

CASE 3373: In the matter of the
— hearing called by the OCC to —
— consider amendment of Rule 301. —

ASE No.

3373

Application,
Transcripts,

Small Exhibits

ETC.

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WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

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JAN 25 PM 2:13

K TUB232 PD=FAX TULSA OKLA 25 242PCST=

NEW MEXICO OIL CONSERVATION COMMISSION= 1966 JAN 25 PM 2 09

SANTA FE NMEX=

AMERADA PETROLEUM CORPORATION SUPPORTS THE AMENDMENT
OF RULE 104F, RULE 301, AND RULE 302 TO ESTABLISH AN
ADMINISTRATIVE PROCEDURE AS PROVIDED IN THE NOTICE OF
HEARING FOR CASES 3372, 3373, AND 3374 ON JANUARY 26,
1966.=

R L HOCKER AMERADA PETROLEUM CORPORATION=1

104F 301 302 3372 3373 3374 26 1966=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

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LA128 DB178

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A L PORTER JR SECRETARY-DIRECTOR,

NEW MEXICO OIL CONSERVATION COMMISSION=

STATE LAND OFFICE BLDG SANTA FE NMEX=

PAN AMERICAN PETROLEUM CORPORATION SUPPORTS THE
AMENDMENTS TO STATEWIDE RULES 104F, 301 AND 302

PROPOSED BY THE OIL CONSERVATION COMMISSION IN CASES
3372, 3373 AND 3374 AS OUTLINED IN DOCKET NO. 4-66 FOR
JANUARY 26, 1966, EXAMINER HEARING. WE RECOMMEND THAT
OFFSET OPERATORS BE NOTIFIED OF ADMINISTRATIVE
APPLICATIONS FOR APPROVAL OF UNORTHODOX LOCATIONS

3373

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WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

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NECESSITATED BY RECOMPLETIONS OF WELLS PREVIOUSLY
DRILLED TO OTHER HORIZONS. FURTHER, WE RECOMMEND
THAT ALL OPERATORS IN A FIELD BE NOTIFIED OF AN
APPLICATION FOR EXEMPTION FROM GAS-OIL RATIO TEST
REQUIREMENTS=

W V GISHAM, PAN AMERICAN PETROLEUM CORP=

MAIN OFFICE 000
JAN 25 PM 2 122

104F 301 302 3372 3373 3374 4-66 26 1966=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

DRAFT

JMD/esr

Jan. 31, 1966

Asst
BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CF Subj. _____

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

W
CASE No. 3373

Order No. R- 3036

IN THE MATTER OF THE HEARING CALLED BY THE
OIL CONSERVATION COMMISSION ON ITS OWN MOTION
TO CONSIDER AMENDMENT OF RULE 301 OF THE COM-
MISSION RULES AND REGULATIONS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
January 26, 1966, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this _____ day of February, 1966, 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 Rule 301 of the Commission Rules and Regulations
should be amended to authorize the Secretary-Director to exempt
pools from the annual gas-oil ratio test requirements and to order
annual oil production tests in lieu of gas-oil ratio tests.

(3) That adoption of the proposed amendment to Rule 301
of the Commission Rules and Regulations will enable the Commis-
sion to more efficiently and effectively administer the laws of
the State of New Mexico concerning the prevention of waste and
the protection of correlative rights.

IT IS THEREFORE ORDERED:

the name of
(1) That Rule 301 of the Commission Rules and Regulations
is hereby amended by addition of the following paragraphs:

"RULE 301. *Production of Oil and Gas Wells*"

- "(e) The Secretary-Director of the Commission shall have the authority to exempt such pools as he may deem proper from the gas-oil ratio test requirements of this rule. Such exemption shall be by executive order directed to all operators in the pool being exempted.
- (f) The Secretary-Director shall have the authority to require annual productivity tests of all oil wells in pools exempt from gas-oil ratio tests, during a period prescribed by the Commission. An oil well productivity survey schedule shall be established by the Commission setting forth the period in which productivity tests are to be taken for each pool wherein such tests are required.
- (g) The results of productivity tests taken during survey periods shall be filed with the Commission on Form C-116 (with the word "Exempt" inserted in the column normally used for reporting gas production) not later than the 10th of the month following the close of the survey period for the pool in which the well is located. Unless Form C-116 is filed within the required time limit, no further allowable will be assigned the affected well until Form C-116 is filed.
- (h) In the case of special productivity tests taken between regular test survey periods, which result in a change of allowable assigned to the well, the allowable change shall become effective upon the date the Form C-116 is received by the Proration Department. A special test does not exempt any well from the regular survey.
- (i) During the productivity test, no well shall be produced at a rate exceeding top unit allowable for the pool in which it is located by more than 25 per cent. No well shall be assigned an allowable greater than the amount of oil produced on test during a 24-hour period."

(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.

January 26, 1966 Examiner Hearing

CASE 3369: Application of Texaco Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water in the Devonian formation through perforations from 10,604 to 10,780 feet in its State "B0" Well No. 4 located in Unit M, Section 13, Township 11 South, Range 32 East, Moore-Devonian Pool, Lea County, New Mexico.

CASE 3370: Application of Shell Oil Company for an exception to Rule 8 of Order No. R-2065 and to Rule 301, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 8 of Order No. R-2065 and to Rule 301 of the Commission rules and regulations to permit discontinuance of individual gas-oil ratio tests in its Carson Bisti-Lower Gallup Pressure Maintenance Project, Bisti-Lower Gallup Oil Pool, San Juan County, New Mexico. Applicant proposes to report gas production and ratios on a unit-wide basis rather than individual well GOR data.

CASE 3371: Application of Midwest Oil Corporation for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Harris State Well No. 1 at an unorthodox location 660 feet from the South line and 1980 feet from the West line of Section 29, Township 13 South, Range 34 East, Nonombre-Pennsylvanian Field, Lea County, New Mexico.

CASE 3372: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the amendment to Rule 104 F of the Commission rules and regulations to provide administrative procedure for the approval of an unorthodox location necessitated by recompletion of a well previously drilled to another horizon.

CASE 3373: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider amendment of Rule 301 to provide executive authority for the Secretary-Director to exempt, for good cause, certain pools from the annual gas-oil ratio test requirements; further, the Secretary-Director could, where necessary, order annual oil production tests in lieu of gas-oil ratio tests.

CASE 3374: In the matter of the hearing called by the Oil Conservation Commission on its own motion to amend Rule 302 of the Commission rules and regulations to eliminate the requirement for calibration of bottom-hole pressure test bombs prior and subsequent to each pressure test.

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 26, 1966

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 2720: (Reopened and continued from the January 5, 1966 Examiner Hearing)

In the matter of Case No. 2720 being reopened pursuant to the provisions of Order No. R-2397-B which continued the original order for an additional year, establishing special rules governing the production of oil and gas wells in the Double-X Delaware Pool, Lea County, New Mexico, including classification of wells as gas wells when the gas-liquid hydrocarbon ratio exceeds 30,000 to one.

CASE 3365: Application of Humble Oil & Refining Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North Cedar Hills Unit Area comprising approximately 8,500 acres of Federal, State and Fee lands in Township 20 South, Range 28 East, and Township 21 South, Range 27 East, Eddy County, New Mexico.

CASE 3366: Application of Coastal States Gas Producing Company for a pilot pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pilot pressure maintenance project by the injection of water into the San Andres formation through three wells in Sections 15, 21 and 33, Township 9 South, Range 33 East, Flying "M" San Andres Pool, Lea County, New Mexico; applicant further seeks rules governing said project including a provision for administrative approval for the conversion of additional wells to water injection.

CASE 3367: Application of Penroc Oil Corporation for a non-standard oil proration unit and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a non-standard oil proration unit comprising the NE/4 SW/4, N/2 SE/4, and SW/4 SE/4 of Section 7, Township 19 South, Range 32 East, Lusk-Strawn Pool, Lea County, New Mexico, said unit to be dedicated to a well to be drilled at an unorthodox location for said pool 660 feet from the South line and 1650 feet from the East line of said Section 7.

CASE 3368: Application of Standard Oil Company of Texas for a waterflood expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Maljamar Waterflood Project, formerly the Leonard Nichols Maljamar Waterflood Project, by the conversion to water injection of nine wells located in Sections 3, 4, 9, 10, 11 and 15, Township 17 South, Range 32 East, Lea County, New Mexico.

NEW MEXICO OIL CONSERVATION COMMISSION

STAFF EXHIBIT A, CASE 3373

PROPOSED AMENDMENT, RULE 301

RULE 301. GAS-OIL RATIO AND PRODUCTION TESTS

Section (a) No change

Section (b) No change

Section (c) No change

Section (d) No change

Add Sections (e), (f), (g), (h), and (i)

(e) The Secretary-Director of the Commission shall have the authority to exempt such pools as he may deem proper from the gas-oil ratio test requirements of this rule. Such exemption shall be by executive order directed to all operators in the pool being exempted.

(f) The Secretary-Director shall have the authority to require annual productivity tests of all oil wells in pools exempt from gas-oil ratio tests, during a period prescribed by the Commission. An oil well productivity survey schedule shall be established by the Commission setting forth the period in which productivity tests are to be taken for each pool wherein such tests are required.

(g) The results of productivity tests taken during survey periods shall be filed with the Commission on Form C-116 (with the word "Exempt" inserted in the column normally used for reporting gas production) not later than the 10th of the month following the close of the survey period for the pool in which the well is located. Unless Form C-116 is filed within the required time limit, no further allowable will be assigned the affected well until Form C-116 is filed.

(h) In the case of special productivity tests taken between regular test survey periods, which result in a change of allowable assigned to the well, the allowable change shall become effective upon the date the Form C-116 is received by the Proration Department. A special test does not exempt any well from the regular survey.

(i) During the productivity test, no well shall be produced at a rate exceeding top unit allowable for the pool in which it is located by more than 25 per cent. No well shall be assigned an allowable greater than the amount of oil produced on test during a 24-hour period.

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission

MAIN OFFICE OCC

JAN 25 AM 9:51



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

P. O. DRAWER DD
ARTESIA

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

January 24, 1966

A. L. Porter, Jr., Director
N. M. Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Re: Case 3373

Dear Pete:

After you called the other day, I gave the matter of administratively exempting pools and wells from taking GOR tests some thought. To date, in this district, wells have been exempted in pools when they became part of a waterflood project. Pools have been exempted when they have become 100% marginal and the amount of allowable affected by high GORs was no more than a barrel a day in the pool. These limits are not necessarily my recommendation and represent only what has been done. It would seem that the district office should present a list of pools annually to the Secretary Director, which pools the district office feels should be exempt from taking GOR tests. Here I would use 100% marginal and 100% noneffective GORs as guide lines. The district office or the Secretary Director would notify the operators in the affected pools and, if no objections were received, would approve the list for exemption. GORs could be required on any well in one of these pools which subsequently was able to produce top allowable. Individual wells could be exempted by application of the operator. Applications could be based on, the type of drive mechanism, sustained production below a certain percent of top allowable for the pool, GOR history or a graph showing production and time vs GOR.

January 24, 1966

A. L. Porter, Jr., Director
N. M. Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

The operator would notify offset operators of his application. The district office should also be able to recommend individual wells for exemption. Annual oil production tests, in lieu of GOR tests, should be required in pools or leases having top allowable wells which otherwise could be exempted as noted above.

In this same connection, I would like to see our statistical equipment set up to "tag" leases which have produced too much casinghead gas as well as too much oil. The district office could take this information and require GOR tests on the offending leases if they did not balance out in a period of time, say 3 to 6 months.

Very truly yours,

OIL CONSERVATION COMMISSION

A handwritten signature in cursive script, appearing to read "Dick", is written over the typed name.

R. L. Stamets
Geologist

RLS/bh

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE No. 3373
Order No. R-3036

IN THE MATTER OF THE HEARING CALLED BY THE
OIL CONSERVATION COMMISSION ON ITS OWN MOTION
TO CONSIDER AMENDMENT OF RULE 301 OF THE COM-
MISSION RULES AND REGULATIONS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
January 26, 1966, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this 9th day of February, 1966, 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 Rule 301 of the Commission Rules and Regulations
should be amended to authorize the Secretary-Director to exempt
pools from the annual gas-oil ratio test requirements and to order
annual oil production tests in lieu of gas-oil ratio tests.

(3) That adoption of the proposed amendment to Rule 301
of the Commission Rules and Regulations will enable the Commis-
sion to more efficiently and effectively administer the laws of
the State of New Mexico concerning the prevention of waste and the
protection of correlative rights.

IT IS THEREFORE ORDERED:

(1) That the name of Rule 301 of the Commission Rules and
Regulations is hereby changed to "GAS-OIL RATIO AND PRODUCTION

-2-

CASE No. 3373

Order No. R-3036

TESTS" and said rule is hereby amended by addition of the following paragraphs:

"(e) The Secretary-Director of the Commission shall have the authority to exempt such pools as he may deem proper from the gas-oil ratio test requirements of this rule. Such exemption shall be by executive order directed to all operators in the pool being exempted.

(f) The Secretary-Director shall have the authority to require annual productivity tests of all oil wells in pools exempt from gas-oil ratio tests, during a period prescribed by the Commission. An oil well productivity survey schedule shall be established by the Commission setting forth the period in which productivity tests are to be taken for each pool wherein such tests are required.

(g) The results of productivity tests taken during survey periods shall be filed with the Commission on Form C-116 (with the word "Exempt" inserted in the column normally used for reporting gas production) not later than the 10th of the month following the close of the survey period for the pool in which the well is located. Unless Form C-116 is filed within the required time limit, no further allowable will be assigned the affected well until Form C-116 is filed.

(h) In the case of special productivity tests taken between regular test survey periods, which result in a change of allowable assigned to the well, the allowable change shall become effective upon the date the Form C-116 is received by the Proration Department. A special test does not exempt any well from the regular survey.

(i) During the productivity test, no well shall be produced at a rate exceeding top unit allowable for the pool in which it is located by more than 25 per cent. No well shall be assigned an allowable greater than the amount of oil produced on test during a 24-hour period."

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

-3-

CASE No. 3373

Order No. R-3036

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Jack M. Campbell

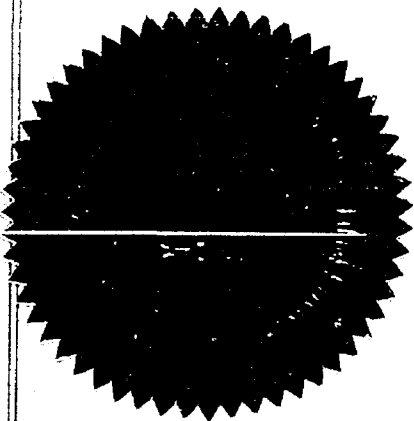
JACK M. CAMPBELL, Chairman

Guyton B. Hays

GUYTON B. HAYS, Member

A. L. Porter, Jr.

A. L. PORTER, Jr., Member & Secretary



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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 26, 1966

EXAMINER HEARING

IN THE MATTER OF:

In the matter of the hearing called by the
Oil Conservation Commission on its own
motion to consider the amendment to Rule
104F, 301, and 302.

3372, 3373,
3374
Case No. _____
(Consolidated.)

BEFORE:

Elvis A. Utz, Gas Engineer

TRANSCRIPT OF HEARING



MR. UTZ: Case 3372, 73 and 74 will be consolidated for purposes of the testimony and a separate order will be written on each ~~order~~ ^{case}. The first case is a matter called by the Oil Conservation Commission for amendment of Rule 104F. Case 3373 is called by the Oil Conservation Commission on its own motion for an amendment to Rule 301. Case 3374 is called by the Oil Conservation Commission on its own motion for an amendment to Rule 302.

(Witness sworn.)

DANIEL S. NUTTER, a witness, having been first duly sworn on oath, was examined and testified as follows:

MR. NUTTER: Mr. Examiner, my name is Dan Nutter, I'm Chief Engineer for the Oil Conservation Commission. I'm going to testify today in these cases relative to the amendment of three rules. They are consolidated for purposes of testimony.

The first case, Number 3372, is a proposed amendment of Rule 104F, to provide that administrative approval could be given on unorthodox locations for two reasons; for topography as well as the recompletion of a well previously drilled on another horizon if the well was drilled at an orthodox location for such original horizon.

Rule 104F provides that the Secretary-Director of the Commission shall have authority to grant an exception to the well location requirements of Sections "B" and "C" of Rule 104 without notice and hearing where application has been

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filed in due form and the necessity for the unorthodox location is based on topographical conditions. That's the only reason that unorthodox locations can be approved. Now, particularly since Rule 104 as amended about a year ago to provide for 320 acre spacing and proration units for gas wells in Southeast New Mexico. If they were completed in formation of Pennsylvanian Age or deeper with specific well locations required for those wells, the need for administrative approval of unorthodox locations for those gas wells has become apparent when we have old oil wells reentered or old wildcat wells reentered which were drilled at standard locations as wildcat oil wells.

The rule as I propose it, as shown on Staff Exhibit "A" in Case 3372, provides for administrative approval on topography, as well as recompleted wells. I would like to go on record at this time as to recommend that the wording here, where it says, "Or the recompletion of a well previously drilled to another horizon," would be entered as also including a well projected to another horizon. So if we have a well which is projected at a standard location for the Gallup Formation in Northwest New Mexico, it's projected as an oil well in a standard oil well location, and then is subsequently deepened to the Dakota. That administrative approval can be given to this well which might be at an unorthodox location on the Dakota. I wouldn't recommend that it be

construed to give a case to a well given a horizon as an oil and gas well and is completed in that horizon and opposite of what it was projected. This would be to prevent subterfuge in calling a well an oil well and drilling an oil location when you know which formation and you really know you're going to get a gas well.

So I think it's projected to a horizon but completed to the opposite hydrocarbon to which it was originally dedicated. That the provisions of Rule 104 that would require a hearing before the unorthodox location could be approved, would still remain in effect.

The rule further proposes as shown on Exhibit "A", that Plats be sent in accompanying the application showing the wells completed on the offsetting tracts as well as the proration spacing unit for which the unorthodox location is sought. All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail.

I believe that there's a possibility that we would want to consider a little bit different terminology here and to eliminate the necessity for notifying all of the offset operators. This is essentially something that we will want to study before writing the rule, but I would like to go on record as suggesting that consideration be given to reducing the number of notices to operators; to require notices to

those operators who are being crowded, in effect, and not require notice being given to an operator on the back side of a subject proration unit when you're moving away from him, and not to him, so I would suggest this. I believe that's all I have to say about rule 104F at this time.

Moving on to the proposed amendment of Rule 301. Rule 301 at the present time requires gas-oil ratio tests on newly completed wildcat wells and annual gas-oil ratio tests on wells in pools which have not been completed from gas-oil ratio tests by the Commission.

MR. PORTER: Mr. Examiner, at this point you said you already stated what this next proposal to the amendment is. It's already in the record but I believe we should go back to rule 104 and maybe ask if there are any questions concerning this rule before we leave that.

MR. NUTTER: Very good.

MR. UTZ: Are there questions on the proposed change to Rule 104F?

MR. PORTER: Apparently not.

MR. UTZ: I have some correspondence in all three cases but since it pertains to more than one I'll read that at the termination of the testimony. You may proceed to 3373.

MR. NUTTER: This is a proposed amendment to Rule 301. As it is presently written it requires gas-oil ratio

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tests to be taken on newly completed wildcat oil wells and also on all oil wells in pools not exempted by the Commission. These are required annually. The only means of exempting a pool from gas-oil ratio tests at present is after notice and hearing.

The purpose of this amendment is to provide executive authority to the Secretary- Director of the Commission to exempt pools as he may deem proper from the gas-oil ratio tests required of Rule 301. I suggest no changes in "A", "B", "C" and "D" of Rule 301. The title of the Rule would be changed. Instead of reading Gas-Oil Ratio Tests, it would read Gas-Oil Ratio and Production Tests. We would then add "G" and "H" and "I" providing the Secretary-Director could exempt certain pools; that he would also have the authority to require annual productivity tests of all pools exempt from the tests; and set up a procedure whereby an annual survey for productivity tests would be taken or published by the Commission as it is presently by the Gas-Oil Ratio Tests.

As you know, once a year the District Office puts out the schedule listing the months in which the various pools in that district will be included in the GOR surveys, and the tests are to be taken during the prescribed months and reported to the Commission. I would envision that once this amendment

has taken affect that the annual list would also have a productivity survey schedule rather than just a gas-oil ratio schedule. The difference of these two types is of course, the GOR. You measure the oil and gas and determine the GOR, and in the productivity test no tests would be necessary. This is in the interest of saving effort and cost to the operators. There are certainly some pools where GOR tests are not necessary. Some of our water-drive pools produce throughout their lives with very little GOR. However, those pools which have top allowable wells and high marginal wells, we certainly need to know how much oil the wells are capable of producing. Those would be listed on the productivity test schedules.

Paragraphs "G", "H", and "I" are similar to "B", "C" and "D" of the current rules, and relate to the type of tests, the manner in which reported, and the consequences of not making and reporting a test. Only three relate to the productivity tests, whereas "B", "C" and "D" relate to the GOR tests.

I think the rule is fairly well self-explanatory but I'll be happy to answer any questions.

MR. UTZ: Any questions? Proceed.

MR. NUTTER: Before proceeding I might add it has been our thought relative to Paragraph "E" of that rule, that

the district offices, maybe on an annual basis, would make a survey of the pools in their district and advise the Secretary-Director of the pools which should be exempt.

Now, we did not have in mind at this time providing for any administrative approval for the exemption of one well in a pool from GOR tests. This is strictly on the pool-wide basis. I'm open to questions again.

MR. UTZ: There are none, you may proceed.

MR. PORTER: Mr. Nutter, I'm glad you made that last statement because one telegram we had indicated some misunderstanding on that point as though we might be intending to set up an administrative procedure for granting exception for individual wells within a pool.

MR. NUTTER: Yes, sir, but as I stated this is strictly on a pool-wide basis rather than an individual well.

The next proposed amendment is amended on Rule 302, which is the rule requiring subsurface pressure tests on new wells as it's presently written. However, the paragraph goes on to discuss regularly scheduled tests on designated pools, so actually "on new wells" should be stricken from the title.

A year or so ago when we were revising our forms, the old bottom hole pressure test, Form C-124, stated that

the bottom should be calibrated before and after each test. So we looked it up in the rule and sure enough the rule required the bottom be calibrated prior to and subsequent to each bottom hole pressure test. This is not the practice and I don't know what the purpose of the requirement in the rule was. It's probably a very good requirement but it would be very time consuming to run into town to the lab and test the bottom after every well, so when we revise the form we revise the form to provide that the bottom be calibrated on an approved dead-weight tester at intervals frequent enough to ensure its accuracy within one percent.

The old words on Exhibit "A" are included in parenthesis and scored out. The new words are included and underlined. That is the only change on this rule. I don't know how you're going to know if the bottom is calibrated to ensure its accuracy. I presume that a prudent bottom operator will take his survey and bring his bottom back into the lab and check it out. Also, any prudent operator is going to calibrate his bottom if he's dropped it or in any way subjected it to abuse that might affect its accuracy.

This is within the discrepancy of the operator, and the operator paying him or interested in good results. This is pretty much of a thing that should be left to their discretion.



MR. UTZ: Are there questions?

MR. SPERLING: Jim Sperling. For the record, could I go back to 3373 and ask a question. What criteria would be applied there making the determining as to whether a certain pool should be exempt from annual gas-oil ratio tests? You mentioned a water-drive reservoir; what others?

MR. NUTTER: That's probably the main consideration if you have a pool in which low GORs are the prevalent thing and there's not much danger of any well having an effective GOR as far as penalized allowable is concerned.

Now, we have some pools where you have high GOR on some of the wells, but the allowables for the wells, the productivity of the wells, is very low. Some of these may be eligible for exemption, however in some cases these wells should probably be tested on the productivity tests. It's just something that you would have to look at and see what the range of allowables in a pool is. You would have to see what the range of GOR is, what the trend of GOR that this pool has been in; GORs are low but it's a pool with such characteristics that it should be high tomorrow. We shouldn't exempt that pool and the tests. But if the GORs in a pool are going in opposite directions, they have been high and we've started waterflooding, and the GORs come down, then it may be time to exempt the GORs and take the

productivity tests.

MR. SPERLING: Would you contemplate that the action should be initiated by the Commission, or operator, or both?

A I contemplate that if an operator feels a pool in which he has wells should be included in the exemption, and put on productivity, he would make a recommendation to the district office and the district office would, say, in the month of November and December, advise the Secretary-Director of what pools should be included in his list. This does not say it is an annual list but that's the way it's generally done.

If an annual schedule is put out, and this should be done once a year prior to the time that new schedule is put out, but if the operator in the pools would take it up with the district office, then it would be included in the information to the Secretary-Director.

MR. PORTER: Mr. Sperling, for the record, there have been two hearings that I recall in the past for the purpose of exempting certain pools from the requirements of the gas-oil ratio tests. Lists of pools were prepared by the staff for the Commission, and a Commission witness appeared and testified along the same lines that Mr. Nutter has talked about here this morning.

Generally speaking, the purpose has been to exempt

those pools wherein the requiring of gas-oil ratio tests would serve no purpose. And, of course, the Commission has to use some discretion in that matter.

MR. CHRISTY: Sim Christy. Mr. Nutter, these exemptions, would that be on an annual basis or is that a permanent exemption.

MR. NUTTER: Probably permanent until conditions changed in the pool.

MR. CHRISTY: As you construe the rule, the Secretary-Director could change his mind?

MR. NUTTER: If conditions changed he should certainly have that right.

MR. CHRISTY: You construe that to be included in this?

MR. NUTTER: I don't envision that he would have to exempt this pool in his order each year. It would be a one-time order and then it would get on the productivity test schedules and stay there until such time as conditions change and he had looked at it again and decided this pool should go back on a GOR test. The GORs are going up.

MR. PORTER: Generally speaking, Mr. Christy, there are a lot of stripper pools which will average a barrel or two or three barrels a day and we get gas-oil ratio tests in with a notation "TSTM" which means "too small to measure".

However, these gas-oil ratio tests are costly, particularly to the small operator who must hire a tester to go out and do that, and if it serves no purpose it might as well be eliminated in some cases.

MR. UTZ: Any other questions?

MR. MORRIS: I have one question; Dick Morris.

In Case 3370, that's on the docket today, Shell Oil Company is seeking an exception to the Rule 301 and some special field rules pertaining to gas-oil ratios, and is seeking to exempt a portion of a pool contained in a unitized area in which a pressure maintenance project has been conducted for several years from the gas-oil ratio test requirements.

As we'll show in that case, the gas-oil ratios have declined in the pool, and there is--appears to us no reason why the tests should be made.

Is there any provision in your proposed amendment of Rule 301 whereby administrative approval might be obtained in a situation of that sort? I'm not thinking so much of our present case, but of cases on down the line where pressure maintenance projects are being conducted in unitized areas and we know we have quite a few in New Mexico that are in this category where administrative approval for the discontinuance of the test can be authorized.

MR. NUTTER: No, sir, there isn't, for this reason.

You take a pool like--you say you're not talking about your case this morning, or this afternoon, but it's a very good case at point. You take a long pool like a business type pool where your case is being concerned. Now, the West end of that pool was put on pressure maintenance when the pool first started declining. That was the British-American project at the far West end. Then came the Sunray where they injected LPG and water. They had high GORs out there. That area is probably still producing with relatively high GOR.

Now, Shell in the Carson Unit, instituted a waterflood project relatively late in the life of the well and they brought their GOR down pretty rapidly, but by the injection of water the GOR is low enough that they probably have reasonable grounds for seeking this case on the docket. But then you go farther to the East and you've got some pretty high GORs. Unless you can do it on a pool wide basis I don't think you should do it. And for a given well or operator, I don't think any well in any pool should be exempt from a GOR test unless notice of that exemption has been given to every operator in the pool. And when you start having to notify every operator in the pool it becomes very burdensome and cumbersome.

In Rule 506, I believe it is somewhere, but it

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requires that if you're going to ask for that daily exception you must notify every operator in that pool. It might work in small pools but for large pools it's not practical. We thought about this but we thought it would complicate the rule and we put it on a pool basis entirely.

MR. MORRIS: It's contemplated a hearing would be required to consider exemptions?

MR. NUTTER: Every unitized area comprising less than the whole pool, yes, sir.

MR. UTZ: Any other questions?

MR. PORTER: I would like for the record to restate that the statements that I've made were merely observations, not testimony.

MR. UTZ: I have two telegrams in the files. These telegrams relate to all three cases. One from Pan American, W. B. Gisham, wherein he supported the amendments and further recommends that--well, he says, "We recommend that offset operators be notified of administrative application for approval of unorthodox locations necessitated by recompletions of wells previously drilled to other horizons", and, "Further we recommend that all other operators in a field be notified of an application for exemption from gas-oil ratio test requirements".

Another from Amerada, R. L. Hocker, wherein he


supports the provisions for all three groups. Are there any other statements?

MR. KELLAHIN: Jason Kellahin, appearing on behalf of Standard Oil Company of Texas. Standard is in support of the changes that have been proposed by the Commission in these three cases and feels that the adoption of them will simplify some of the procedures, and such changes are to be encouraged on behalf of Phillips Petroleum Company. Phillips Petroleum Company is in support of the proposed amendment to Rule 104F in Case 3372, but do think the requirements for notification to offset operators should be included in the proposed amendment as contained in the Exhibit "A" in Case 3372, rather than the proposal to change this to require notice only to the offset operator being crowded.

It would appear possible, for example, that a well that could be moved over to the eastern side of the unit would have an adverse effect on the north and south operators without necessarily crowding them. And to put such a provision in the rule would introduce a judgment factor, and notice to all of the offset operators is certainly not unduly burdensome.

MR. UTZ: Are there other statements: The witness may be excused and the case will be taken under advisement.

(Whereupon, a recess was taken.)

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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, BOBBY J. DAVIS, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Witness my Hand and Seal this 8th day of March, 1966.

Bobby J. Davis
NOTARY PUBLIC

My Commission Expires:

March 13, 1969

I do hereby certify that the foregoing is a complete record of the proceedings in the Executive Hearing of Case No. 2372-23 heard by me on June 26, 1966.

Walter H., Examiner
New Mexico Oil Conservation Commission