

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
PROCEEDINGS

The following matter came on for consideration before a hearing of the Oil Conservation Commission of the State of New Mexico, pursuant to legal notice, at Santa Fe, New Mexico, on July 25, 1950, at 10:30 A.M.

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the rules and regulations of said Commission promulgated thereunder, of the following public hearing to be held July 25, 1950, beginning at 10:00 o'clock A.M. on that day in the City of Santa Fe, New Mexico, in the Capitol (Hall of Representatives).

STATE OF NEW MEXICO TO:

All named parties in the following
cases and notice to the public:

Case 228

In the matter of the application of Amerada Petroleum Corporation to dually complete its State LMT #2 well, located in Section 36, Twp. 23S, R. 36E, in the Langlie-Mattix pool, Lea County, New Mexico.

Case 229

In the matter of the application of the New Mexico Oil Conservation Commission upon its own motion for an order correcting Order No. R-16, heretofore issued, to exclude from the Fulcher Basin-Kutz Canyon (Pictured Cliffs) gas pool the W/2 Section 11 and W/2 Section 14, Twp. 28N, R. 10W, San Juan County, New Mexico.

Case 230

In the matter of the application of the New Mexico Oil Conservation Commission upon its own motion upon the recommendation of the Southeastern New Mexico Nomenclature Committee, for the creation of new pools in southeastern New Mexico as follows:

1. Create a new pool named "BROWN" for Queen-Grayburg production to include all of Sec. 26-T.10S-R.26E, Chaves County, New Mexico.
2. Create a new pool named "DENTON-WOLFCAMP" for Wolfcamp production around Denton pool to include Secs. 11, 12, 13 and 14 of T.15S-R.37E, Lea County, New Mexico.
3. Create a new pool named "DENTON-MISSISSIPPIAN?" for Mississippian? production to include Secs. 11, 12, 13, and 14, of T.15S-R.37E, Lea County, New Mexico.

4. Create a new pool named "WARREN-DRINKARD" for Drinkard production to include all of Sec. 28-T.20S-R.38E, Lea County, New Mexico.
5. Create a new pool named "CHISUM" for Devonian production to include all of Sec. 13-T.11S-R.27E and W/2 Sec. 18-T.11S-R.28E, Chaves County, New Mexico.
6. Create a new pool named "EAST TURKEY TRACK" for Queen production to include the SE/4 of Sec. 1, NE/4 Sec. 12 of T.19S-R.29E and SW/4 Sec. 6, NW/4 Sec. 7, of T. 19S-R.30E, Eddy County, New Mexico.
7. Create a new pool named "MALJANAR-PADDOCK" for Paddock production to include all Sec. 19, W/2 Sec. 20, of T.17S-R.32E, Lea County, New Mexico.
8. Create a new pool named "LIGHTCAP" for Devonian production to include all of Secs. 5,6,7, and 8, of T.8S-R.30E, Chaves County, New Mexico.

And for the extension of existing pools as follows:

9. Extend the "HOUSE-SAN ANDRES" pool to include the E/2 Sec. 1 and E/2 Sec. 12, of T.20S-R.38E, all Secs. 5,6, and N/2 Sec. 7 of T.20S-R.39E for San Andres production, Lea County, New Mexico.
10. Extend the "LOCO HILLS" pool for San Andres production to include the W/2 Sec. 4-T.18S-R.30E, Eddy County, New Mexico.
11. Extend the "EMPIRE" pool for Seven Rivers production to include the SW/4 of Sec. 16, S/2 Sec. 17, N/2 Sec. 20, NW/4 Sec. 21 of T.17S-R.28E, Eddy County, New Mexico.
12. Extend the "ARTESIA" pool for Grayburg-San Andres production to include the W/2 of Sec. 14, W/2 Sec. 23 of T.18S-R.28E, the SE/4 of Sec. 23 and E/2 Sec. 26 of T.18S-R.27E, Eddy County, New Mexico.
13. Extend the "BRUNSON" pool for Ellenburger production to include the SW/4 of Sec. 27, S/2 Sec. 15, N/2 and SE/4 Sec. 22 of T.21S-R.37E, Lea County, New Mexico.
14. Extend the "HARE" pool for basal Simpson to include the W/2 Sec. 27 of T.21S-R.37E, Lea County, New Mexico.
15. Extend the "CROSSROADS-PENNSYLVANIAN" pool for Pennsylvanian production to include the S/2 Sec. 22 of T.9S-R.36E, Lea County, New Mexico.
16. Extend the "DRINKARD" pool for Drinkard production to include the SW/4 of Sec. 25 of T.21S-R.37E, Lea County, New Mexico.
17. Extend the "LANGLIE-MATTIX" pool for Yates production to include the E/2 of Sec. 30, NW/4 Sec. 32 of T.25S-R.37E, Lea County, New Mexico.

Case 231

In the matter of the application of the New Mexico Oil Conservation Commission upon its own motion to modify, amend and restate Rule 404 of the Commission's Rules and Regulations promulgated by Order No. 850, effective January 1, 1950, and relating to natural gas utilization.

Case 232

In the matter of the application of the New Mexico Oil Conservation Commission upon its own motion to amend, modify and restate Rules 1204 and 1206, of the Commission's Rules and Regulations promulgated by Order No. 850, effective January 1, 1950, and relating to methods of giving notice for hearing and service thereof.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on June 29, 1950.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

/s/ R. R. Spurrier
/t/ R. R. SPURRIER

SEAL

BEFORE:

Hon. Guy Shepard, Chairman
Hon. R. R. Spurrier, Secretary

REGISTER:

Dan McCormick, Attorney
Santa Fe, New Mexico
For the New Mexico Oil Conservation Commission

George Graham, Attorney
Santa Fe, New Mexico
For the New Mexico Oil Conservation Commission

G. H. Gray
Midland, Texas
For Sinclair Oil & Gas Company

A. R. Ballou
Dallas, Texas
For Sun Oil Company

R. A. Freeborn
Hobbs, New Mexico
For Continental Oil Company

George W. Selinger
Tulsa, Oklahoma
For Skelly Oil Company

M. C. Brunner
Midland, Texas
For Shell Oil Company

Raymond A. Lynch
Midland, Texas
For Phillips Petroleum Company

Jasper W. Lackey
Roswell, New Mexico
For Malco Refining Company

Robert O. Anderson
Roswell, New Mexico
For Halco Refining Company

Emmett A. White
Roswell, New Mexico
For Leonard Oil Company

E. E. Canfield
Roswell, New Mexico
For U. S. Geological Survey

Glenn Staley
Hobbs, New Mexico
For Lea County Operators Commission

Oliver Seth
Santa Fe, New Mexico
For Stanolind Oil Company

J. O. Seth
Santa Fe, New Mexico
For Stanolind Oil Company

Ralph L. Hendrickson
Hobbs, New Mexico
For Stanolind Oil Company

Frank C. Barnes
Santa Fe, New Mexico
For New Mexico Oil Conservation Commission

Ray Yarbrough
Hobbs, New Mexico
For New Mexico Oil Conservation Commission

E. E. Kinney
Artesia, New Mexico
For New Mexico Bureau of Mines

R. G. Schuehle
Midland, Texas
For Texas Pacific Coal & Oil Company

Peck Hardee, Jr.
Midland, Texas
For Texas Pacific Coal & Oil Company

J. C. Blackwood
Midland, Texas
For Amerado Petroleum Corporation

R. S. Blynn
Hobbs, New Mexico
For New Mexico Oil Conservation Commission

Paul N. Colliston
Houston, Texas
For Continental Oil Company

C. P. Nicola, Jr.
Bartlesville, Oklahoma
For Phillips Petroleum Company

Justin Newman
Artesia, New Mexico
For New Mexico Oil Conservation Commission

R. E. L. Batts
Fort Worth, Texas
For Gulf Oil Corporation

Charles L. Follansbee
Tulsa, Oklahoma
For Gulf Oil Corporation

John M. Kelly
Roswell, New Mexico
For himself

J. N. Donlevy
Hobbs, New Mexico
For Skelly Oil Company

W. L. Taylor
Jal, New Mexico
For El Paso Natural Gas Company

E. A. Utz
Santa Fe, New Mexico
For New Mexico Oil Conservation Commission

(Reporter's Note: The meeting was called to order in the Library of the Santa Fe High School Building)

CHAIRMAN SHEPARD: The meeting will now come to order. Mr. Utz and Mr. Kinney please come forward.

(Witnesses sworn)

DIRECT EXAMINATION BY MR. MCCORMICK:

ELVIS A. UTZ, having been first duly sworn, testified as follows:

- Q. State your name and official position.
- A. Elvis A. Utz, engineer of the New Mexico Oil Conservation Commission.
- Q. Have you made a study of the market demand for oil in the State of New Mexico for August 1950?
- A. That is right, I have.
- Q. Was any information furnished you by the Bureau of Mines?
- A. Yes. The market demand for the State of New Mexico is 150,000 barrels per day for the month of August.

Q. Have you received and compiled nominations for the various purchases for the month of August?

A. Yes, I have.

Q. What are the total nominations of purchasers?

A. The total is 129,793 barrels per day.

Q. How does that figure compare with the figure for the preceding month for purchasers' nominations?

A. It is a decrease of 935 barrels per day. For the purpose of the record, this possibly should be clarified that 625 barrels of the 935 barrels per day is due to a duplication in the preceding months.

Q. Then there would actually be a decrease over the true nominations of the preceding month, or 300 barrels?

A. 310 barrels, yes.

Q. And how does the estimate of the Bureau of Mines compare with their last previous estimate?

A. There is an increase of 2,000 barrels per day.

Q. In your opinion, what would be the reasonable market demand for oil in the State for August 1950?

A. In my opinion, it will be 148,500 barrels per day.

Q. Now, how much of the demand can be met by the allocated pools in northeastern New Mexico?

A. Approximately 1,000 barrels per day.

Q. Then, in your opinion, the balance of the market demand, being 147,500, can be met by the allocated pools of southeastern New Mexico?

A. That is correct, yes sir.

Q. Is the potential production and capacity of all the wealth in southeastern New Mexico greater than 147,500 barrels per day?

A. I believe it is, yes sir.

CHAIRMAN SHEPARD: In order to prevent waste, is it necessary that the pools in southeastern New Mexico, being in Eddy, Lea, and Chaves Counties, be limited in their production?

A. Yes, it is.

Q. In your opinion, can the pools of Eddy, Lea, and Chaves Counties produce 147,500 barrels during August 1950 without committing waste?

A. Yes, they can.

Q. Then, you recommend that the allowable for southeastern New Mexico be set at 147,500?

A. That is correct.

Q. In your opinion, how should this production be distributed?

A. In accordance with present rules and regulations of the Oil Conservation Commission.

Q. Do you have the recommendation as to the normal unit allowable?

A. Yes, a 49-barrel unit allowable should be given, the 147,500 for the allocated pools.

Q. And you recommend that 49 barrels be set as the normal unit allowable?

A. That is what I recommend.

Q. Will the limitation and proration of production, as you have recommended, be reasonable to production rates?

A. I believe it will.

CHAIRMAN SHEPARD: Any questions by anyone? You may be excused.

(Witness dismissed)

E. E. KINNEY, having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. MCCORMICK:

Q. State your name.

A. Ed Kinney, petroleum engineer for the New Mexico Bureau of Mines.

Q. Mr. Kinney, have you made a study of the market demand for oil for the State of New Mexico?

A. Yes

Q. Just state in your own words the picture on the market demand for oil for the coming month.

A. The oil situation in New Mexico is that the crude oil in storage has been reduced for a period of 33 weeks. The refined products in storage are at a low point with the demand increasing at least 7 per cent and up, from 7 per cent to 12 per cent.

Q. How much has the storage decreased?

A. An average of 3,000 barrels of oil per day.

Q. Do you have an estimate of what the reasonable market demand for oil in the State of New Mexico will be for the month of August 1950?

A. Between 148,000 to 149,000 barrels per day.

(Witness dismissed)

CHAIRMAN SHEPARD: Anyone else have anything to offer on the allowable? If not, we will proceed with Case 228.

(Mr. Graham read order of publication for Case 228)

CHAIRMAN SHEPARD: Is Amerada ready?

A VOICE: Yes.

J. C. BLACKWOOD, having been first duly sworn in testified as follows:

DIRECT EXAMINATION BY MR. MCCORMICK:

Q. State your name and case.

A. J. C. Blackwood of Midland, Texas, representing Amerada Petroleum Corporation. We are requesting permission to dually complete State LMT Well #2 in Lea County, New Mexico. It is located in the SE/4 of the NW/4 of Sec. 36 T 23 S, R 36 E. NMPM. The well at present is producing oil from 3508' to 3600' in the Queen formation. It was completed December 19, 1948 with an initial production of 130 barrels per day with a gas-oil ratio of 975 cubic feet/barrel. If permission is granted, Amerada proposes to produce gas from the Yates and Seven Rivers formations through perforations from 2930' to 3430'. A packer set at 3442' will prevent intermingling of fluids from the two zones. Oil will be produced through the tubing and gas through the casing. The Yates and Seven Rivers formations were tested prior to completion of the well and indicated that they would produce about 1,400,000 cubic feet of gas per day. The bottom hole pressure of the gas zone is about 1250 lbs/square inch. The oil producing zone in the Queen formation has a bottom hole pressure of 700 lbs/square inch. Gas is being produced from gas wells completed in the Yates and Seven Rivers formations on offset leases to the N. NE. NW. and SW of the Amerada State LMT Lease. Permission

has been granted to dually complete three wells on leases adjoining the LMT lease on the South. The orders for these permits were Numbers 750, 801, and 829. Order R-15 gave permission to dually complete a well about one mile north of State LMT #2. Gas produced from the proposed dual completed well will be used to gas lift oil wells on the State LMT lease. We will, of course, comply with the rules pertaining to the utilization of gas well gas. The gas zone evidently is not very prolific and a dually completed well appears to be the only economical way to produce the gas underlying this lease. In addition to the other order numbers that I have mentioned granting dual completion, the Amerada was granted permission to complete the State LMT #1. We applied for that permission in December 1948 and shortly after that time, we were drilling well #2, and we tested the activity, as stated before, of this gas zone and found it so low that we hesitated to do a complete #1 at that time, especially since the productivity of the #1 well was unknown and the geological logs made it appear as if #2 would be as good or better than #1, so we decided it was not wise to even attempt to do a completion of #1 at that time, and that is why it never has been done. Since we do have oil wells on State LMT that will apparently require a future lift, we wish to complete this one to get the gas there is. At the present time, there isn't a gas line so that we can sell the gas after it has been used for the lifting. The El Paso Gas Company has stated that they are going to put a line in there, but it isn't in yet and until such time as it is in, why we wouldn't be able to use the gas.

Q. There is no casing for gas lifting?

A. No casing for the gas at this time.

Q. Would this gas be wasted?

A. No, we don't propose to use it for gas until such time there is a market for it.

Q. This oil lies in an area where there is gas. Have you tested this well to see whether this gas might contribute

A. (Interrupting) We ran a temperature survey and there was no indication

that there is a well contributing to it. There has been no definite test in any other manner other than this.

Q. Is it a recognized method of indicating the gas leak?

A. Yes.

R. S. BLYNN, New Mexico Oil Conservation Commission, Hobbs, New Mexico.

Gentlemen, well, first I would like to answer your question to temperature surveys. We have run over 200 or more in the area down there and, of course, those temperature surveys are only indicative, they are not conclusive. This particular well does have a very slight temperature depression at a depth of about 2950. It shows up markedly on that plot but I think it was just a jiggle of the instrument at that time. There is very little evidence pointing to LMT #2 as a leaky well or any other well in that area. There is some indication that very little jogging on that temperature survey may be a jiggle in the instrument, or it might conceivably be from gas expansion there. Also, this #2 LMT crater about a little less than a year ago started producing water outside of the surface pipe. A short time prior to when this well started flowing water outside of the surface pipe, a pressure of 200 lbs was recorded on the surface pipe while the pressure of the west offset #1 had 75 per cent and #1 now has in excess of 350. There is some slight evidence indicating that #2 might be a leaky well, and I would like to make a recommendation that tests be made at the time they make their dual completion. I talked to Mr. Blackwood about that last night, and he is willing to suggest that recommendation to his company.

MR. MCCORMICK: Do you have any recommendation to dually complete this well?

MR. BLYNN: Yes, I do.

MR. MCCORMICK: Subject to a test being made at this time?

MR. BLYNN: Well, I don't know whether it should be made subject to that test or not. It would be favorable to see to it that that test was made. I don't know whether it would be proper to put that kind of pressure on a company to make that test or not. I will leave that to the discretion of the Commission.

MR. McCORMICK: Do you have any idea how much gas is leaking from the wells in that area?

MR. BLACKWOOD: No, that is an area embracing approximately 15 to 16 sections where that 700 feet quarter has pressure in it. It is carrying gas and it will flow, and it is very difficult to drill through at the moment.

MR. McCORMICK: Mr. Blymn, then would your recommendation be that they make this dual completion?

MR. BLYMN: Yes, we would like to see if we can get a hole through it . . .

MR. McCORMICK: Would it be a very expensive procedure to carry out Mr. Blymn's recommendation?

MR. BLACKWOOD: It would be quite an expensive course, I am sure. I haven't estimated the actual cost.

CHAIRMAN SHEPARD: Any further questions? We will proceed with Case 229.

(Mr. Graham read order of publication for Case 229)

FRANK C. BARNES, after first having been duly sworn in testified as follows:

DIRECT EXAMINATION BY MR. McCORMICK:

Q. State your name, please

A. Frank C. Barnes.

Q. Do you have any official position with the Oil Conservation Commission?

A. Geologist with the New Mexico Oil Conservation Commission.

Q. Are you also a member of the Northwestern New Mexico Nomenclature Committee?

A. That is correct.

Q. Do you have any recommendations to make to the case as to Case 229, excluding the W/2 sections mentioned in the notice from the Fulcher Basin-Kutz Canyon?

A. That is two 1/2 sections were included in the order setting a pool beneath Kutz Canyon. We feel it occurred as a result of an error in typing or copying the extent of the pool boundaries and it was the intention that they be excluded at this time.

Q. And it is your recommendation that an order be entered excluding these sections from the pool?

A. Yes, for the present time and until sufficient drilling has extended the south end to enter these.

Q. It is your opinion that there is not sufficient evidence to warrant including them in the pool now?

A. That is right.

CHAIRMAN SHEPARD: Does anybody have anything else to say about Case 229? If not, we will take up Case 230.

(Mr. Graham read order of publication for Case 230)

E. E. KINNEY, having been first duly sworn in testified as follows:

DIRECT EXAMINATION BY MR. MCCORMICK:

Q. State your name, please.

A. Ed Kinney.

Q. Are you the same Ed Kinney who testified in a previous case this morning?

A. Yes sir.

Q. Are you a member of the Southeastern New Mexico Nomenclature Committee?

A. Yes sir.

Q. Have you studied the recommendations of the committee as they are outlined in Case 230?

A. Yes sir.

Q. And are you familiar with what those recommendations are?

A. Yes sir.

Q. As to recommendations 1 through 8, which are for the creation of new pools, do you have an opinion as to whether or not the present evidence indicates that the pools, as recommended there are constituted for reservoirs?

A. Yes sir.

Q. Now, as to recommendations, numbers 9 through 17, which are for the extension of existing pools, do you have an opinion as to whether or not there is evidence available to indicate that those common reservoirs extend to the areas indicated in the notice?

A. Yes sir, the evidence was presented at the Nomenclature meeting.

Q. And it is your recommendation that the pools 1 through 8 be granted and pools 9 through 17 be extended as shown in the notice?

A. Yes sir.

CHAIRMAN SHEPARD: Anyone have any questions? Does anyone have anything to say on this matter of pools? If not, you may be excused, Mr. Kinney. Next case.

(Mr. Graham read order of publication for Case No. 231)

CHAIRMAN SHEPARD: Anybody have anything to say on Case 231?

PECK HARDEE, having been first duly sworn in testified as follows:

DIRECT EXAMINATION BY MR. McCORMICK:

Q. State your name.

A. Peck Hardee from Midland, Texas, representing the Texas Pacific Coal and Oil Company.

Q. Do you wish to make a statement?

A. Yes sir. We find Rule 404 is unduly restricted. There is certain information of artificial lifting. If these wells cannot be lifted, the gas and oil will be irrecoverably lost. A market for gas after it has been used to lift a well, as required by Rule 404, is not always available. The Texas Pacific Coal and Oil Company has encountered this problem in at least one field, and we foresee the problem in other fields. It is also true that other operators are faced with this problem. I have here a suggested modification to Rule 404, designed to correct this situation without unduly releasing controls. This modification consists of the change which I will read to be added to the present rule. " Provided that any use not specified herein and considered not to be waste by the Commission will be permitted without hearing after written application to the Commission and written notice to all offset operators. Should any offset operator object to such proposed use, a hearing to consider the application will be held."

CHAIRMAN SHEPARD: Anyone else?

MR. McCORMICK: Your name, please.

GEORGE W. SELINGER, with the Skelly Oil Company. At the last three or four hearings in which this matter was brought up, I have maintained that these orders have been made effective as of January 1, 1950. Now, I don't know what problem the Texas Pacific Coal & Oil Company is trying to solve with its suggested amendment, but it is obvious that there are two problems always that have existed prior to January 1, 1950 by operators in gas lifting without a market and wells subsequent to January 1950 that operators intend to use gas for gas lifting or oil. I felt that the Commission should enforce these rules as of January 1, 1950, and I felt that the wells that have heretofore been operated normally in the way they have been operated, whether they are in line with present rules and regulations or not, should be permitted to continue to be so operated by the Commission. Otherwise, the Commission would be making these rules and regulations retroactive before January 1, and I feel that if the Commission would make a rule to permit wells heretofore completed in which manner they have been completed prior to January, there would be no necessity for reforming the present rules and regulations. If the Texas-Pacific Company's suggestion is to apply to wells completed after January 1, 1950, for the use of gas for gas lifting, then we have no objection to their particular rule at all, but we feel that the Commission should approve all operations carried prior to January 1950 without necessity of attempting to enforce these rules retroactively against them.

MR. J. O. SEITH: I wish to say that we were already in operation before the rules went into effect and I substantially agree with Mr. Selinger's recommendations; as to permission being granted without hearing in cases of wells operating in this manner before January 1st, provided however that in the event good and sufficient cause can be shown and waivers from all offset operators are effected, I think that the Commission may grant permission without hearing.

CHAIRMAN SHEPARD: Anyone else?

MR. RAY AND A. LYNCH, from Midland, Texas, for Phillips Petroleum Company. I would like to call the Commission's attention to Rule 1B which provides

that the Commission may grant permission for exceptions in certain cases in order to prevent undue hardship. We believe that that provision will take care of any applications that should be made to the Commission, and we don't favor the granting of exceptions under Rule 404 without notice of hearing. We believe that this is of greater interest involved than merely the interest of the offset operators and that possibly the owner or persons interested in the gas reservoirs should have the opportunity to be heard, and we feel that no change should be made of the rule. The circumstances of the particular case should be considered before permitting the use of gas for gas lifting.

MR. McCormick: Do you have an opinion as to whether or not Rule 404 would require an operator who had installed a gas lift prior to January 1, 1950 to seek an exception in order to continue with his installation?

MR. LYNCH: I haven't studied that as to whether it would be a legal requirement. I think that it probably would be necessary unless the Commission doubts some of the group inspection. I think it is necessary for an inspection to be made in all cases.

MR. McCormick: There were no gas lifts installed prior to January. If they were wasteful, do you think they should be permitted to continue that practice?

MR. LYNCH: I think that if it is wasteful, it should be determined by a hearing.

MR. McCormick: Well, perhaps there had been a determination?

MR. LYNCH: It seems to me there should be a formal determination as to whether or not they are. There may be so many cases that you get bogged down with the administrative work and a large number of hearings.

MR. McCormick: Do you know how many gas lifts there are in New Mexico?

MR. LYNCH: No sir, but I've heard there are a large number.

MR. McCormick: Do you have an opinion as to whether or not we have any legal gas wells in southeastern New Mexico?

MR. LYNCH: Well, I think that under your rules, that there probably aren't

any. I think the Commission should proceed as rapidly as possible to start that pool. At the present time, as I understand it, there are no gas pools, and you could go ahead and technically use that gas without violating the Commission's rules. It would be the Commission's duty, under the statutes, to go ahead under the clarifications.

CHAIRMAN SHEPARD: Any further questions? Does anyone have anything further to say?

MR. COLLISTON: We agree with both Mr. Selinger and Mr. Seth that both these wells that were gas-lifting prior to January 1, 1950, with the approval of the Commission should be allowed to continue that operation. We also agree with Stanolind and Texas-Pacific that where hardship cases occurred after January 1st, that the Commission adopt an automatic procedure either suggested by Stanolind or Texas-Pacific to make automatic release to those people after written notice and publication of the case has been made to offset operators. I can't quite agree with Mr. Lynch that offset operators have any direct interest. If it is regularly produced gas under the present orders or orders that the Commission may adopt in the future, I think that it becomes a question of the offset operators to be gas lifting and not of the gas operators as to its source.

MR. McCONNICH: Mr. Colliston, suppose someone had installed a gas lift prior to January without any special order of the Commission? What would be your idea as to procedure?

MR. COLLISTON: He wouldn't have a legal gas lift operation, but he would require specific consideration.

MR. McCONNICH: Well, assume that there was no rule prevalent prior to January 1, 1950, will you say that he would have to have an exception in order to continue the production?

MR. COLLISTON: Probably not. It would be gas used that the Commission would now have or that it would adopt.

MR. BRUNNER: If we are going to follow the Commission's rules and regulations of the conservation measures, dry gas cannot be produced unless it is for

a useful purpose. It can be utilized for some beneficial purpose but that doesn't mean common book gas lifting, or is that the intent of the Commission's rules?

MR. COLLISTON: Rule 404 states that gas can be used for gas lifting as a legal use. Now, I think that we may be confusing part of this picture. I think the Texas-Pacific case and the Stanolind case would certainly come in the hardship gas cases that we are talking about. There are certain wells producing a large volume of fluid of which only a small amount is oil. Two mechanical means have been tried, but neither was able to cope with the volume of fluid. The gas lifting is the only practical means of recovering this oil. Certainly, these wells have no market outlet for the gas at the present time. If we are allowed to continue this operation, this oil is going to be lost and that is underground waste. Your problem is the hardship case to determine which will cause the least waste. Should we go ahead and recover the oil and use that small volume of gas, or should we go ahead and lose the gas? We are not talking about the entire gas-lifting in New Mexico. We are talking about a few hardship cases. I think that Texas-Pacific's intention is simply to find a release for those few hardship cases, and I think that our intention should be to help them!

MR. BRUNNER: We feel as does the Phillips Petroleum Company in this matter. I think that the cases of hardship are few today and that a hearing should be heard in every case. I think the operators should be heard with consideration as to the evidence of tests being made to determine the source of that gas. I do not agree with Continental's position that the gas is subject to inspection. It is a question of balance, and it is not a question of dollars. Under the change, the Commission will have to decide at a special hearing whether it would be dangerous to set up a procedure to prevent its recurring by notifying the adjacent operators only. All operators have a right to be heard if they have a question on it.

MR. McCORMICK: Mr. Brunner, the problem is confined to gas. Some of it, we generally call dry gas?

MR. BRUNNER: Yes.

MR. MCCORMICK: Then there is no problem about utilizing the gas for gas lifting?

MR. BRUNNER: That is right.

MR. C. L. FOLLANSBEE: For the purpose of the record, I would like to call the Commission's attention three cases involving the requested exceptions at a hearing either the 23d or 25th of April 1950, at which time these gas and oil companies were represented and I want to get this into the record for the purpose of information.

MR. MCCORMICK: Summarize your statements.

MR. FOLLANSBEE: I hesitate to relay that information. I merely want to state that those views were discussed by the engineer at that meeting; and I am afraid to make any further statements on it without first refreshing my memory. For the purpose of the record, I do not wish to attempt to summarize.

MR. MCCORMICK: Were you for or against?

MR. FOLLANSBEE: No comment.

MR. DONLEVY: We have made a real endeavor, and I am speaking of the group pool to handle the water pump. We have made efforts to control and cut off the water, but have been unsuccessful. We tried pumping it and couldn't handle the fluid. All of which runs into a lot of money. Finally, we went into gas-lifting. In such cases, it is increasing gas production, and I believe that in those conditions and the fact that we are needing oil and more oil, the operators should be given some consideration.

MR. MCCORMICK: Mr. Donlevy, about how many gas lifts do you have?

MR. DONLEVY: On this particular one, we have two gas lifts.

MR. MCCORMICK: And where are you getting the present gas?

MR. DONLEVY: My gas is coming from the Langlie-Mattix pool.

MR. MCCORMICK: Would you have an estimate of how many gas lift wells there are in southeastern New Mexico?

MR. DONLEVY: Off hand, I would say about thirty to fifty but let me get this point over. If we can get the gas in, what good will it do? I think that an operator who promises to use the gas diligently is entitled to some consideration.

MR. MCCORMICK: Do you think it would be unduly burdensome for the operators to file their applications and present evidence to the Commission as to the necessity for an exception?

MR. DONLEVY: I believe this, that if we have gone along with the gas lifting for a long period of time and the Commission was given that information, I don't see why we should ask for an exception. Every operator accepts gas under C-115. I just believe that the whole thing should be approved.

MR. MCCORMICK: As to future operations?

MR. DONLEVY: As to future operations. I think it is not necessary to have a hearing. I think the Commission should judge the case in question, and if it is in accordance with the rules, that we should approve.

MR. MCCORMICK: Do you think we should hold a hearing?

MR. DONLEVY: I don't think it's that important.

MR. MCCORMICK: But how about the people, our taxpayers. Do you think that they would demand approval by the Commission?

MR. LYNCH: I want to make it clear that we are not objecting to gas lifting as such, and Mr. Donlevy has a good case, but I think that the Commission, under its rules and regulations should make its order based on facts introduced on evidence, and I don't see why it would be a very great burden on the operators to simply present those facts at a legal hearing and that a justified exception be granted. I think that every case should be considered by the Commission, the evidence heard, and other operators given an opportunity to present their views before an order is in.

MR. SELINGER: I would like to make a recommendation. If you recall, the Commission is faced with two problems, and we are getting into the confusion of it. The first problem is that of the companies that have been lifting prior to January 1st and that is the problem that would demand action now. We have already had four hearings on the gas lifting problem. Gulf had 125 wells that were gas lifting. They had some 57 wells that were not in line with the rules of the present Rule 404. Since we have already had these four hearings, and all of these hearings were on wells that had been

gas lifting prior to January 1st, you are going to have a considerable number of hearings on wells if you are going to require a hearing for those gas lifting prior to January. I think that the solution to the whole problem is that it is not the operators that want to gas lift new wells; it is wells in which the operators have been gas lifting for eight, ten, to twelve years, and I again reiterate that the Commission's work will be made considerably easier if we watched out for any wells that have heretofore been gas lifted prior to January 1, 1950. When you do that, you will eliminate the necessity of dozens of additional hearings. As I understand it, the Commission was attempting to clear up that problem at this hearing today. Now, if you are going to take Mr. Lynch's point of view, I think that the companies will have to file additional applications, and additional hearings will have to be held. I feel that if we are going to clear up this matter, we should break it into two parts and favor that if the wells were lifted prior to January 1, 1950, and have met the requirements of the Commission, that they be allowed to continue to do so and decide whether a hearing is necessary on the wells that are subsequent to January 1st.

MR. LYNCH: Those four hearings don't cover all those wells; additional applications will have to be filed for those others prior to January 1st. As for those who already filed application, they will not necessarily have to file additional applications as their hearings have already been held.

MR. SELINGER: What about those fifty or sixty wells that were gas lifting prior to January 1st who did not file an application; will they have to file additional application?

MR. LYNCH: Well, I think that would be a fairly simple matter.

CHAIRMAN SHEPARD: We will have a five minute recess.

(Five-minute recess)

CHAIRMAN SHEPARD: The meeting will now come to order. Anyone else have anything further to say on Case 231?

MR. BALLOU: From Dallas, Texas, for the Sun Oil Company. I would like to say that I favor a notice of hearing if an exception is to be granted.

MR. MCCORMICK: What are your views on the wells that have been gas lifting prior to January 1st?

MR. BALLOU: I understand hearings have already been held, and if the Commission has the information hand to go ahead and act on those.

MR. MCCORMICK: Do you think that they should be allowed to continue to gas lift until approval?

MR. BALLOU: I think temporary permission should be granted pending a hearing.

MR. MCCORMICK: Would that result in making rules and regulations retro-active, in your opinion?

MR. BALLOU: I don't see why any retroactive action has to be taken if those companies have already been operating without the sanction of the Board prior to January 1st.

MR. MCCORMICK: Then, as to wells existing on January 1st, you don't think they need to have a hearing on them?

MR. BALLOU: Well, I think these should have a hearing on them, yes sir, but what I mean is that I don't think that they should be shut down until a hearing can be held.

CHAIRMAN SHEPHARD: Mr. Colliston.

MR. COLLISTON: I want to clarify my position on this. We still believe that wells that existed prior to January 1st should be granted an automatic exception and should be allowed to continue as Mr. Ballou has pointed out. In recommending and going along with Texas-Pacific and Stanolind that an automatic procedure for an exception be granted, we are trying to eliminate a large number of hearings. That doesn't seem to me a too popular improvement. We firmly believe in Rule 404, but if the majority of the operators are not in favor of automatic procedures, then we will go along with the people who want a hearing for each and every case. Our idea is to adopt a procedure that would aid the Commission. That is our recommendation. If they cannot go along with it, then we will retain Rule 404 and hear every

MR. McCORMICK: Every case as to wells completed subsequent to January 1st?

MR. COLLISTON: Subsequent to January 1.

CHAIRMAN SHEPARD: Anyone else?

MR. GRAY: From Midland, Texas, for Sinclair Oil & Gas Company. We have been listening to some of these recommendations, and we believe like Mr. Colliston that Rule 404 should remain in effect, and the Commission hear all exceptions as a matter of the rule.

CHAIRMAN SHEPARD: Anyone else?

MR. SCHUEHLE: From Midland, Texas, for Texas Pacific Coal & Oil Company. I would like to ask Mr. Colliston and Mr. Gray a question on their remarks concerning hearings on each gas lifting installation. Do you mean all gas lifting installations or only those violating Rule 404 as presently written?

MR. COLLISTON: Only those which would violate Rule 404, I mean with exceptions.

MR. LYNCH: I would be willing to see this done. As a suggestion as to the wells which were on gas lifting prior to January 1, 1950, if the Commission has the information and could lease those wells and properties and fix a date issuing a notice to the effect that those wells will be permitted to continue on gas lifting unless some operator protests in some particular case and if a protest is filed by that date, then it is a question of whether a hearing should be held, otherwise, none will be necessary.

MR. DONLEVY: As far as the wells are concerned, they may have a hearing, but on gas, it is an open book under C-115 that every operator has that privilege, they are available. There is no closed book on this thing, it's an open and shut case. I don't see the reason why we should backfire ourselves. It was brought out at the time of the new rules and regulations, and I firmly believe it was there and no one protested. I feel that the Commission should support the operators and go ahead and approve those under the blanket regulation previous to January 1st, when the new rules went into effect.

CHAIRMAN SHEPARD: Anyone else? This will be continued until October 24. We will take up the next case, Case 232.

(Mr. Graham read order of publication for Case 232)

MR. LYNCH: This case was set under the Commission's own motion by my suggestion and I don't have a specific proposal to make, I simply wanted to open the matter up for discussion mainly because we missed a hearing or two by not receiving actual notice. I realize that we are governed largely by statutes and that the Commission, of course, has no power to change the statutes. The statute provides for a notice of hearing by publication in the newspapers of Santa Fe and in the newspaper of the county where the land lies or by a personal service of someone who has been in regular court procedures, and I understand the summons procedure has not been used. The practice has been to publish notices in the paper under the statute, with ten days' notice publication prior to the hearing. Of course, we could hire someone to read the Santa Fe newspaper every day, but there is a delay in getting communication through the mail and I thought it would be helpful to give a little more time, say twenty days' notice of publication or in addition to the publication, you could mail out mimeographed copies of the notice to all operators on the mailing list. In a large company, of course, there is necessarily some delay in getting to the right person and in preparing to present evidence when a case is set. I don't know whether it is really necessary to change the rules or not, but we certainly would like to be assured that we get a notice in sufficient time to prepare for these hearings.

MR. MCCORMICK: Mr. Lynch, how would you make your mailing list official?

MR. LYNCH: Well, I think here's one trouble you would run into, that is, there could be fifteen to twenty or more people that should be on the mailing list working for the same company, and you ought to require an officer of that company, either the president or vice president, to write you a letter stating who is supposed to get the official notice and put that on your

mailing list; anyone else must be a matter of convenience, but one office should be designated by the company to receive the official notice.

MR. McCORMICK: Well, whom would you say should be on the mailing list?

MR. LYNCH: Well, I think that the operators who are actually operating the wells are primarily concerned. However, I don't think you ought to eliminate the owner or anyone else who may request the official mailing list.

MR. McCORMICK: Would you allow all oil dealers?

MR. LYNCH: I think that very few would ask to be put on there. Very few are concerned. Just the operators would be concerned and just limit it to operators, but I wouldn't favor cutting them off if they wanted to receive a notice. Of course, regardless of any procedure like that, you still would be required by law to have a newspaper publication.

MR. McCORMICK: Would it be your idea to change the rules if due to an error, a notice was not made to some particular operator, the hearing would be null and void?

MR. LYNCH: No sir.

MR. McCORMICK: Well, would it be wrong to determine it was void?

MR. LYNCH: No sir, there could be a motion for permission of rehearing.

MR. McCORMICK: You can file notice of rehearing without any motion.

MR. LYNCH: Well, I understand that, but it would be the request of a board or a person asking for it. If there is nothing on the lease that gives him the right to a rehearing, you can still make your order final. I am not insisting that the rule be changed. I don't want to change the Rule of order, but if we could just adopt a practice or policy to get these notices earlier, it would be very helpful to us.

MR. McCORMICK: Are these notices sent to all operators?

MR. LYNCH: I understand the Commission is going to take over the process.

MR. KELLY: I would like to ask Mr. Lynch a question. How are you getting notices in Texas as to the hearings before the Texas Commission?

MR. LYNCH: The first notice is an unofficial notice, not published, and that is the first thing although it's unofficial. We also receive a mimeographed copy of the notice of hearing mailed out by the Commission and sometimes it's a little late. We don't always get them in time and they don't have anything in their rules that requires them to send those notices out.

MR. McCONNICK: It is really a courtesy?

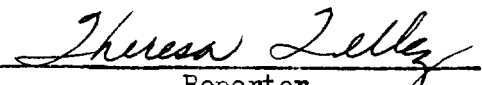
MR. LYNCH: It's a practice. I don't think there is anything in their rules that would render their notices invalid.

CHAIRMAN SHEPARD: Anything else to come before the Commission? We will stand adjourned.

STATE OF NEW MEXICO :
 : SS
COUNTY OF BERNALILLO :

I HEREBY CERTIFY, that the foregoing is a true and correct transcript of the proceedings had at the time and place first above written to the best of my knowledge, skill, and ability.

DATED this 5th day of August, 1950, at Albuquerque, New Mexico.



Reporter