

CASE 3817: Appli. of CONTINENTAL  
OIL CO. for reinstatement of  
cancelled underproduction.

Case Number

3817

Application  
Transcripts.

Small Exhibits

ETC.

GOVERNOR  
DAVID F. CARGO  
CHAIRMAN

State of New Mexico  
**Oil Conservation Commission**



LAND COMMISSIONER  
GUYTON S. HAYS  
MEMBER

P. O. BOX 2088  
SANTA FE

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

September 9, 1954

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Mr. Jason Kellahin  
Kellahin & Fox  
Attorneys at Law  
post office Box 1769  
Santa Fe, New Mexico

Re: Case No. 3843  
Order No. R-3482, 3483, 3484,  
Applicant: 3485, 3487, 3488,  
3489, 3490, 3491  
Continental & Eugene Nearburg

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

*A. L. Porter, Jr.*  
A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Carbon copy of order also sent to:

Hobbs OCC x  
Artesia OCC R-3483 & R-3489  
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. 3817  
Order No. R-3491

APPLICATION OF CONTINENTAL OIL COMPANY  
FOR REINSTATEMENT OF CANCELLED UNDER-  
PRODUCTION, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 24, 1968,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 9th day of September, 1968, 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 by Order No. R-3425, effective April 1, 1968, the  
applicant, Continental Oil Company, was granted authority to  
consolidate two existing non-standard gas proration units into  
one 280-acre non-standard gas proration unit in the Jalmat Gas  
Pool comprising the SW/4, W/2 SE/4, and SE/4 SE/4 of Section 35,  
Township 23 South, Range 36 East, NMPM, Lea County, New Mexico,  
dedicated to the Continental Oil Company Stevens A-35 Well No. 1,  
located in Unit J of said Section 35, and to the Continental Oil  
Company Stevens A-35 Well No. 2, located in Unit L of said Sec-  
tion 35.

(3) That said Order No. R-3425 further provided that the  
allowable assigned to said non-standard gas proration unit be  
based upon the unit size of 280 acres; that the operator could  
produce the allowable assigned to the unit from the subject wells

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CASE No. 3817  
Order No. R-3491

in any proportion; and that the status of said consolidated unit would be the combined status, as of April 1, 1968, of the two units being consolidated.

(4) That in January, 1968, applicant's said Stevens A-35 Well No. 2 was reclassified as a marginal gas well and its accumulated underproduction cancelled as of January 1, 1968, according to the provisions of Rule 16(A) of the General Rules and Regulations for the Prorated Gas Pools of Southeast New Mexico promulgated by Order No. R-1670, as amended.

(5) That the applicant seeks an exception to said General Rules and Regulations to permit the reinstatement of said underproduction accumulated by said Stevens A-35 Well No. 2 and cancelled as of January 1, 1968, and to produce said underproduction from either or both of the aforesaid gas wells in any proportion.

(6) That said Stevens A-35 Well No. 2 was underproduced at the beginning of the gas proration period beginning July 1, 1967, that said well did not produce its allowable during any month of said gas proration period, and that satisfactory evidence was not presented to the Commission, prior to the end of said proration period, showing the well should not be classified as marginal.

(7) That remedial work was commenced April 17, 1968, on the subject well.

(8) That the aforesaid remedial work has increased, slightly, the productive capacity of said Stevens A-35 Well No. 2.

(9) That the evidence indicates that said Stevens A-35 Well No. 2 did not demonstrate during any month of the proration period beginning July 1, 1967, its ability to produce its allowable for said period, nor does the evidence indicate that said well is now capable of producing in excess of a 160-acre allowable.

(10) That the aforesaid Stevens A-35 Well No. 2 was properly reclassified as a marginal well and its underproduction properly cancelled as of January 1, 1968.

(11) That the correlative rights of other operators in the Jalmat Gas Pool would be violated if the underproduction accumulated by said Stevens A-35 Well No. 2 were reinstated and allowed to be produced by either or both of said Stevens A-35 Wells Nos. 1 or 2.

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CASE No. 3491

Order No. R-3491

(12) That the subject application should be denied.

IT IS THEREFORE ORDERED:

(1) That the application of Continental Oil Company to permit the reinstatement of underproduction accumulated by its Stevens A-35 Well No. 2, located in Unit L of Section 35, Township 23 South, Range 36 East, NMPM, Jalmat Gas Pool, Lea County, New Mexico, cancelled as of January 1, 1968, is hereby denied.


(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.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
DAVID F. CARGO, Chairman

  
GUYTON B. HAYS, Member

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

esr/



# CONTINENTAL OIL COMPANY

P. O. Box 460

HOBBS, NEW MEXICO 88240

June 24, 1968

*Case 3817*

1001 NORTH TURNER  
TELEPHONE 393-4141

PRODUCTION DEPARTMENT  
HOBBS DIVISION  
L. P. THOMPSON  
Division Manager  
G. C. JAMIESON  
Assistant Division Manager

New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico

ATTENTION: Mr. A. L. Porter Jr. - Secretary Director

RE: Applications For Hearing

Gentlemen:

Forwarded herewith in triplicate are applications for restoration of allowable and exception to Balancing Rule for our Stevens A-35 well no. 2, in the Jalmat Gas Pool; and for exception to statewide Rule 506, for our Warren Unit well no. 11, Warren Drinkard Pool. Please set these matters for hearing on your July 24, Docket.

Yours very truly,

*L. P. Thompson*  
L. P. THOMPSON

LPT-MCH

cc: RLA JJB JWK

DOCKET MAILED

Date 7-11-68

PIONEERING IN PETROLEUM PROGRESS SINCE 1875

IN THE MATTER OF THE APPLICATION OF  
CONTINENTAL OIL COMPANY FOR RESTORATION  
OF CANCELED ALLOWABLE AND FOR EXCEPTION  
TO RULE 14 (A) OF THE GENERAL RULES AND  
REGULATIONS FOR SOUTHEAST NEW MEXICO  
CONTAINED IN ORDER R-1670 FOR ITS STEVENS  
A-35 WELL NO. 2 LOCATED IN SECTION 35,  
T23S, R36E, LEA COUNTY, N.M. IN THE  
JALMAT GAS POOL.

*Case 3817*

A P P L I C A T I O N

JAN 26 PM 1 02

Comes now Continental Oil Company and respectfully petitions the Commission for the restoration of cancelled allowable and for exception to Rule 14 (A) of the General Rules and Regulations for Southeast, New Mexico contained in order number R-1670 for its Stevens A-35 well no. 2 in the Jalmat Gas Pool and in support thereof would show:

1. Applicant is operator and co-owner of the Stevens A-35 Lease consisting of SW/4, W/2 SE/4, and SE/4 SE/4 Section 35, T23S, R36E, Lea County, N. M.
2. Applicant has heretofor drilled and completed in the Jalmat Gas Pool its Stevens A-35 wells No. 1 in Unit J and No. 2 in Unit L on said lease.
3. Order No. R-3425 approved a 280-acre non-standard gas proration unit for the said lease which is assigned jointly to the said wells Nos. 1 and 2.
4. Stevens A-35 well No. 2 experienced mechanical difficulties which prevented its making up under production accrued in the second balancing period of 1967. Said mechanical difficulties have now been repaired.



Application


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5. Due to circumstances beyond the control of applicant accrued underproduction was cancelled when the well was reclassified from non-marginal to marginal status on December 31, 1967.
6. El Paso Natural Gas Company, purchaser of gas from said lease, has encountered unusual difficulties in marketing gas from the Jalmat Pool which prevented their producing the wells on this lease in such a manner as to make up the unproduced allowable.
7. Applicant's Stevens A-35 wells No. 1 and 2 have adequate producing capacity to produce accrued underproduction together with restored allowable requested herein, in addition to the normal allowable which the lease is assigned.
8. The granting of this application is in the interest of preventing waste and protecting Applicant's correlative rights.

WHEREFOR, Applicant respectfully prays that this matter be set for hearing before the Commission's duly appointed examiner and that, upon hearing an order be entered restoring cancelled allowable and granting exception to Rule 14(A) of the General Rules and Regulations for Southeast New Mexico contained in order no. R-1670 as described herein above.

Respectfully submitted,  
CONTINENTAL OIL COMPANY

LPT-MCH

  
L. P. Thompson



Docket No. 22-68

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 24, 1968

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

The following cases will be heard before Daniel S. Nutter, Examiner, or  
A. L. Porter, Jr., Alternate Examiner:

- CASE 3809: Application of Solar Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Travis Well No. 2 located in Unit J of Section 21, Township 23 South, Range 37 East, Lea County, New Mexico, to produce oil from the Teague-Blinebry and undesignated Tubb-Drinkard pools through parallel strings of tubing.
- CASE 3810: Application of Bronco Oil Corporation for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Saltmount Well No. 2 located in Unit O of Section 21, Township 23 South, Range 37 East, Lea County, New Mexico, to produce oil from the Teague-Blinebry and undesignated Tubb-Drinkard pools through parallel strings of tubing.
- CASE 3811: Application of Charles B. Read for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill his Marathon State Well No. 1 at a location 1980 feet from the South line and 660 feet from the West line of Section 7, Township 19 South, Range 35 East, Scharb-Bone Springs Pool, Lea County, New Mexico, in exception to the pool rules which require the first well drilled on a unit to be located in the NE/4 or the SW/4 of the quarter section.
- CASE 3812: Application of Tenneco Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Southwest Henshaw (Premier) Unit Area comprising 1720 acres, more or less, of Federal lands in Township 16 South, Range 30 East, West Henshaw-Grayburg Pool, Eddy County, New Mexico.
- CASE 3813: Application of Tenneco Oil Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its Southwest Henshaw (Premier) Unit Area by the injection of water into the Premier sand through nine injection wells in Sections 7, 8, 17, 18 and 19, Township 16 South, Range 30 East, West Henshaw-Grayburg Pool, Eddy County, New Mexico.

- CASE 3814: Application of Humble Oil & Refining Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Penrose zone of the Queen formation in the perforated interval from 3818 feet to 3838 feet in its New Mexico "G" State Well No. 17 located 330 feet from the South line and 1850 feet from the West line of Section 23, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico. If said Penrose zone does not prove satisfactory, then the applicant proposes to deepen said well and dispose into the San Andres formation.
- CASE 3815: Application of Humble Oil & Refining Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Abo formation in the interval from 5670 feet to 6030 feet in its Chalk Bluff Draw Unit (A) Well No. 19 located 990 feet from the South line and 1650 feet from the West line of Section 16, Township 18 South, Range 27 East, Empire Abo Pool, Eddy County, New Mexico.
- CASE 3816: Application of Humble Oil & Refining Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Wolfcamp formation in the interval from 10,199 feet to 10,530 feet in its H. A. Townsend Well No. 6 located 1980 feet from the North and East lines of Section 9, Township 16 South, Range 35 East, Townsend Wolfcamp Pool, Lea County, New Mexico.
- CASE 3817: Application of Continental Oil Company for reinstatement of cancelled underproduction, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the general rules and regulations for prorated gas pools of Southeastern New Mexico promulgated by Order No. R-1670, as amended, to permit the reinstatement of underproduction accumulated by its Stevens A-35 Well No. 2 located in Unit J of Section 35, Township 23 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, cancelled December 31, 1967. Applicant requests that its Stevens A-35 Well No. 1 located in Unit L and its Stevens A-35 Well No. 2 located in Unit J, both in the aforesaid Section 35 and dedicated to the same non-standard gas proration unit, be permitted to produce the aforesaid cancelled underproduction.

- CASE 3818: Application of Continental Oil Company for an exception to Rule 506, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the statewide limiting gas-oil ratio of 2,000 feet of gas per barrel of oil as promulgated by Commission Rule 506 for its Warren Unit Well No. 11, located in Unit A of Section 35, Township 20 South, Range 38 East, Warren-Drinkard Pool, Lea County, New Mexico.
- CASE 3819: Application of Cities Service Oil Company for the institution of gas prorationing in the Buffalo Valley-Pennsylvanian Gas Pool, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the limitation of gas production from the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, to reasonable market demand and to the capacity of gas transportation facilities, and that the subject pool be governed by the general rules and regulations for the prorated gas pools of Southeastern New Mexico insofar as said general rules and regulations are not inconsistent with the special rules and regulations governing the subject pool. Further, the applicant proposes that the allowable production from the pool be allocated among the wells in the pool on a 100% surface acreage basis.
- CASE 3820: Application of El Paso Natural Gas Company for an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Harvey "A" Well No. 3 at a point 890 feet from the South line and 1650 feet from the East line of Section 32, Township 27 North, Range 7 West, Blanco-Mesaverde Pool, Rio Arriba County, New Mexico, in exception to the pool rules which require locations to be in either the Northeast or Southwest quarter of the section.
- CASE 3821: Application of Marathon Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the SE/4 of Section 22, Township 20 South, Range 35 East, Lea County, New Mexico. Said acreage to be dedicated to a well to be drilled 660 feet from the South and East lines of said Section 22, and within one mile of the Southeast Lea-Wolfcamp Gas Pool.

Case 3822: Application of Aztec Oil & Gas Company for commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle San Andres production from its State "AJ" lease comprising the SW/4 and the W/2 NE/4 of Section 1 and its Amerada State lease comprising the N/2 NW/4 of Section 12, all in Township 18 South, Range 36 East, Arkansas Junction-San Andres Pool, Lea County, New Mexico, allocating production to each lease on the basis of periodic well tests.

CASE 3805: CONTINUED FROM THE JULY 10, 1968, EXAMINER HEARING

Application of Benson-Montin-Greer Drilling Corporation and Lloyd B. Taylor for Pressure Interference Tests and Back Allowable, San Juan County, New Mexico. Applicants, in the above-styled cause, seek authority to extend for an additional 60-day period from July 8, 1968, the shut-in test period authorized for one well in the La Plata Gallup Oil Pool, San Juan County, New Mexico, by Commission Order No. R-3399 and to also extend the back allowable make-up period for said well. Applicants further seek authority to drill three additional La Plata oil wells in Section 6 of Township 31 North, Range 13 West, and Sections 31 and 32, Township 32 North, Range 13 West, and to shut said wells in immediately after recovery of load oil and the establishment of initial potentials, for a period of up to 180 days for the purpose of conducting pressure interference tests, and to make-up the production lost during said test period at a later date. Applicants further seek a provision for administrative extension of the shut-in test period and the make-up period.



MR. NUTTER: Call Case 3817.

MR. HATCH: Case 3817. Application of Continental Oil Company for reinstatement of cancelled underproduction, Lea County, New Mexico.

MR. KELLAHIN: If the Examiner please, Jason Kellahin of Kellahin & Fox appearing for the Applicant. I have one witness I would like to have sworn, please.

(Witness sworn.)

MR. KELLAHIN: Do you want to give her the exhibits and have them marked?

(Whereupon, Applicant's Exhibits A through J were marked for identification.)

VICTOR J. LYON

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Victor J. Lyon, L-y-o-n.

Q By whom are you employed and in what position,

Mr. Lyon?

A I am employed by Continental Oil Company as Conservation Coordinator in the Hobbs Division Office.



Q Have you ever testified before the Oil Conservation Commission in New Mexico and made your qualifications a matter of record?

A Yes, I have.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. NUTTER: Yes, they are.

Q Mr. Lyon, are you familiar with the application of Continental Oil Company in Case 3817?

A Yes, I am.

Q What is proposed by Continental Oil Company in this case?

A This is the application of Continental Oil Company for the restoration of allowable which was cancelled from Continental's Stevens A-35 Well Number 2 in the Jalmat Pool. The factual situation leading up to the cancellation of this allowable was described in my testimony in Case 3754 at the April 24th, 1968 hearing.

That particular case involved our application to assign a 280 acre non-standard gas proration unit jointly to the Stevens A-35 Well Numbers 1 and 2. This application was approved by Order Number R-3425 dated June 5th, 1968.

MR. KELLAHIN: If the Examiner please, in order to

have a complete record in this case, I move that the transcript and record in Case 3754, including all of the exhibits, be incorporated into the record in this case.

MR. NUTTER: Was that the case where we consolidated the two proration units?

MR. KELLAHIN: That is correct. We made it non-standard 280 acre gas proration unit dedicated to two wells.

MR. NUTTER: The record in Case Number 3754 will be incorporated in the record of this case.

Q (By Mr. Kellahin) Mr. Lyon, did you participate in the presentation of Case 3754?

A Yes, I did.

Q Just to bring the matter up to date, would you briefly review the facts in Case 3754 that are pertinent to the matter being heard today?

A At the hearing in that case, I pointed out that the Stevens A-35 Number 2 has been an excellent producing well throughout its life. It has been the usual practice of El Paso Natural Gas Company, the gas purchaser, to use such wells to supply gas during high demand seasons. This practice results in extended periods of shut-in or restricted flow, and then the wells are produced heavily during high demand seasons so that they are kept in balance.

Because of this fact, Continental was not aware that the well had encountered difficulties and was unable to produce at normal rates until near the end of 1967 when production failed to increase sharply as it usually does. Being confident that the well would be restored to production but recognizing that it might be somewhat delayed, we filed the application to enlarge the or to consolidate the proration unit for the two wells on this lease so that Well Number 1 might assist in making up this underproduction and carry the allowable load during the time that the well was being worked on.

This matter was discussed with the Commission staff before the application was filed. It had been our thought that we would ask for restoration of the allowable at that time; but we were advised that if the wells could make up the underproduction of overproduced to the extent of the allowable that was cancelled, that the allowable would be reinstated.

Q Now, the application in this case, that is, the case you were just discussing, had a plat attached to it. Does this plat show the non-standard gas proration unit approved by Order R-3425?

A Yes, it does. I believe that's marked as Exhibit A.

Q Exhibit A in this case?

A Right. And Exhibit A is a location plat which shows

the consolidated gas proration unit which is described as the Southwest quarter, the west half of the southeast quarter and the southeast quarter of the southeast quarter of Section 35, Township 23 South, Range 36 East.

Q Now, referring to what has been marked as Exhibit B, would you identify that exhibit and discuss the information shown?

A Exhibit B is a tabulation of the allowable redistribution at the end of each balancing period, beginning in 1961 and carrying through June 30th, 1967. As is shown on the exhibit, the average allowable redistribution is 1,868 mcf. You will note that on June 30th, 1967, the redistribution was 7,235 mcf which is approximately four times the normal or the average amount during the period I have shown.

Q Now, referring to what has been marked as Exhibit C, would you identify that exhibit?

A Exhibit Number C is a tabulation of the allowable which was assigned during the second proration period of 1967. to Stevens A-35 Number 2, and the amount that it would have received had it not been reclassified as marginal. You will note at the top that as of June 30th before redistribution, the well was overproduced in the amount of 1,854 mcf. Then the redistribution of 7,235 mcf allowable brought its status to an

underproduced status in the amount of 5,381.

Now, before the redistribution, the well was balanced. It was overproduced. And after the redistribution, it was underproduced but still essentially in balance.

The production and the status of the well is shown through the second proration period of 1967. The underproduction of 5,381 mcf, of course, was subject to cancellation if it was not made up during this period and it was not made up. Consequently, it would rightfully have had that amount cancelled.

Had the well not been reclassified to marginal, it would have received in January, 20,982 mcf allowable. In February, 19,949 and in March, 15,430. And then the proration period for -- I mean, the proration unit, which was the combination of the two, in other words, consolidated gas proration unit, was effected April 1st.

So as of April 1st, the well would have had an underproduced status of 114,572 mcf which has a value of some \$18,000.00.

Q Now has Continental Oil Company made any request to El Paso Natural Gas Company for increased purchases from the two wells on this proration unit?

A Yes, we have. On the date that the application in Case -- What was that case number? Let me have those, please,

the previous case where we asked for the units to be consolidated.

MR. NUTTER: 3754.

MR. KELLAHIN: 3754.

A I called El Paso Natural's Jal Office and asked them to increase the takes from Well Number 1 so that we could begin to make up this underproduction so that the allowable would not be lost. And then, by letter dated April 24th, 1968, I directed a letter to the Jal Office of El Paso with a copy to their El Paso Office, which this letter is marked, I believe, Exhibit D?

MR. KELLAHIN: D.

A And, essentially, we have reviewed the situation that I have described at this hearing and asked them to increase their takes from Stevens A-35 Number 1 so that the allowable could be produced and the cancellation of allowable avoided.

Q Now, did you get a response to that letter?

A Yes, I did. El Paso responded by letter dated May 3rd, 1968.

Q And has that been marked as Exhibit Number E?

A I believe this is Exhibit Number E. And, essentially, they say that their market demand situation -- I'm quoting from the next to the last paragraph: "Our market demand situation

in the Jalmat Pool during 1968 will make it extremely difficult to produce in excess of the combined current allowable of the two wells on the consolidated proration unit."

Q Now, is it your understanding that El Paso Natural Gas Company is experiencing some difficulty in regard to its gas markets at this time?

A This is my understanding.

Q What do you base that on, Mr. Lyon?

A Well, normally, when we make a request of this type to El Paso, they have been extremely cooperative and helpful in working with us on this type of situation and, normally, all it takes is a call to their Jal Office and to increase or decrease the flow on the well to meet a particular situation. And when I called El Paso, they indicated that they would not be able to comply with this request which was confirmed by the letter which we introduced as Exhibit E.

Then, this situation seemed unusual and there may be some explanation given in a statement given by Mr. Utz at the May Statewide Market Demand Hearing which, I believe, is marked as Exhibit F. It is a statement signed by Elvis A. Utz, Gas Engineer, dated May 14th, 1968 in which he indicates that there has been some difficulty in FBC filings, and as I gather it, El Paso's commitments under contracts and their market

demand are in considerable conflict and that they consequently will have to curtail production from a number of areas in order to meet their existing contracts.

Q Now, Mr. Lyon, at the hearing in Case 3754 on April the 24th, there was some question raised as to whether the Stevens A-35 Well Number 2 would be restored to production. Would you bring the Examiner up to date as to the status of that well?

A Yes, sir. Exhibit Number G is a diary of the work on Stevens A-35 Number 2 performed since that hearing on April the 24th. Essentially, summarizing the exhibit and the work done, we found a hole in the casing at 690 feet. We set a packer at 2600 feet and swabbed the well for several days. Then we ran a rod pump with a test pumping unit and pumped the well for approximately twenty-five days.

The pump was then pulled and the well was swabbed -- I beg your pardon. After the pump was pulled, the well was acidized with 1500 gallons of 15% LSTNE acid and treated with 150 gallons of Addafoam, which is a foaming agent. That's a trademark, incidentally, Addafoam.

After this, the well was swabbed and then it kicked off and began flowing. It flowed, oh, at rates from 56 barrels of water down to about 20 barrels of water per day, and began increasing in strength until we could connect it to the gas



sales line. We installed a separator and connected it to the sales system and it produced at rates of about 400 mcf a day into the sales line.

Q Mr. Lyon, do you consider that Continental Oil Company had a reasonable opportunity to produce the normal allowable assigned to this well?

A No, I do not.

Q And why do you say that?

A Essentially, because the well was classified as marginal and the accumulated underproduction was cancelled so that the well could not make it up.

Q And do you feel that if the allowable is restored, the Continental Oil Company could produce that allowable?

A Yes, sir, I'm confident that we can.

Q Now, under the balancing rules, won't the 59,604 mcf shown on Exhibit Number C be cancelled July the 1st, 1968?

A Yes, it will, if the rules are followed.

Q And do you have a recommendation on that then?

A Yes, I do. Considering the fact that El Paso is not able to comply with our request and that they are in a difficult situation with regard to supply in demand and contractual obligations, I recommend that the cancellation and balancing procedures be suspended at the end of this balancing period and

until El Paso's situation permits them to produce the under-production, which they normally would be able to.

Q Now, if this application is granted, will it result in the prevention of waste?

A Well, it would result in the prevention of waste as it is defined by the Statutes inasmuch as if the application is not granted, our correlative rights will suffer.

Q In other words, you are saying that the proration has been accomplished for the prevention of waste, but if it's followed in its present form, it will result in an impairment of your correlative rights, is this your statement?

A This is true.

Q Approximately, what is the value of the gas that has been lost to the Applicant in this case?

A Approximately \$18,000.00.

Q Do you have anything further to offer?

A No, I don't believe so.

Q Were Exhibits A through G prepared by you or under your supervision?

A They were.

Q With the exception of the letters; were those letters written in the normal course of business?

A Yes, sir.

MR. KELLAHIN: At this time, I offer Exhibits A through G, inclusive.

Q (By Mr. Kellahin) Mr. Lyon, would you just briefly summarize the position of Continental Oil Company in filing this application?

A Let's see if I can find my notes.

(Whereupon, off-the-record discussion was had regarding exhibits in this case.)

MR. NUTTER: For the record, offer A through E and G or change the name of this last one to F and pull this one out.

MR. KELLAHIN: What number is that one?

MR. NUTTER: Well, it's F, so would you make this one F?

MR. KELLAHIN: Yes. We'll make it F.

MR. NUTTER: The diary of the work would be F then.

MR. KELLAHIN: But you really don't want this one?

MR. NUTTER: No, I sure don't, Mr. Kellahin, because we haven't actually confirmed these facts ourselves.

MR. KELLAHIN: I see. Well, I'll withdraw my statement then and offer Exhibits A through F, deleting from the list of F as identified in the testimony.

MR. NUTTER: Continental's Exhibits A through F will be admitted. Exhibit E being the letter of May 3rd from El Paso; Exhibit F being the diary of the work performed on Stevens A-35 Number 2.

(Whereupon, Applicant's Exhibits A through F were admitted.)

Q (By Mr. Kellahin) Would you summarize the position of Continental Oil Company in this case, please?

A We feel that this is a rather unusual situation. Normally, a well which is reclassified to marginal has had several instances at the end of a balancing period where allowable is cancelled and as the well weakens, it becomes apparent that the well is not able to produce its allowable.

To my knowledge, Stevens A-35 Number 2 has never had allowable cancelled from it until December 31st, 1967. And the purpose of reclassifying wells to marginal is to avoid allocation of allowable to wells which are incapable of producing. I do not think it should be the purpose in reclassifying wells to look for allowable which can redistribute to overproduced wells.

Also, it seems there is no reason why a decision to classify a well to marginal should be irrevocable if there is a proper showing that the well, in fact, should not be classified as marginal. Then, it seems to me, proper that this decision

could be reversed.

Also, where pipeline proration or other unusual conditions occur, back allowable for oil wells is granted. Why cannot the gas wells be given some consideration of this type?

MR. KELLAHIN: That's all we have on direct, Mr. Nutter.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Lyon, referring to that very last statement that you made, I think, is the key to the whole thing. You said, inasmuch as back allowable for oil wells can be reinstated because of pipeline prorationing, why can't it be for gas well proration; however, this well had its allowable cancelled because of mechanical problems and not because of pipeline prorationing.

A Well, I don't think this is entirely true. I think that the well was reclassified to marginal before the mechanical condition of the well was known.

Q Well, I think that at the previous hearing, it was brought out that the well was ordinarily used as a swing well and large volumes of gas taken in the Fall, but you had an indicator as early as October, as I recall, that takes were not

being made from this well and it was probably watering up at that time and you probably concur with me, don't you, that it was watering up as early as October?

A Locking at the evidence available to us today, and which was available to us at that time, I mean in April at the earlier hearing, it indicated that this was true. We had the test from El Paso. I did not have a receiving date on that form and I still do not know when that form was received but, even in October, normally, the well does not resume high producing rates. It is not until November that they usually pick up the production from the well.

Q And as I recall the exhibit in Case 3754, they would take up to eight and 10,000 mcf a month from the well in November and December, wouldn't they?

A Right. At least that.

Q Now, on your Exhibit Number C which is the tabulation of normal allowable, we have an underproduced status down to the line where it says "enter period". Now, January, February, March, isn't this an underproduced status also?

A Yes.

Q So they would have minuses on them, those last three numbers there?

A Your copy does not have a minus?

Q Not on the last three numbers.

A I'm sorry. Last night, I thought I had marked and corrected all those exhibits to show minus, and if it isn't, then --

Q Oh, I see. On this one, it does have it. So these should be minuses then?

A Right.

Q Now, on your diary of work performed, you found the hole in the casing at 690 feet on April 16th. I don't see any place where the hole was fixed. Was it?

A No. The hole was not fixed. This well is at least 20 years old. On looking at the records, I find that the casing was cemented to surface and we could go in and squeeze the hole and we would repair that hole, but we do not have any assurance that another hole would not come in; whereas, with a packer in there, even if another hole does come in, the producing formation will be protected from any influx of water.

Q Well, you've got -- Right. You're producing from under a packer.

A Right.

Q But you haven't sealed off the possibility of this water communicating with some other zone?

A That's true.

Q And the water is evidently in the pipe down to the top of the packer.

A Right.

Q Or someplace else.

A That's true.

Q You do know that you have the producing formation swabbed and pumped off, though?

A Yes, sir.

Q And it's making gas now. Now, is this well at the flowing rate of 400 mcf a day producing at its maximum rate?

A I don't think so. I think the well was still cleaning up at the time that we terminated reports on the well, and I think that it will exhibit even better producing characteristics as it does clean up.

Q Now, if you didn't have the assistance of the other well which was put in this proration unit, would this well be able to make up this vast amount of underproduction which has accrued to it?

A Well, it depends on how well it performs. As you well know, I'm sure, the allowables for April and May are very low, and I do not know how long this might continue. The June allowable is lower, much lower than normal, and if the allowables continue to be depressed in the pool, then it could make it up.

Q Now, what size of a proration unit did this well have



prior to consolidation?

A It had 160 acres.

Q All right. We see in your allowable schedule tabulation of normal allowable on Exhibit C that the allowable for July of 1967 was 8,949 mcf.

A Yes, sir.

Q How does that compare with this year's July allowable for a 160 acre unit?

A I'm sorry. I haven't even looked at the July schedule.

Q Are the allowables this year substantially lower than this 8949?

A I don't know.

Q What's been an average annual allowable for a 160 acre Jalmat well?

A The average allowable in a Jalmat pool for a number of years has averaged in the neighborhood of 400 mcf for 160 acre unit per day.

Q Which is just about what this well is making?

A Which would be about 12,000, yes, sir. 12,000 per month.

Q So if the allowable has averaged 400 a day, then this well would just be able to make its allowable and wouldn't be able to make any back allowable.

A Well, if this is the ultimate productivity of the well; but I think it will improve and we do have now, the consolidated proration unit where Number 1 can help make up this allowable.

Q Well, I was considering that if they hadn't been consolidated.

A Right.

Q Thinking in retrospect.

A We recognize this, too, and this is one reason that we consolidated.

Q That you wanted to consolidate. Well, you were sure you didn't fail to put this back on production.

A That's true. We felt that we could, but until it's back on production, there's always that doubt.

MR. NUTTER: Are there any other questions of Mr. Lyon? You may be excused. Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: That's all I have in this case.

MR. NUTTER: Does anyone have anything to offer in Case 3817? We'll take the case under advisement.

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
VICTOR J. LYON	
Direct Examination by Mr. Kellahin	2
Cross Examination by Mr. Nutter	15

E X H I B I T S

<u>Number</u>	<u>Marked for Identification</u>	<u>Received in Evidence</u>
Applicant's Exhibits A through J	2	
Applicant's Exhibits A through F		14

STATE OF NEW MEXICO   )  
                                   )  
                                   ss.  
 COUNTY OF BERNALILLO )

I, CHARLOTTE MACIAS, 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 20th day of September, 1968.

Charlotte Macias  
 Notary Public

My Commission Expires:

February 10, 1971.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3817 heard by me on 7/24/68.  
[Signature]  
 New Mexico Oil Conservation Commission



ALLOWABLE REDISTRIBUTION

STEVENS A-35 NO. 2

June 30, 1961	980	
December 31, 1961	585	
June 30, 1962	744	
December 31, 1962	1690	
June 1, 1963	2010	
December 31, 1963	2705	
June 30, 1964	3973	
December 31, 1964	2186	
June 30, 1965	3531	
December 31, 1965	1743	
June 30, 1966	1401	
December 31, 1966	867	Average 1868
June 30, 1967	7235	

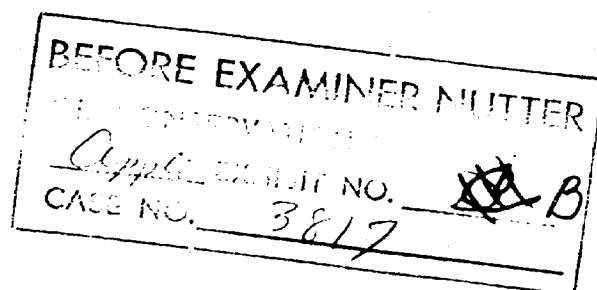


EXHIBIT NO. 1

TABULATION OF NORMAL ALLOWABLE

STEVENS A-35 NO. 2

Status as of June 30	1,854 overproduced
June 30 redistribution	7,235
Status as of July 1	5,381 underproduced

<u>Month</u>	<u>Allow.</u>	<u>Prod.</u>	<u>Status</u>	<u>Amt. in Jeopardy</u>
Enter period			5,381-	5,381
July	8,949	2,097	12,233-	5,381
Aug.	13,469	1,446	24,256-	5,381
Sept.	9,530	1,625	32,161-	5,381
Oct.	7,984	1,075	39,070-	5,381
Nov.	9,768	540	48,298-	5,381
Dec.	13,610	1,117	60,791-	5,381

Cancelled  
Redistribution    5,381  
                              4,193

Enter period			59,603-	59,603
Jan.	20,982	1,018	79,567-	59,603
Feb.	19,949	170	99,346-	59,603
Mar.	15,430	204	114,572-	59,603

Value \$18,332

BEFORE EXAMINER NUTTER	
APPLICANT NO. <u>2817</u>	<u>E</u>
CASE NO. <u>2817</u>	

April 24, 1968

El Paso Natural Gas Company  
Jal, New Mexico

Attention: Gas Production Scheduling Division

Re: Stevens A-35 Well No. 1 -  
Jalpat Pool, Lea County,  
New Mexico

Gentlemen:

As you probably know, our Stevens A-35 No. 2 in L-35-23-36 has only recently encountered difficulty in producing but was reclassified as marginal on January 1, 1968. After remedial work in February was unsuccessful, an application was forwarded to the NMOCG by letter dated March 11, 1968, requesting that the acreage assigned to Wells Nos. 1 and 2 be assigned jointly rather than separately. A copy of the application was sent to Mr. Woodruff in El Paso. On that same date our Mr. V. T. Lyon talked to a party in your company, probably Mr. Travis Elliott, and informed him of the pending application and requested that Well No. 1 in J-35-23-36 be produced at the highest possible rates in order to make up the cancelled allowable from No. 2. This allowable amounted to nearly 60,000 MCF gas and Mr. Utz, with the NMOCG, had assured us that this allowable would be reinstated if it were made up by overproduction.

We have received our statement for the month of March and find that the Stevens A-35 No. 1 was produced only 5.2 days during March and during this time produced only 7,052 MCF. We do not know what rates have been used during April to date, but this allowable will never be made up unless the producing rate is increased considerably. The time remaining before the end of the balancing period is now less than 70 days, whereas, it was 110 days at the time of our original telephone notification.

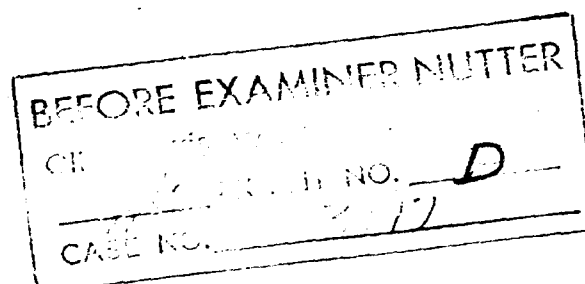


EXHIBIT NO. 3



El Paso  
Page 2

The hearing on our application was held April 24th and we are confident the order approving the consolidated proration unit will be forthcoming soon.

This situation was called to the attention of your Mr. Don Gillit by telephone April 22nd. This letter confirms that conversation and we strongly urge that the production rate from Stevens A-35 No. 1 be increased to the highest rate possible into your existing facilities. For your information, additional work has been done on Well No. 2 and we hope to have it back on the line in the near future. It is essential that production from both of these wells remain as high as possible during the remainder of this balancing period. Your cooperation on this matter will be sincerely appreciated.

Yours very truly,

LPT-JS  
cc: Mr. F. N. Woodruff  
El Paso, Texas

UTL

BEFORE EXAMINED NUTTER	
FILE NO.	<u>E</u>
CASE NO.	<u>3217</u>

# El Paso Natural Gas Company

El Paso, Texas 79909

May 3, 1968

Continental Oil Company  
Post Office Box 460  
Hobbs, New Mexico 88240

Attention: Mr. L. P. Thompson

Re: Stevens A-35 Well Nos. 1 and 2  
Jalmat Pool, Lea County, New Mexico

Gentlemen:

We are in receipt of a copy of your letter of April 24, 1968, to our Jal, New Mexico office concerning production on the captioned wells.


You have requested that we produce 60,000 MCF of underproduction which was cancelled effective January 1, 1968 on the No. 2 well. The underproduction on this well was the result of mechanical difficulties on the well itself (which, we understand, has been determined to be a casing leak), and not El Paso's failure to take. The well was on the line approximately 90% of the time during the last half of 1967, after having been curtailed during the first proration period to make up overproduction.

In addition, we are without authority to produce the allowable which has been cancelled in anticipation of Commission approval for reinstatement.

Our market demand situation in the Jalmat Pool during 1968 will make it extremely difficult to produce in excess of the combined current allowable of the two wells on the consolidated proration unit.

If you have any questions or there is any other way in which we may be helpful, please do not hesitate to contact us.

Very truly yours,

  
D. H. RAINEY  
Assistant Manager  
Gas Proration Department

BEFORE EXAMINER NUTTER	
CE	EXHIBIT NO. <u>E</u>
CASE NO.	<u>7717</u>

DHR:ps

EXHIBIT NO. 4

RECEIVED	
LEA COUNTY	
MAY 6 1968	
Mr. Thompson	
Mr. Rainey	
Mr. Lee	
Mr. O'Connell	
Mr. V. V.	

DIARY OF WORK ON STEVENS A-35 NO. 2

April 16, 1968	Found hole in casing at 690'.
April 17	Set packer at 2600', swabbed 36 BW in 3 hours.
April 18	Swabbed 65 BW in 12 hours.
April 19	Swabbed 58 BW in 12 hours.
April 20	Swabbed 60 BW in 11 hours.
April 21	Swabbed 54 BW in 10 hours. Swabbed dry.
April 25	Ran rod pump.
April 26	Set pumping unit.
	Pumped well from 4-27 to 5-21 at rates of 35 BWPD to 12 BWPD.
May 22	Pulled rods and pump. Acidized with 1500 gallons and 150 gallons "ADOFOAM".
May 23	Swabbed for 5 hours - volume not reported.
May 24	Swabbed 32 BW in 8 hours. Swabbed dry flowing with 150# TP.
May 25	Flowed 56 BW.
May 26	Flowed 42 BW. Gas between heads.
May 28	Flowed 45 BW.
May 29	Flowed 36 BW.
May 31	Flowed 43 BW.
June 1	Flowed 36 BW.
June 2	Flowed 30 BW.
June 3	Flowed 26 BW. Gas increasing.
June 4	Flowed 20 BW. Gas increasing.
June 5	Flowed 20 BW. Gas increasing. Prepare to connect to P.L.
June 6 to 11	Flowing gas and water.
June 12	Installed separator. Selling gas @ 350 MCF/day, TP 130#.
June 13	Flowing 350 MCF/day, TP 150#.
June 14	Flowing 420 MCF/day, TP 100#.
June 15	Flowing 400 MCF/day, TP 100#.
June 16	Flowing 400 MCF/day, TP 100#.
June 17	Flowing 400 MCF/day, TP 120# FINAL

BEFORE EXAMINER MUTTER

CASE NO. 2777

EXHIBIT NO. 6

GOVERNOR  
DAVID F. CARGO  
CHAIRMAN

State of New Mexico  
Oil Conservation Commission



P. O. BOX 2088  
SANTA FE

LAND COMMISSIONER  
GUYTON B. HAYS  
MEMBER

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

Explanation of El Paso Natural Gas  
Cutback in Southeast, New Mexico

El Paso filed a F.P.C. application in January, 1967 for 310 M<sup>2</sup>cfd out of the Permian Basin.

In view of this and continued increase in market demand, they have contracted additional reserves.

A recent ruling of an F.P.C. examiner in effect denied this request and approved Pacific Gas Transmission Corporation, (a wholly owned subsidiary of Pacific Gas & Electric), request for 200 M<sup>2</sup>cfd of Canadian gas and suggested that El Paso should build a 42" line rather than a 36" to take future commitments to California. This in effect has delayed El Paso's ability to take the committed reserves for another 1½ to 2 years.

El Paso will end up this year with a deficiency in Southeast, New Mexico, particularly in Jalmat.

It is my understanding that they are taking only token volumes from the newly acquired reserves.

The casinghead gas supply is also about 100 M<sup>2</sup>cfd more than one year ago.

El Paso's prepayments are now in the order of \$40 M<sup>2</sup> and will increase until authority is granted for additional gas.

Much of El Paso's new contracts are in Gomez, Cayanosa, Lockridge and other Texas gas pools.

ELVIS A. UTZ  
Gas Engineer  
5-14-68

BEFORE EXAMINER MUTTER

FILE NO. 1  
CASE NO. 111

EXHIBIT NO. 5

GOVERNOR  
DAVID F. CARGO  
CHAIRMAN

State of New Mexico  
**Oil Conservation Commission**



LAND COMMISSIONER  
GUYTON B. HAYS  
MEMBER

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

P. O. BOX 2088  
SANTA FE

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ELVIS A. UTZ  
Gas Engineer  
5-14-68

*APPROVED*  
3817  
EXHIBIT NO. 5