

BEFORE THE  
**Oil Conservation Commission**  
SANTA FE, NEW MEXICO  
April 21, 1955

IN THE MATTER OF:

CASE NO. 877

TRANSCRIPT OF PROCEEDINGS

**ADA DEARNLEY AND ASSOCIATES**  
COURT REPORTERS  
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ALBUQUERQUE, NEW MEXICO

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
April 21, 1955

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IN THE MATTER OF:

The application of Shell Oil Company for  
revision of the gas-oil ratio limitation  
for the Townsend-Wolfcamp Pool.

Applicant, in the above-styled cause, seeks  
revision of the gas-oil ratio limitation of  
2,000 cubic feet of gas per barrel of oil  
as applied to production in the Townsend-  
Wolfcamp Pool, Lea County, New Mexico,  
under the provisions for redetermination as  
set out in Rule 506(d) of the Commission's  
Rules and Regulations.

Case No. 877

BEFORE:

Mr. E. S. (Johnny) Walker  
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The first case on the docket this morning is Case

877.

MR. HUGHSTON: I am Richard L. Hughston, appearing for the applicant, Shell Oil Company. A good many of the operators in the Townsend Pool effected by that application have expressed the desire to have it continued until the May, the regular May gas and oil ratio survey and bottom hole pressure surveys are filed with the Commission. We are of the opinion that no additional information will be obtained from them, that the field is three years old and there is plenty of information to show the reservoir characteristics and the nature of the liquids in it, and the nature of the drive. But, nevertheless, to satisfy the operators who are sincerely desirous of getting the additional information, we are willing to agree that the case be continued until next month if the Commission direct that the surveys, rather than being delayed, be run and filed with the Commission at its Hobbs Office before May 7th. That will give something over two weeks in which to make the survey, both surveys, the bottom hole pressure and the gas-oil ratio, and then give them to the Commission and that will give ten days, so that the operators can study the data before the next hearing.

We would like to ask that the case be set for the afternoon before the statewide hearing and disposed of at that time. That would be Tuesday, May 17th. If it was at 1:00 P. M., we feel it would be of advantage to the operators.

MR. CAMPBELL: Jack Campbell, Campbell and Russell, Roswell, New Mexico, appearing for Wilshire Oil Company, Texas Mamachris and Sunaland Oil Company. As the Commission knows, we requested a continuance of this case, by letter to the Commission. The request was denied at that time. The Commission further knows that regular tests for

this field are set up for next month under regular procedures of the Commission. We have also requested that these tests be supervised by Commission personnel. We would like to renew that request and believe that the tests and the reports should take their normal course so that the operators will have ample opportunity to make proper tests under Commission supervision, and to have ample opportunity to study the results of those tests before they are called upon to reach a conclusion as to this matter.

We do not feel that the matter is of such urgency that it requires tests in a hurried manner, or a study of the tests that is not complete and thorough insofar as the operators are concerned. We therefore, believe that the matter, if it is continued to the May hearing and the reports on the normal course of tests that are now set up by the Commission for May are completed, then we, of course, are going to request an additional continuance until June.

We would like to request the Commission to simply announce that until the regular gas-oil ratio tests are completed in the field and the reports made as required by the present rules and regulations, that this matter will remain in suspense on the docket and that at such time as those reports are in to the Commission, and an opportunity is given for study, any interested party of the Commission, if it sees fit, may put the matter back on the docket, and many people who are extremely skeptical about the application, as a result of those tests and a proper study, of course, may have an entirely different attitude concerning it. We don't see there is the great urgency that seems to be by the applicant in this case. We request that the matter be held in suspense until the gas-oil ratio tests under supervision are complete.

MR. HUGHSTON: We are agreeable to the tests being made under the Commission's supervision, of course. We are not agreeable to the thing going along, just on the regular May tests and reports that do have to be in, until June. We would like the matter to be expedited as much as possible, Unless the Commission wishes to put the condition we requested in the continuance, we are ready to proceed with the case.

MR. MACEY: Mr. Reider?

MR. REIDER: If it please the Commission, the regular bottom hole tests for that field have been scheduled for the 3rd. That has been set up with the majority of the operators in the field. To conduct a test prior to that, bottom hole pressure would not have as much advantage as afterwards. If the bottom hole pressures are run the 3rd the well should be flowed for at least two days. It would be impossible to meet the 7th deadline for filing.

MR. HUGHSTON: What date would be possible under that circumstance?

MR. REIDER: I think it would be possible to have a deadline of the 15th, maybe.

MR. MACEY: Mr. Stanley, how long would it take to set up a gas-oil ratio schedule, taking in mind that you have a bottom hole pressure schedule involved also on the approximately 40 wells in the pool?

MR. STANLEY: The question arises whether if the Commission is to go ahead and take the tests, the problem arises, shall we use the meters of El Paso Natural Gas Company in that area and take these gas-oil ratios from the meter room? The question, I believe, is the problem of how to take the gas-oil ratios and that will

determine the time for the duration of the test.

MR. MACEY: If you are instructed to take the tests in the proper manner, in the manner that you think is proper, how long will it take you to take the gas-oil ratio?

MR. STANLEY: It will take me two days, if I can round up sufficient meters. I can test all the wells within a two or three day period. I can take the meters and have them calibrated first and then take the gas-oil ratios in that manner. I don't think it will take me over two or three days. I could take them all in one day, of course, I don't think it is recognized that gas-oil ratio surveys should be taken through a gas taker's meters, due to the fact that you do not have the accuracy that you have with the individual meter on an individual well.

MR. WALKER: You say if you can round up the meters. What are the chances of rounding up the meters?

MR. STANLEY: I can round them up.

MR. MACEY: I would like to point out to you, regardless of whether the Commission increases the gas-oil ratio limit, keeps it the same or what it does, that the increase wouldn't be effective until the first day of July, in any event, regardless of what disposition we would make of the matter. I don't want to delay the matter, but it looks to me like we are jumping into something without any necessity for it really. We could continue the case, as Mr. Hughston requested, and order the tests taken as he requested, if it is perfectly satisfactory with the other people, if they think it can be done. If it can't be done we can continue the matter until June, and at the same time enter an order which would, in either event, be timely enough to take care of any problem.

MR. CAMPBELL: If the test can be properly and adequately taken and time given for study of those, of course, by the May hearing, that is all right. We simply feel that it is a matter of such importance to all the operators in the field and to the Commission, from a conservation point of view, that unless there is an impelling reason, we shouldn't rush it and base a determination on the proposition of this kind on those tests. If the tests are taken properly and can be taken in that length of time and there is some time given for study we will consider that at the time of the May hearing. If we don't feel they have, or we haven't had ample opportunity for thorough study that condition exists, we will ask for another continuance and the Commission will have to make another determination.

MR. HUGHSTON: If the information is what they desire and not just delay, as soon as the information can be obtained they should be ready to go ahead. You made a statement, Mr. Macey, that the order would not become effective until July 1st, why is that?

MR. MACEY: Under the normal procedure we follow you are going into a May test period on gas-oil ratio tests. Those tests are not due in the Commission's Office until the 15th of June and they become effective on the first day of the proration month that they are filed, so that is July first. It doesn't --

MR. HUGHSTON: This is up on a special matter, application to change the gas-oil ratio. If the Commission entered its order I think it would become effective whenever the Commission stated.

MR. MACEY: I agree with you. I am simply pointing out that under the present 2,000 to 1, you wouldn't be penalized until July 1st.

MR. HUGHSTON: Yes, sir, that is right.

MR. MACEY: Anyone else have a statement they wish to make?

MR. YURONKA: John Yuronka with the Texas Pacific Company.

Since Steve Peters recently completed a well in the -- We concur with the Wilshire that the tests be taken next month under the direct supervision of the Commission and after the data is submitted that the case be opened for rehearing, if so determined desirable.

MR. MACEY: Anyone else have a statement to make in the matter?

MR. STANLEY: Why not start the gas-oil ratios immediately?

MR. MACEY: I think that is the general plan.

MR. STANLEY: They are talking about scheduling them for May.

MR. MACEY: The idea was to start them immediately.

Gentlemen, the Commission -- I wish you would correct me if I am in error, the Commission is going to order a well test schedule in the pool during the month of May to be taken after the bottom hole pressure survey is completed. I doubt very seriously if we can take proper tests on the wells in the pool in time for any May hearing, in time for you to get the data and be able to study it. With that in mind, it is our belief that we should continue the matter until sometime in June, at which time all the data can be brought in and presented. But, in the event Shell Oil Company wants to go ahead and put the testimony on today, that is perfectly all right.

MR. HUGHSTON: Would you complete the case today?

MR. MACEY: No, we will leave the matter open pending the test.

MR. HUGHSTON: We will wait. We would like for a definite



understanding that the reports should be filed in the month of May, not wait until June 15th for them to be filed.

MR. MACEY: Since the tests are going to be conducted by the Commission, we will furnish all the operators in the pool with complete results of all the tests in plenty of time so you can have at least two weeks to study the matter.

The only day in June we can get this hearing room is the 13th. Now, the hearing is on the 15th, the regular hearing. We can not get the hearing room on the 14th.

MR. HUGHSTON: That is satisfactory with Shell.

MR. MACEY: We will continue the matter until the 13th of June. We will issue complete instructions to all the operators and everyone will be furnished a copy of the instructions. I would suggest that anyone who wishes to, give Mr. Stanley the name and address of where you want the data sent to so there won't be any misunderstanding as to who gets what. We will continue the case until the 13th of June at 9:00 o'clock.

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

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 29th day of April, 1955.

  
Notary Public, Court Reporter

My Commission Expires:  
June 19, 1955

BEFORE THE  
**Oil Conservation Commission**  
SANTA FE, NEW MEXICO  
June 13, 1955

IN THE MATTER OF:

CASE NO. 877

**TRANSCRIPT OF PROCEEDINGS**

**ADA DEARNLEY AND ASSOCIATES**  
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Inasmuch as such a survey would be of great significance to the operators and to the Commission in passing on this matter, we have thought it best to discuss the matter with the other operators; and we have come up with an agreement that the matter should be postponed, subject to the Commission's approval, indefinitely, until that report is received, at which time the parties will try to get together and agree on a setting. If not, the applicant can request that it be placed on the active docket. We would, of course, like for it to be understood that if the report is not forthcoming in sixty days, we can reactivate the matter, also.

MR. MACEY: As I understand it, you want the case removed from the docket pending further word from Shell Oil Company in the matter, is that correct?

MR. HUGHSTON: That would be right.

MR. MACEY: Mr. Rieder.

MR. RIEDER: If it please the Commission, the staff feels that the question of the disposition of the flare gas is of a secondary nature. The primary consideration here, we felt, was the dissipation of the reservoir energy of the drive mechanism. We can see no reason for whether the gas is sold or not as affecting the continuance for the final disposition of this hearing. We would like to present that to the Commission.

MR. MACEY: Mr. Campbell.

MR. CAMPBELL: If the Commission--Jack M. Campbell, Campbell and Russell, Roswell, New Mexico. The Wilshire Oil Company of Texas has no objection to the removing of this matter from the docket for the time being, although we are prepared to go ahead if the Commission sees fit, as I think Shell Oil Company is also.

We feel, however, that there are three factors involved in this application. One of them, as Mr. Rieder has stated, is the situation of underground waste within the reservoir; another is the correlative rights problem which involves the same reservoir situation; but the question of surface waste is also of considerable importance to the Commission and to the operators in the pool. It seems to us that until Warren Petroleum Corporation is prepared to advise the Commission and the operators as to what can be expected in the future with reference to the market for gas that might be the result of an increased gas-oil ratio, that the problem cannot be resolved in any event and for that reason we felt that we should not object to the matter being held in abeyance pending that determination, which relates, of course, only to one phase of the problem, the problem of surface waste. We would like to suggest, however, that the Commission, whatever it does with regard to this present matter, provide that at the time bottom hole pressure tests are taken in this pool in November, that gas-oil ratio tests under Commission supervision also be taken at that time. In other words, that instead of the one year elapsing between the time of the taking of the last gas-oil ratio tests in May, that only six-months period be allowed to elapse in order that additional reservoir information, for the benefit of all the operators and the Commission, can be obtained at that time. We have no objection to the request, however.

MR. MACEY: Mr. Hinkle.

MR. HINKLE: Clarence Hinkle, representing Humble Oil and Refining Company. We would like to concur in the request of Mr. Hughston and Mr. Campbell that the matter be deferred indefinitely

so that survey can be made for the Warren facilities to take the gas. Also, the additional time should be given to have further tests on the well.

MR. MACEY: Anyone else?

MR. SMITH: J. K. Smith for Stanolind Oil and Gas Company. We should also like to concur in the suggestion made by Mr. Hughston and by Mr. Campbell and Mr. Hinkle, that the matter be deferred until such time as the market capacity can be better studied and reviewed so as to avoid the possibility of surface waste.

MR. MACEY: Anyone else? Mr. Stanley.

MR. STANLEY: If it please the Commission, I concur with Mr. Campbell that the ratios in this particular field should be taken in such a manner and by such methods whereby an actual six months ratio can be accurately prepared.

MR. MACEY: Anyone else have anything further in this case? The Commission will continue the case indefinitely pending notification from Shell Oil Company in the matter. I would appreciate it, Mr. Hughston, if at the time that you write the Commission and request the case be brought back up again, that you send a copy to all the operators in the pool.

MR. HUGHSTON: We will, yes, sir.

MR. MACEY: Anyone else have anything further in this matter? If not, we will continue the case indefinitely.

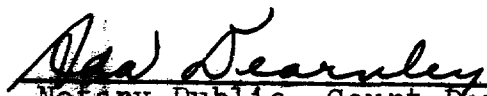
The hearing is adjourned.

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C E R T I F I C A T E

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 17th day of June, 1955.

  
Notary Public, Court Reporter