Q Would you please state your name, by whom you are employed and in what capacity?
 - A. John Swendig, employed by Flag-Redfern Oil Company as

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Petroleum Engineer.

- Mr. Swendig, have you previously testified before
 this Commission and had your qualifications as an expert
 witness accepted and made a matter of record?
 - A. Yes, sir, I have.
- Q And are you familiar with the facts surrounding this particular application by Amoco?
 - A. Yes, sir.

MR. KELLAHIN: If the Examiner please, are the witness's qualifications acceptable?

MR. NUTTER: Yes, they are.

- Q (Mr. Kellahin continuing.) Mr. Swendig, would you refer to what has been marked as Flag-Redfern Exhibit Number One, identify it and explain its significance to the Examiner?
- A. Exhibit One is a tabulation of the allowable and production for the Winston Gas Comm No. 1 for the period of April 1974 through March 1976, March being an estimated month. The column shows the gas allowable, total production for the month, the monthly overage and underage status, the accumulated underage status, in our estimation the allowable subject to cancellation.
- Q What is your estimation of the allowable subject to cancellation after the end of this balancing period?
- A. It would be a hundred and ten thousand, five hundred and forty-one MCF.

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Q Why wasn't Flag-Redfern able to make up the allowable subject to cancellation during the current balancing period?

A. Using the period from April 1974 to March 1975, the allowable for that period was a million, four hundred and eight thousand MCF. Our underage was estimated at five hundred and fifty thousand, which would have given us an average production rate of five point three MMCF per day. We actually scheduled the well for five point five million per day. The actual allowable for that period was greater, to have made up the total underage would have required a rate of five point seven MCF per day.

During October and November of '75 it was necessary for us to divert the gas to Marathon due to a gas commitment of twelve point three seven six percent of the gas and Marathon's production take is four point three million, the remainder of the period of time the gas goes to Southern Union.

On February 5th we had a mechanical failure and our production unit failed and we replaced it with a rental unit and this rental unit had a capacity of only four point seven million. So these factors caused us not to meet our scheduled production rate.

Q. Are there any current commitments to Marathon to take any future gas?

A. Yes, we have a commitment for twelve point three seven six percent of the gas to Marathon, the remainder being

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committed to Southern Union.

Q. Can Flag-Redfern bring this well back into balance if Amoco's application here for suspension of the particular rules is approved, can Flag-Redfern bring this well back into balance within an additional balancing period?

A. Yes, sir, the estimated capacity of the well is approximately seven million a day. We have been trying to schedule the well to maintain as even a production rate as possible but it does have the capability to bring the underproduction into balance.

- Q. Was Flag-Redfern's Exhibit Number One prepared by you directly or under your direction and supervision?
 - A. Yes, it was.

MR. KELLAHIN: If the Examiner please, we move the introduction of Exhibit Number One.

MR. NUTTER: Exhibit One of Flag-Redfern will be admitted into evidence.

(THEREUPON, Flag-Redfern Exhibit Number One was admitted into evidence.)

- Q (Mr. Kellahin continuing.) Mr. Swendig, in your opinion will approval of Amoco's application be in the best interests of conservation, the prevention of waste and the protection of correlative rights?
 - A. Yes, sir, I believe it will.

MR. KELLAHIN: That concludes our direct examination.

CROSS EXAMINATION

BY MR. NUTTER:

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Mr. Swendig, you mentioned that during the months of October and November of '75 the gas was diverted to Marathon pursuant to some contract. During those months then the takes went down?

Yes, sir, their takes were four point three million a day.

Q. And that is less than Southern Union had been averaging from the well for most months?

Yes, sir. We had been trying to schedule the well at five point five million throughout the year. There had been some fluctuations but this was the rate we were attempting to achieve.

And then your mechanical failure was during the month of February of '76, is that it?

Yes, sir. A.

And again the takes went down? Q.

Again the takes went down, right.

Have you made a study of the pool as a whole to Q. determine what the overall status is?

A. No, sir, I have not.

MR. NUTTER: Are there any further questions of this witness? He may be excused.

(THEREUPON, the witness was excused.)

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MR. NUTTER: Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case 5645?

MR. CARR: Mr. Examiner, we have received a letter from Southern Union which reads: (Reading) Southern Union Gas Company wishes to advise the Commission that they support Amoco Production Company in their application in Case 5645 for the amendment of the prorated gas pool rules promulgated by Order No. R-1670 as amended. The gas is needed to serve our southeast area New Mexico market. The letter is signed R. J. McQuary, Manager of Purchases and Proration Department. (End of reading)

MR. NUTTER: Thank you. Is there anything further in this case? We will take the case under advisement.

REPORTER'S CERTIFICATE

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1, SIDNEY F. MORRISH, a Certified Shorthand Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

Sidney F. Morrish, C.S.R.

do hereby ce a complete receive Examiner heard by me on New Mexico Oil

i do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3/45 heard by me on 3/17 1976

New Mexico Oil Conservation Commission

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BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION Santa Fe, New Mexico

March 17, 1976 EXAMINER HEARING IN THE MATTER OF: 6 Application of Amoco Production Co. for) CASE suspension of Rules 14A and 15A of the) gas proration rules, Eddy County,) 5645 8 New Mexico. 9 10

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

APPEARANCES

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For the New Mexico Oil	William F. Carr, Esq.
Conservation Commission:	Legal Counsel for the Commission
	State Land Office Building
	Santa Fe, New Mexico
For Amoco Production Co.:	Antone L. Peterson, III, Esq.
	Legal Counsel, Amoco Production
	P. O. Box 3092
	Houston, Texas
	Charles F. Malone, Esq.
	ATWOOD & MALONE
	Attorneys at Law
	Roswell, New Mexico
For Flag-Redfern Oil Co.:	W. Thomas Kellahin, Esq.
	Kellahin & Fox
	Attorneys at Law
	500 Don Gaspar

Santa Fe, New Mexico

25

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Phone (505) 982-9212

MR. NUTTER: We will call the next Case Number 5645.

MR. CARR: Case 5645, Application of Amoco Production

Company for suspension of Rules 14A and 15A of the gas proration

rules, Indian Basin-Upper Pennsyvanian Gas Pool, Eddy County,

New Mexico.

MR. PETERSON: Mr. Examiner, my name is Antone

Peterson, I'm representing Amoco Production Company. Amoco
will offer one witness today, Mr. John Hunter.

MR. KELLAHIN: If the Examiner please, I'm Tom Kellahin of Kellahin and Fox appearing on behalf of Flag-Redfern in support of Amoco and I have one witness.

MR. CARR: Will both witnesses please stand and be sworn.

(THEREUPON, the witnesses were duly sworn.)

MR. NUTTER: The record will show that Charles F.

Malone has made an appearance in the case for Mr. Peterson.

JOHN HUNTER

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

DIRECT EXAMINATION

BY MR. PETERSON:

Q Would you please state your name, residence, employer and the position you occupy with that employer?

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Production Company in Houston, Texas. I'm a Petroleum Engineer, Senior Grade.

- 9 You have testified previously before the Commission?
- A. Yes, sir, I have.

MR. PETERSON: Are Mr. Hunter's qualifications acceptable?

MR. NUTTER: Yes, they are.

(Mr. Peterson continuing.) To begin with do you have an exhibit showing the three wells which may be pertinent in the proceedings today and an overview of the gas pool in which they are located?

A Yes, sir, I do. Exhibit One is a map showing all of the completions in the Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.

As I have said, all of the completions in the Upper Pennsylvanian are shown on the map, as well as dry holes around the periphery of the field.

Q I notice, Mr. Hunter, you have marked three of these wells with red dots, those three wells being the Flag-Redfern Winston Gas Comm No. 1 and the Amoco Smith Federal Gas Comm No. 1 and the Amoco Smith Federal No. 1. Would you explain the purpose for those red dot, what they indicate?

A. Yes, sir, the red dots indicate three non-marginal wells which had accumulated substantial underproduction, I

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think it was subject to cancellation on April 1st, 1975. These wells were the subject of a hearing held on March 5th, 1975 at which Southern Union Gas Company, purchaser of the gas from these three wells appeared before the Commission and requested suspension and amendment of certain provisions of Rules 14A and 15A of the General Rules and Regulations for prorated gas pools of Southeastern New Mexico relative to the Indian Basin-Upper Pennsylvanian Gas Pool. Rules 14A and 15A provide for cancellation of unproduced allowable and shutting in of over-produced wells. Subsequently Order No. R-4985 was issued on March 25, 1975, suspending Rules 14A and 15A in the Indian Basin-Upper Pennsylvanian Gas Pool for a period of one year, until April 1st, 1976.

O I notice you have also indicated two of these wells with red arrows, those two wells being the Flag-Redfern Winston Gas Comm No. 1 and the Amoco Smith Federal No. 1, would you explain what those arrows indicate, please, Mr. Hunter.

A Yes, sir, during this current gas balancing period, which will end April 1st, 1976, all of the underproduction in the Smith Federal Gas Comm No. 1 was made up. However, the red arrows are pointing to the two wells in which underproduction was not made up.

Q. You earlier indicated that Southern Union was granted an exception covering the three wells indicated by the red dots, allowing underproduction attributable to these wells

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to be carried over to the period beginning April 1st, 1975, are you aware of the basis for that exception, Mr. Hunter?

A Yes, sir, Southern Union at the Hearing stated that they had made efforts to bring these three wells into balance but due to problems with pipeline construction, weather, delays in new industrial connections and the rapid completion of new gas wells in the area, they were unable to bring these wells into balance. They further stated that the completion of these facilities would permit the taking of gas from these wells such that the wells would be brought into balance before April 1st, 1976 and upon this assurance the Commission suspended Rules 14A and 15A for a period of one year.

Q I see. I would like now to look specifically at the Amoco Smith Federal No. 1, do you have an exhibit or something of that nature that will set out the production of that well in a little bit greater detail?

A Yes, sir, I do. Exhibit Number Two is a tabulation labeled "Allowables Subject to Cancellation, Amoco Smith Federal No. 1". In the left margin of Exhibit Two are listed the twelve months which constitute the current gas balancing period, starting with April of 1975 and going through March of 1976.

The first column on Exhibit Number Two is a tabulation of actual allowables month by month for the Smith Federal No. 1 as reflected on the Commission gas provation schedules. sid morrish reporting service
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Column number two is a tabulation of actual gas production for the first eleven months of the gas balancing period. Production for the twelfth month, which is the month we are in right now, has been estimated.

Column number three is a month by month status of underproduction or overproduction for the well. It is simply the difference between column one and column two. As you can see the Smith Federal No. 1 has been produced in excess of its allowables during each month of the current gas balancing period.

Column four is a running account of the underproduction subject to cancellation on April 1st, 1975. As you
can see, when we went into this current balancing period we
had eight hundred and eighty-five thousand, one hundred and
eighty-five MCF subject to cancellation and which would have
been canceled had not Order No. R-4985 allowed us to carry it
over into the current gas balancing period. As you can see,
we estimate that all of this underproduction will be made up
as of the current gas balancing period.

Column number five shows additional unproduced allowables subject to cancellation on April 1st, 1976. As you can see, we went into this gas balancing period with a balance forward of four hundred and sixty thousand, three hundred and sixty-seven MCF and this has remained constant throughout this gas balancing period while we have been working

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off the allowable that was subject to cancellation on April 1st, 1975. You can see from looking at our estimated March number in the fifth column that we will probably just make a small dent in the amount of unproduced allowable subject to cancellation on April 1st, 1976.

- Q In your opinion, Mr. Hunter, could the underproduction represented by the last two columns have conceivably been made up during the current balancing period?
- A Well, frankly, sir, I would have to admit that that gas probably could have been made up by this well. I believe that this well did have the capability.
- Q In light of that response, why was the production rate not set to liquidate the underproduction represented by the last two columns?
- A. The production rate was set at the rate at which we have been producing the well during the gas balancing period thinking that that would be sufficient to make up all of the allowable that would be subject to cancellation on April 1st, 1976. What we had, frankly, was just a misinterpretation of Order No. R-4985. We misinterpreted it. We thought that by working off the eight hundred and eighty-five thousand, one hundred and eighty-five MCF by April 1st, 1976 that we would be working off all of the underproduction that would be subject to cancellation and we thought that we had an additional year to make up the gas that was underproduced and is now

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subject to cancellation on April 1st, 1976 shown in the fifth column.

- When was this mistake or misconception concerning the amount of underproduction first discovered?
- We first became aware of this slightly over a month ago when Southern Union brought it to our attention that we had an unproduced allowable that would be canceled on April 1st
- Do you have any further comments regarding Exhibit Two?
 - Not at this time.
- Do you have any illustrative data comparing the Ũ current balancing period with the upcoming balancing period?
- Yes, sir, Exhibit Number Three is such an exhibit and it is entitled, "Allowables and Well Capability for the Amoco Smith Federal No. 1".
 - Q What does that exhibit show?
- The first portion of the exhibit pertains to the Current gas balancing period that began April 1st, 1975 and will end March 31st, 1976.

The first row of numbers reflect predictions made by Southern Union at the hearing on March 5th, 1975. were attempting to show on their Exhibit Number Three in that hearing was that the Smith Federal No. 1 would have the capability during this current gas balancing period to make up all of the underproduction that attributed to the well.

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The way they did this was, first of all, they estimated what the total allowable would be for the twelve-month balancing period as is shown in column one. Column two shows the status that they estimated for the well as of April 1st, 1975. This would be the underproduction that it accumulated and was attributed to the well and the third column, they totaled columns one and two. In column number four they estimated the capability of the Smith Federal No. 1 over the twelve-month gas balancing period. This number was in excess of the number in column three and this shows that they believed that the well would be able to make up all of the underproduction as well as produce the allowable during the current gas balancing period.

The next row of numbers indicates the actual conditions that have occurred during the gas balancing period.

First of all we see that the actual allowables for the twelve months were in fact two nundred thousand MCF greater than had been predicted. Underproduction was about two hundred thousand MCf greater than had been predicted, for a total difference of about four hundred thousand MCF and in the next column you can see that the well actually had a capability of about four thousand MCF less than had been predicted.

MR. NUTTER: Four hundred thousand?

A Yes, sir, four hundred thousand less than had been predicted.

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So, in short, this indicates that actual allowables were in excess of the predicted allowables during this gas balancing period. The actual underproduction at the beginning of the gas balancing period was in excess of that that had been predicted and the capability of the well was less than had been predicted.

A. I notice that you have some data on the second part of your Exhibit Three relating to the upcoming balancing period. Would you explain those figures to us, please?

A Yes, sir, these are predictions that I have made which indicate that the well, the Smith Federal No. 1, would be able to catch up on all of its underproduction within the next twelve months without any problem.

In the first column I show that I have estimated a total allowable for the balancing period of one million, five hundred and thirty-six thousand, seven hundred and thirty-two MCF and having no better basis to go on, I based this on the actual allowable, or rather for the current gas balancing period.

And the second column I have shown the predicted status of the well as of April 1st, 1976 as being four hundred and sixty thousand, two hundred and twenty-nine MCF. This is the number that came from the fifth column on Exhibit Number Two.

The total of these first two columns is one million,

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nine hundred and ninety-six thousand, nine hundred and sixtyone MCF and in the fourth column I have estimated that the
capability of the well over the next twelve months would be
two million, nine hundred and twenty thousand MCF and that is
well in excess of the total amount of production needed to make
the allowable and make up underproduction during the next
twelve months.

All right, Mr. Hunter, we see your predictions, is there any doubt in your mind that the Smith Federal No. 1 will be able to make up the underproduction attributable to the well in the upcoming balancing period if the application that has been made today is granted?

A No, sir, there isn't. Exhibit Number Two shows that we are producing the well at a steady eight million cubic feet a day rate, at least the first three months of 1976 and also December 1975 we are producing it at an eight million cubic feet a day.

Southern Union has assured us that they will be able to continue to take this amount of gas throughout the coming balancing period and using this eight million cubic feet a day rate, I estimated the twelve-month capability shown on Exhibit Number Three for the upcoming balancing period and as I have said, that is well in excess of what I believe we will need to produce to make up all of the underproduced gas.

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In your opinion will the granting of this application serve to promote conservation, prevent waste and protect the correlative rights of all of the owners in this gas pool?

A. Yes, sir, the suspension of Rules 14A and 15A for an additional twelve months in the Indian Basin-Upper Pennsylvanian Gas Pool would afford each operator the opportunity to produce his just and equitable share of the gas in the pool while protecting the correlative rights and preventing waste.

MR. PETERSON: Mr. Examiner, that concludes Amoco's direct testimony. I would like to move that Amoco's Exhibits One through Three be admitted into evidence.

MR. NUTTER: Amoco's Exhibits One through Three will be admitted into evidence.

(THEREUPON, Amoco's Exhibits One through Three were admitted into evidence.)

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Hunter, this is the well that did so well, what about the other two wells, what is their status? I mean the well that is shown on Exhibits Two and Three. Didn't you say that this one had accomplished more in the way of making up the underproduction than the other two had?

A No, sir, the Smith, we've got a little confusion here because the names are so similar. We've got a Smith

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Federal No. 1 and a Smith Federal Gas Comm No. 1. The Smith Federal Gas Comm No. 1 was the well that was able to make up all of its underproduction during this gas balancing period. That's the well in Section 12 on Exhibit One.

- Q And Exhibits Two and Three relate to the Smith Federal, not the Smith Gas Comm then?
 - A That is correct.
- Q. Okay. Now, the allowables apparently have been ranging from about three to five million MCF a day in here, is that correct, three to five million cubic feet a day?
 - A. Yes, sir.
- Q. And the well is capable of making eight million or more a day?
 - A. Yes, sir.
- Q. What about the pool as a whole, what is the status of the pool as a whole?
- A. Well, as I have said, the Flag-Redfern Winston Gas

 Comm No. 1 is also underproduced. The amount of underproduction

 on that well amounts to, I would estimate it to be about a

 hundred ten thousand, five hundred and forty-one MCF which

 would be subject to cancellation on April 1st, 1976.
- Q. What is the net status of the pool, though, is the pool overproduced or underproduced?
 - A. I don't --
 - Q Or have you made a study of the pool?

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A I can't recall what it said on the allowable schedule about that. As far as I know, these are the only two wells that are underproduced but I'm not positive about that.

MR. NUTTER: I would like the record to show that the Examiner will take administrative notice of the records

Are there further questions of Mr. Hunter? He may be excused.

in the proration department in analyzing this case if there

(THEREUPON, the witness was excused.)

MR. NUTTER: Do you have anything further, Mr. Peterson?

MR. PETERSON: No.

is no objection to that?

MR. NUTTER: Mr. Kellahin?

JOHN SWENDIG

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

- Q Would you please state your name, by whom you are employed and in what capacity?
 - A. John Swendig, employed by Flag-Redfern Oil Company a

Petroleum Engineer.

Mr. Swendig, have you previously testified before
this Commission and had your qualifications as an expert
witness accepted and made a matter of record?

- A Yes, sir, I have.
- Q And are you familiar with the facts surrounding this particular application by Amoco?
 - A. Yes, sir.

MR. KELLAHIN: If the Examiner please, are the witness's qualifications acceptable?

MR. NUTTER: Yes, they are.

- Q (Mr. Kellahin continuing.) Mr. Swendig, would you refer to what has been marked as Flag-Redfern Exhibit Number One, identify it and explain its significance to the Examiner?
- A Exhibit One is a tabulation of the allowable and production for the Winston Gas Comm No. 1 for the period of April 1974 through March 1976, March being an estimated month. The column shows the gas allowable, total production for the month, the monthly overage and underage status, the accumulated underage status, in our estimation the allowable subject to cancellation.
- Q What is your estimation of the allowable subject to cancellation after the end of this balancing period?
- A. It would be a hundred and ten thousand, five hundred and forty-one MCF.

Why wasn't Flag-Redfern able to make up the allowable subject to cancellation during the current balancing period?

A. Using the period from April 1974 to March 1975, the allowable for that period was a million, four hundred and eight thousand MCF. Our underage was estimated at five hundred and fifty thousand, which would have given us an average production rate of five point three MMCF per day. We actually scheduled the well for five point five million per day. The actual allowable for that period was greater, to have made up the total underage would have required a rate of five point seven MCF per day.

During October and November of '75 it was necessary for us to divert the gas to Marathon due to a gas commitment of twelve point three seven six percent of the gas and Marathon's production take is four point three million, the remainder of the period of time the gas goes to Southern Union.

On February 5th we had a mechanical failure and our production unit failed and we replaced it with a rental unit and this rental unit had a capacity of only four point seven million. So these factors caused us not to meet our scheduled production rate.

Q. Are there any current commitments to Marathon to take any future gas?

A. Yes, we have a commitment for twelve point three seven six percent of the gas to Marathon, the remainder being

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committed to Southern Union.

Q Can Flag-Redfern bring this well back into balance if Amoco's application here for suspension of the particular rules is approved, can Flag-Redfern bring this well back into balance within an additional balancing period?

A. Yes, sir, the estimated capacity of the well is approximately seven million a day. We have been trying to schedule the well to maintain as even a production rate as possible but it does have the capability to bring the underproduction into balance.

Q Was Flag-Redfern's Exhibit Number One prepared by you directly or under your direction and supervision?

A Yes, it was.

MR. KELLAHIN: If the Examiner please, we move the introduction of Exhibit Number One.

MR. NUTTER: Exhibit One of Flag-Redfern will be admitted into evidence.

(THEREUPON, Flag-Redfern Exhibit Number One was admitted into evidence.)

Q (Mr. Kellahin continuing.) Mr. Swendig, in your opinion will approval of Amoco's application be in the best interests of conservation, the prevention of waste and the protection of correlative rights?

A. Yes, sir, I believe it will.

MR. KELLAMIN: That concludes our direct examination

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CROSS EXAMINATION

BY MR. NUTTER:

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Mr. Swendig, you mentioned that during the months of October and November of '75 the gas was diverted to Marathon pursuant to some contract. During those months then the takes went down?

A. Yes, sir, their takes were four point three million a day.

Q And that is less than Southern Union had been averaging from the well for most months?

A Yes, sir. We had been trying to schedule the well at five point five million throughout the year. There had been some fluctuations but this was the rate we were attempting to achieve.

Q. And then your mechanical failure was during the month of February of '76, is that it?

A Yes, sir.

Q And again the takes went down?

A Again the takes went down, right.

A Have you made a study of the pool as a whole to determine what the overall status is?

A. No, sir, I have not.

MR. NUTTER: Are there any further questions of this witness? He may be excused.

(THEREUPON, the witness was excused.)

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MR. NUTTER: Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case 5645?

MR. CARR: Mr. Examiner, we have received a letter from Southern Union which reads: (Reading) Southern Union Gas Company wishes to advise the Commission that they support Amoco Production Company in their application in Case 5645 for the amendment of the prorated gas pool rules promulgated by Order No. R-1670 as amended. The gas is needed to serve our southeast area New Mexico market. The letter is signed R. J. McQuary, Manager of Purchases and Proration Department. (End of reading)

MR. NUTTER: Thank you. Is there anything further in this case? We will take the case under advisement.

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Phone (505) 982-9212

REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

Sidney F. Morrish, C.S.R.

do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3645

New Mexico Oil Conservation Commission



DIRECTOR

JOE D. RAMEY

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO P. O. BOX 2088 - SANTA FE

87501

PHIL R. LUCERO April 1, 1976



STATE GEOLOGIST
EMERY C. ARNOLD

Mr. Antone Peterson Attorney	Re:	CASE NO	0. NOR•	5645 5187	
Amoco Production Company Box 3092 Houston, Texas 77001		Applica	ent:		
		Amoco	Produ	ction	Company
Dear Sir:					v e
Enclosed herewith are t Commission order recent					
Yours very truly, JOE D. RAMEY Director					
JDR/fd					·

Copy of order also sent to:

X

Tom Kellahin

Hobbs OCC_____Artesia OCC__

Aztec OCC_

Other_

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. 5645 Order No. R-5187

APPLICATION OF AMOCO PRODUCTION COMPANY FOR SUSPENSION OF RULES 14A AND 15A OF THE GAS PRORATION RULES, INDIAN BASIN-UPPER PENNSYLVANIAN GAS POOL, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 17, 1976, at Santa Fe, New Mexico, before Examiner, Daniel S. Nutter.

NOW, on this 30th day of March, 1976, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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, Amoco Production Company, seeks suspension for a period of one year from April 1, 1976, of those provisions of Rules 14(A) and 15(A) of the General Rules and Regulations for the prorated gas pools of Southeastern New Mexico promulgated by Order No. R-1670, as amended, that provide for cancellation of unproduced allowable and shutting in of overproduced gas wells, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.
- (3) That upon application of one of the gas pipelines connected to wells in said Indian Basin-Upper Pennsylvanian Gas Pool, Order No. R-4985, dated March 25, 1975, was entered in Case No. 5433 and suspended Rules 14(A) and 15(A) of the prorated gas pool rules for the Indian Basin-Upper Pennsylvanian Gas Pool for a period of one year from April 1, 1975, through March 31, 1976.
- (4) That at the time of hearing of Case No. 5433 one year ago, a number of non-marginal wells belonging to the applicant and to other operators in said Indian Basin-Upper Pennsylvanian Gas Pool had accumulated substantial quantities of underproduction which was subject to cancellation April 1, 1975.

-2-Case No. 5645 Order No. R-5187

- (5) That the applicant and other operators made diligent efforts to bring said underproduced wells into balance during the past year, but there still remains considerable underproduction which will be subject to cancellation April 1, 1976.
- (6) That the pipeline to which applicant's wells are connected has recently completed the installation of additional pipeline and gas compression facilities in the Catclaw Draw-Avalon-Indian Basin Area which enable it to move considerably more gas from the producing area to market facilities than was previously possible.
- (7) That the newly installed facilities should enable said pipeline to take sufficient gas from the underproduced wells to which it is connected to be able to bring applicant's: wells back into balance by April 1, 1977.
- (8) That the suspension of Rule 14(A) of the prorated gas pool rules, which relates to the cancellation of unproduced allowable, would be inequitable without the concomitant suspension of Rule 15(A) of said rules, which relates to the shutting-in of overproduced wells.
- (9) That in order to protect correlative rights, prevent waste, promote conservation, and allow each producer in the Indian Basin-Upper Pennsylvanian Gas Pool the opportunity to produce his just and equitable share of the gas in said pool, the subject application should be approved.

IT IS THEREFORE ORDERED:

- (1) That Rules 14(A) and 15(A) of the General Rules and Regulations for the Prorated Gas Pools of Southeastern New Mexico, promulgated by Order No. R-1670, as amended, are hereby suspended in the Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, for a period of one year from April 1, 1976, through March 31, 1977.
- That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary,

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

SEA

STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

LO K Luccio PHIL R. LUCERO, Chairman

tuny (alway EMERY C. JARNOLD, Member

Member & Secretary

FLAG-REDFERN OIL COMPANY WINSTON GAS COM. NO. 1 ALLOWABLE SUBJECT TO CANCELLATION

Proration Periods Ending March 31, 1975 & March 31, 1976

		Total	Monthly	Accumulated	Subject to
	Allowable	Production	Status	Status	<u>Cancellation</u>
1974		Subject to Can	cellation 3-	-31-74	612,907
Ā	152,450	0	152,450	765,357	612,907
M	141,628	183,589	(41,961)	723,396	570,946
J	96,139	151,879	(55,740)	667,656	515,206
J	66, 233	105,247	(39,014)	628,642	476,192
A	66,304	51,845	14,459	643,101	476, 192
S	64,383	106,886	(42,503)	600,598	433,689
0	64,975	165,197	(100, 222)	500,376	333,467
N	110,320	168,072	(57, 752)	442,624	275,715
D	116, 249	55,457	60,792	503,416	275,715
1975	•	•	•		
J	1 6 8,552	200,606	(32,054)	471,362	243,661
F	176,211	148,839	27,372	498,734	243,661
M	184,718	132,785	51,933	550,667	243,661
	1,408,162	1,470,402	•	·	•
A	142,378	213,588	(71,210)	479,457	479,457
M	104,900	172,252	(67,352)	412,105	412, 105
J	117,985	135,718	(17,733)	394,372	394,372
J	136,000	184,671	(48,671)	345,701	345,701
1	98,549	181,854	(83,305)	262,396	262,396
3	93,751	164,099	(70,348)	192,048	192,048
)	120,334	148,192	(27,858)	164,190	164, 190
1	149,175	91,351	57,824	222,014	164,190
)	134,757	179,835	(45,078)	176,936	119,112
976				•	- -
Ţ	134,503	143,074	(8,571)	168,365	110,541
P	148,312	135,908	12,404	180,769	110,541
M.	156,088	156,088 E.	´ 0	180,769	110,541
	1,536,732	1,906,630		•	

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CA :	3677

FLAG-REDFERN OIL COMPANY WINSTON GAS COM. NO. 1 ALLOWABLE SUBJECT TO CANCELLATION

Proration Periods Ending March 31, 1975 & March 31, 1976

,		Total	Monthly	Accumu1ated	Subject to
	Allowable	Production	Status	Status	Subject to Cancellation
	<u>Allowable</u>	Production	Status	Status	Cancellation
1974		Subject to Ca	ncellation 3-	-31-74	612,907
A	152,450	0	152,450	765,357	612,907
M	141,628	183,589	(41,961)	723,396	570,946
J	96,139	151,879	(55,740)	667,656	515,206
J	66,233	105,247	(39,014)	628,642	476,192
A	66,304	51,845	14,459	643,101	476, 192
S	64,383	106,886	(42,503)	600,598	433,689
0	64,975	165, 197	(100, 222)	500,376	333,467
N	110,320	168,072	(57,752)	442,624	275,715
D	116,249	55,457	60,792	503,416	275,715
1975	,	•	•		
J	168,552	200,606	(32,054)	471,362	243,661
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A	142,378	213,588	(71,210)	479,457	479,457
M	104,900	172,252	(67,352)	412,105	412,105
Ĵ	117,985	135,718	(17,733)	394,372	394,372
J	136,000	184,671	(48,671)	345,701	345,701
Ā	98,549	181,854	(83, 305)	262,396	262,396
S	93,751	164,099	(70,348)	192,048	192,048
0	120,334	148, 1927	(27,858)	164,190	164, 190
N	149,175	91,351	57,824	222,014	164,190
D	134,757	179,835	(45,078)	176,936	119,112
1976			1		,
J	134,503	143,074	(8,571)	168,365	110,541
F	148,312	135,908	12,404	180,769	110,541
м ()	156,088	156,088 E.		190 760	110 541
N	1,536,732	1,906,630	1	Live And	1. 4
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FLAG-REDFERN OIL COMPANY WINSTON GAS COM. NO. 1 ALLOWABLE SUBJECT TO CANCELLATION

Proration Periods Ending March 31, 1975 & March 31, 1976

	<u>Allowable</u>	Total Production	Monthly Status	Accumulated Status	Subject to Cancellation
1974		Subject to Car	ncellation 3-	-31-74	612,907
A	152,450	0	152,450	765,357	612,907
M	141,628	183,589	(41,961)	723,396	570,946
J	96,139	151,879	(55,740)	667,656	515, 206
J	66,233	105,247	(39,014)	628,642	476,192
A	66,304	51,845	14,459	643,101	476, 192
S	64,383	106,886	(42,503)	600,598	433,689
0	64,975	165, 197	(100, 222)	500,376	333,467
N	110,320	168,072	(57,752)	442,624	275,715
D	116,249	55,457	60,792	503,416	275,715
1975	•		•	•	•
J	168,552	200,606	(32,054)	471,362	243,661
F	176,211	148,839	27,372	498,734	243,661
M	184,718	132,785	51,933	550,667	243,661
	1,408,162	1,470,402	,	•	•
A	142,378	213,588	(71,210)	479,457	479,457
M	104,900	172,252	(67,352)	412,105	412,105
J	117,985	135,718	(17,733)	394,372	394,372
J	136,000	184,671	(48,671)	345,701	345,701
Ā	98,549	181,854	(83,305)	262,396	262,396
S	93,751	164,099	(70,348)	192,048	192,048
0	120,334	148,192	(27,858)	164, 190	164,190
N	149,175	91,351	57,824	222,014	164,190
D	134,757	179,835	(45,078)	176,936	119,112
1976	•	-	• •	- · · · · · · · · · · · · · · · · · · ·	-
J	134,503	143,074	(8,571)	168,365	110,541
F	148,312	135,908	12,404	180,769	110,541
M	156,088	156,088 E.		180,769	110,541
	1,536,732	1,906,630		-	•

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ALLOWABLE SUBJECT TO CANCELLATION AMOCO - SMITH FED. NO. 1 INDIAN BASIN UPPER PENN GAS POOL EDDY COUNTY, NEW MEXICO

1975	Allowable (MCF)	Production (MCF)	Monthly Status (MCF)	Subject to Canc. 4-1-75 (MCF)	Add'l Subject to Canc. 4-1-76 (MCF)
Bal. Fwd. April May June July August September October November December	142,378 104,900 117,985 136,000 98,549 93,751 120,334 149,175 134,757	170,588 152,377 161,416 181,997 191,684 178,686 206,989 208,423 245,682	- 28,210 - 47,477 - 43,431 - 45,997 - 93,135 - 84,935 - 86,655 - 59,248 -110,925	885,185 856,975 809,498 766,067 720,070 626,935 542,000 455,345 396,097 285,172	460,367 460,367 460,367 460,367 460,367 460,367 460,367 460,367
January February March Totals	134,503 148,312 156,088 1,536,732	259,835 216,378 248,000* 2,422,055*	-125,332 - 68,066 - 91,912* -885,323*	159,840 91,774 0*	460,367 460,367 460,229*

^{*} Estimated

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Amore EXHIST NO. 2
CASE NO. 5645

ALLOWABLES AND WELL CAPABILITY AMOCO - SMITH FED. NO. 1 INDIAN BASIN UPPER PENN GAS POOL EDDY COUNTY, NEW MEXICO

Balancing Period: April 1, 1975 - March 31, 1976

	12 Months Allowables (MCF)	Status as of April 1, 1975 (MCF)	Total (MCF)	12 Month Capability (MCF)
Predicted	1,338,571	1,150,298	2,488,869	2,828,750
Actual	1,536,732	1,345,552	2,882,284	2,422,055* •

^{*}March 1976 production estimated

Balancing Period: April 1, 1976 - March 31, 1977

:	12 Months Allowables (MCF)	Status as of April 1, 1976 (MCF)	Total (MCF)	12 Month Capability (MCF)
Predicted	1,536,732	460,229	1,996,961	2,920,000

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

America EXHIBIT NO. 3

CASE NO. 5645

P. O. BOX 1448 - SANTA FE, NEW MEXICO 87501

March 17, 1975

New Mexico 011 Conservation Commission P. 0. Box 2088 Santa Fe, New Mexico 87501

Re: Application Amoco Production Company OCC Case No. 5645

Gentlemen:

Southern Union Gas Company wishes to advise the Commission that they support Amoco Production Company in their application (Case #5645) for the amendment of the prorated gas pool rules promulgated by Order No. R-1670, as amended.

This gas is needed to serve our Southeast area New Mexico Market.

Very truly yours,

R. J. McCrary, Manager

Purchases & Prorations Dept.

RJM:kk

cc: Mr. O. L. Haseltine

Dockets Nos. 11-76 and 12-76 are tentatively set for hearing on March 31, 1976 and April 14, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER NEARING - WEDNESDAY - MARCH 17, 1976

9 A.M. - OIL CONSERVACTOR CUMISSION CONFERENCE ROCK, STATE LAND OFFICE EURIDING, SANTA FE, NEW MEXICO

The following cases will be heard before Baniel S. Butter, Francher, or Michard L. Stanets, Alternate Exeminer:

- <u>ALLOWABLE:</u> (1) Consideration of the allowable production of gas for April, 1976, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for April, 1976, from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 5636: (Continued & Readvertised)

Application of Julian Ard for an unorthoiox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled in the center of the SW/4 OE/4 of Section 32, Township 9 South, Range 37 East, West Sanyer-San Ardres Pool, Lea County, New Mexico, in exception to the provisions of Rule 4, Order No. R-3850.

CASE 5641: (Continued from March 3, 1976, Examiner Hearing)

Application of John Yuronka for sait water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced water by injection to the Queen formation through the open-hole interval from approximately 3500 to 3875 feet in his State JO "T" Well No. 1 located in Unit B of Section 16, Township 23 South, Range 36 Fast, Langlic-Mattix Pool, Lea County, New Mexico.

CASE 5645:

Application of Among Production Company for suspension of Bules 14A and 15A of the gas promaticn rules, Indian Essin-Upper Pernsylvanian Gas Pool, Eddy County. New Mexico. Applicant, in the above-styled cause, seeks suspension for a period of one year from April 1, 1976, of those provisions of Bule 14A and 15A of the General Bules and Regulations for the promated gas pools of Southeastern New Mexico promulgated by Order No. R-1670, as amended, that provide for the cancellation of underproduction and the shutting-in of overproduced wells, as applied to the Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.

- Application of Southern Union Gas Company for suspension of Eules 14A and 15A of the gas proration rules, Catelaw Draw-Morrow Gas Pool, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks suspension for a period of one year from April 1, 1976, of those provisions of Eules 14A and 15A of the General Eules and Regulations for the provided gas pools of Southeastern New Mexico promulgated by Order No. R-167O, as amended, that provide for the camellation of underproduction and the shutting-in of overproduced wells, as applied to the Catelaw Draw-Morlow Gas Pool, Eddy County, New Mexico.
- CASE 5647: Application of Griffin & Burnett, Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Hagood Unit Area comprising 3,147 acres, more or less, of State and Federal lands in Township 26 South, Range 35 East, Lea County, New Mexico.
- CASE 5648: Application of Depco, Inc. for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its DHY State Well No. 1, located in Unit F of Section 23, Township 19 South, Range 28 East, Eddy County, New Mexico, to produce gas from the Wolfcamp and Morrow formations.
- Application of Marrington Transportation, Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Llano, Inc. Leavitt Well No. 1, to be drilled 1930 feet from the North line and 1650 feet from the West line of Section 13, Township 18 South, Range 26 East, Eddy County, New Mexico, the W/2 of said Section 13 to be dedicated to the well.
- Application of Robinson Resource Development Company, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the formations of Pennsylvanian age or older underlying the N/2 of Section 18, Township 21 South, Range 25 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a previously approved unorthodox location in Unit H of said Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of the applicant as operator of the well and a charge for the risk involved in drilling said well.

ATWOOD, MALONE, MANN & COOTER

LAWYERS

MAR 15 1976 Herr D. ATWOOD [683-1980]

a COMPLEYATION CONTA

Santa Fa

P. O. DRAWER 700 SECURITY NATIONAL BANK BUILDING ROSWELL, NEW MEXICO 88201 [505] 622-6221 CHARLES F, MALONE
RUSSELL D, MANN
PAUL A. COOTER
BOB F, TURNER
ROBERT A. JOHNSON
JOHN W. BASSETT
ROCERT E. SABIN
RUFUS E. THOMPSON

RALPH D. SHAMAS

March 12, 1976

Case 5645

Mr. Joe Ramey, Director Oil Conservation Commission State Land Office Building Santa Fe, New Mexico 87501

RE: March 17 Examiner Hearing

Dear Mr. Ramey:

Please file the enclosed Entry of Appearance in behalf of Amoco Production Company.

Thank you and with regards, I am,

Very truly yours,

Charles F. Malone

CFM:sgs Enclosure

1,.

BEFORE THE OIL CONSERVATION COMMISSION STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF AMOCO PRODUCTION COMPANY FOR SUSPENSION OF RULES 14A AND 15A OF THE GAS PRORATION RULES, INDIAN) BASIN-UPPER PENNSYLVANIAN GAS POOL,) EDDY COUNTY, NEW MEXICO.

Case No. 4132

ENTRY OF APPEARANCE

The undersigned Atwood, Malone, Mann & Cooter, of Roswell, New Mexico, hereby enter their appearance herein for the Applicant, Amoco Production Company, with Antone Peterson, Esquire, of Houston, Texas.

ATWOOD, MALONE, MANN & COOTER

By MARL Attorneys for Amoco Production

Company

P. O. Drawer 700

Roswell, New Mexico 88201



February 9, 1976

Amoco Production Company

CONSCIONATION CONSCIONATION CONSCIONATION CONSCIONATION P.O. Box 3092
Houston Taxan

File: DRC-986.51NM-915

Re: Application for Hearing

Indian Basin-Upper Pennsylvanian Gas Pool

Santa Fe

Eddy County, New Mexico

New Mexico Oil Conservation Commission (3) P. O. Box 2088 Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

Gentlemen:

Amoco Production Company respectfully requests a hearing for the purpose of suspending the balancing requirement for a period of one year beginning April 1, 1976, in the Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.

The Amoco operated Smith Federal No. 1 is presently in an under-produced status and pursuant to Rule 14(A) of the General Rules and Regulations for the Prorated Gas Pools of Southeastern New Mexico as reflected in Order R-1670, as amended, is in jeopardy of having the allowable attributable to the well cancelled. We ask that the balancing period in the captioned gas pool be extended for one year to allow the applicant to make up under-produced allowable in the pool.

Attached is a map showing the area of the Indian Basin-Upper Pennsylvanian Pool.

It is respectfully requested that this matter be included on the Docket of the Hearing to be held March 17, 1976.

Yours very truly,

T. DON STACY Div. Engr. Mgr.

Attachment

JCH:as



Amoco Production Company

500 Jefferson Building P.O. Box 3092 Houston, Texas 77001

February 9, 1976

File: DRC-986.51NM-915

Re: Application for Hearing

Indian Basin-Upper Pennsylvanian Gas Pool

Eddy County, New Mexico

New Mexico Oil Conservation Commission (3) P. O. Box 2088 Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

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Yours very truly,

T. DON STACY Div. Engr. Mgr.

Attachment

JCH: as



Amoco Production Company

500 Jefferson Building P.O. Box 3092 Houston, Texas 77001

February 9, 1976

File: DRC-986.51NM-915

Re:

Application for Hearing

Indian Basin-Upper Pennsylvanian Gas Pool

Eddy County, New Mexico

New Mexico Oil Conservation Commission (3) P. O. Box 2088 Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

Gentlemen:

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Attached is a map showing the area of the Indian Basin-Upper Pennsylvanian Pool.

It is respectfully requested that this matter be included on the Docket of the Hearing to be held March 17, 1976.

Yours very truly,

T. DON STACY Div. Engr. Mgr.

Attachment

JCH: as

DRAFT

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.

Order No. R- 5187

APPLICATION OF AMOCO PRODUCTION COMPANY FOR SUSPENSION OF RULES 14A AND 15A OF THE GAS PRORATION RULES, INDIAN BASIN-UPPER PENNSYL.

VANTAN! GAS POOL, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on____ 19 76, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter

, 1976 , the Commission day of March NOW, on this a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- That the applicant, Amoco Production Company, seeks suspension for a period of one year from April 1, 1976, of those provisions of Rules 14(A) and 15(A) of the General Rules and Regulations for the prorated gas pools of Southeastern New Mexico promulgated by Order No. R-1670, as amended, that provide for cancellation of unproduced allowable and shutting in of overproduced gas wells, Indian Basin deper in Gas Pool, Eddy County, New Mexico.
- (3) That upon application of one of the gas pipelines connected to wells in said Indian Basin-Upper Pennsylvanian Gas Pool, Order No. R-4985, dated March 25, 1975, was entered in Case No. 5433 and suspended Rules 14(A) and 15(A) of the provated gas pool rules for the Indian Basin-Upper Panusylvanian | Gas Pool for a period of one year from April 1, 1975, through March 31, 1976.

, at the time of hearing of Case No. 5433 one year ago, a num-

- (4) That best of non-marginal wells belonging the applicant of the operators in said Indian Basin Upper Periodic Gas Pool accumulated substantial quantities of underproduction which is subject to cancellation April 1, 1975.
 - (5) That the applicant has made diligent efforts to bring said underproduced wells into balance during the past year, but there still remains causides able underproduction which will be subject to the pipeline to which applicant's wells are connected the pipeline to which applicant's wells are connected the pipeline to which applicant's ompleted the installation of
 - (6) That applicant has recently completed the installation of additional pipeline and gas compression facilities in the Catclaw -Indian Basin

 Draw-Avalon Area which enable it to move considerably more gas from the producing area to market facilities than was previously possible.
 - (7) That the newly installed facilities should enable the pipeline applicant to take sufficient gas from the underproduced wells to which it is connected to be able to bring daid wells back into balance by April 1, 1977.
 - (8) That the suspension of Rule 14(A) of the prorated gas pool rules, which relates to the cancellation of unproduced allowable, would be inequitable without the concomitant suspension of Rule 15(A) of said rules, which relates to the shutting-in of overproduced wells.
 - (9) That in order to protect correlative rights, prevent waste, promote conservation, and allow each producer in the Indian Basin-Upper Pannsylvanian
 Catolaw Draw-Morrow Gas Pool the opportunity to produce his just and equitable share of the gas in said pool, the subject application should be approved.

IT IS THEREFORE ORDERED:

(1) That Rules 14(A) and 15(A) of the General Rules and Regulations for the Prorated Gas Pools of Southeastern New Mexico, promulgated by Order No. R-1670, as amended, are hereby suspended Indian Basin- Opper Pennsylvanian in the Gatelan Draw-Morrow Gas Pool, Eddy County, New Mexico,

-3-Case No. 5646 Order No. R-

for a period of one year from April 1,1976; Hrough Marchal, 1977.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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



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. 5644 Order No. R-5137-B

APPLICATION OF AGUA, INC., FOR THE AMENDMENT OF ORDER NO. R-5137, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 10, 1975, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this _____day of August, 1976, 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 by Commission Order No. R-5137, dated December 17, 1975, the applicant, Agua, Inc., was authorized to dispose of produced salt water into the San Andres formation through the open-hole interval from approximately 4,000 feet to 5,000 feet in its Blinebry-Drinkard SWD System Well No. A-22, located 817 feet from the North line and 965 feet from the East line of Section 22, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

(5) That the applicant proposes to disjose of up to 12,000 barrels of produced salt water per day in the subject wall No. A-22.

- remain confined to the San Andres formation and not migrate through fractures or otherwise into other formations, said Order No.

 R-5137 required that the afcresaid Well No. A-22 be equipped with a pop-off valve or acceptable substitute which limit the wellhead injection pressure to no more than one hundred (100) psi.
- (4) That the applicant herein seeks the amendment of said Order No. R-5137 to permit disposal into Well No. A-22 at a surface injection pressure not to exceed 1200 psi.
- (6) That the subject well is located within an area where vertical formation fracturing is suspected to exist.
- (9) That formation fracturing occurs as the result of large volumes of fluid being injected into the formation at high pressure.
- (g) That disposal of large volumes of water at 1200 psi as sought by the applicant would likely tend to create vertical fractures in the formation or to enlarge existing fractures, if they already exist, thereby permitting the disposal water to migrate into other formations, possibly resulting in the loss of underground reserves, thereby sausing waste, or in injury to offsetting leases or properties.
- (A) That insofar as the Commission can now determine, a surface wellhead injection pressure of approximately 800 psi will not cause formation fracturing, and will not result in loss of underground reserves nor injury to offsetting leases or properties, nor otherwise cause waste or violate correlative rights.
- (MD) That the applicant's request for the amendment of Commission Order No. R-5137 to permit disposal of produced salt water in its Well No. A-22 at a surface injection pressure not to exceed 1200 psi should be denied, but said Order No. R-5137 should be amended to permit such disposal at surface injection pressures up to 800 psi, provided proper safe quards are taken that such pressure not be exceeded.

IT IS THEREFORE ORDERED:

- amendment of Commission Order No. R-5137 to permit disposal of produced salt water into the San Andres formation through the open-hole interval from approximately 4,000 feet to 5,000 feet in its Blinebry-Drinkard SWD System WEII No. A-22, located 817 feet from the North line and 965 feet from the East line of Section 22, Township 22 South, Range 37E ast, NMPM, Lea County New Mexico, at a surface injection pressure not to exceed 1200 psi is hereby denied.
- (2) That Order No. (2) of Commission Order No. R-5137 is hereby amended to read in its entirety as follows:
 - "(2) That the injection well or system shall be equipped with a pop-off valve or acceptable substitute which will limit the wellhead injection pressure on the injection well to no more than eight hundred (800) psi."
- (3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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