

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1068

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 16, 1956

IN THE MATTER OF:)

Application of the Oil Conservation Com-)
mission upon its own motion for an order)
requiring the various oil well cementing)
service companies to report monthly on)
all cementing operations performed in the)
State of New Mexico. Applicant, in the)
above-styled cause, seeks an order re-)
quiring a monthly report to be filed by)
every service company involved in the ce-)
menting of oil wells in the State of New)
Mexico. Such report would be as complete)
as is practical, and would include all per-)
tinent information dealing with each in-)
dividual cementing job performed by the)
reporting company.)

Case No.
1068

BEFORE:

Honorable John F. Simms, Jr.
Mr. A. L. Porter
Mr. E. S. (Johnny) Walker

TRANSCRIPT OF HEARING

MR. PORTER: The meeting will come to order, please. The next case to be considered will be Case 1068.

MR. GURLEY: 1068, application of Oil Conservation Commission upon its own motion for an order requiring the various oil well cementing service companies to report monthly on all cement operations performed in the State of New Mexico

MR. PORTER: Mr. Nutter. Are there witnesses in this case?

D A N N U T T E R

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

DIRECT EXAMINATION

By MR. GURLEY:

Q Would you state your name, please?

A Dan Nutter.

Q What is your position?

A Petroleum Engineer for the Oil Conservation Commission.

Q You have qualified as an expert witness before this Commission?

A Yes, I have.

Q Have you in your official capacity, had an opportunity to study the facts and circumstances involved in Case 1068?

A Yes, I have.

Q What are your conclusions and recommendations as a result of the study?

A The study indicates there is a need for a report on cementing operations in the State of New Mexico. We have therefore prepared this proposed Rule 1129 which I would like to read into the record:

" Each company or individual engaged in the business of cementing casing in oil and gas wells within the State of New Mexico shall file for each calendar month a monthly report, which report shall list all cementing jobs performed by that company or individual during that month, and shall include such information as the name of the company owning the well, the lease name and well number, county, date of job, hole size and total depth of well, casing size, depth of casing, volume of cement used, and such other information as may be deemed necessary by the Commission, including type and percent additives used, type of job, that is, single-stage or multi-stage, and approximate zone of fill-up. Such reports containing the information as required shall be filed on Form C-129, Oil and Gas Well Cementing Report, and shall be postmarked on or before the

15th day of the next succeeding month. Form C-129 reporting cementing jobs in all counties except San Juan, Rio Arriba, McKinley, and Sandoval Counties shall be filed in TRIPLICATE at the Commission's District Office, Box 2045, Hobbs, New Mexico. Form C-129 reporting cementing jobs in the aforesaid San Juan, Rio Arriba, McKinley, and Sandoval Counties shall be filed in DUPLICATE at the Commission's District Office, Box 697, Aztec, New Mexico."

I believe there were sufficient quantities of the proposed rules printed to be distributed to all the people present at the hearing. I have also prepared a few copies of the proposed form C-129 which I have available for the cementing companies if they would like to take a look at the form.

I would like to also introduce the proposed rule and the proposed Form C-129 as Exhibits A and B in this case.

MR. GURLEY: Will you mark those as Exhibits, please?

(Marked as Commission's Exhibits
A and B for identification.)

MR. GURLEY: I would like to introduce those as exhibits.

MR. PORTER: Is there objection to the entrance of these exhibits? They will be accepted.

A As I stated before, there is a need for the report, and I therefore recommend to the Commission that the same be adopted fully.

Q Do you have anything further to state?

A No, sir.

MR. PORTER: Are there any questions of Mr. Nutter?

MR. DEWEY: I would like to ask a question.

MR. PORTER: Mr. Dewey.

CROSS EXAMINATION

By MR. DEWEY:

Q I notice in this proposal Rule 1129 there is certain information on there such as hole size, total depth of well, depth of casing and approximate zone of fill-up, and included in this information that the Commission requests occurs to me that the only place that the cementing company can get that is from the operator. They will have to obtain that information from the operator. It looks to me like we already have Form C-105 which the operator has to report that information on, or it can be included on that form.

A That is very true.

Q I was wondering if you would elaborate the need of the Commission for an extra form.

A There's quite a long story behind this, Mr. Dewey. In certain cases volumes of cement have been reported which were not the actual volumes of cement which were run into the wells. The zone of fill-up and the job that was done on that pipe wasn't as reported on the 103. The cementing company knows how much cement they run the volume, the size of the hole and the size of the pipe. They should be able to estimate the approximate zone of fill-up. It is for that reason we are asking for that information.

Q Mr. Nutter, the cementing company is not responsible for the job, they may run a certain volume of cement in there, but whether the job is good or bad is the operator's responsibility, is it not?

A Yes, it is.

Q Just knowing the volume, would that mean that knowing the volume it would be prima facie evidence that the cement job was good.

A It wouldn't be evidence that the cement was good, but it might be more evidence that the cementing job was better than we

knew it was. If we knew 300 sacks had been used rather than 300 reported when actually maybe a hundred were used.

Q Has this difficulty been experienced with a great majority of the operators?

A Not the great majority, no, sir.

MR. PORTER: Mr. Selinger.

By MR. SELINGER:

Q Mr. Nutter, George Selinger with Skelly Oil Company. Mr. Nutter, aren't the operators now filing this same information on each cement job on Form 103? A Yes, sir.

Q In addition to Form 105 for the complete job on 105 and for each succeeding cement job on Form 103?

A Yes, sir.

MR. PORTER: Mr. Walker, did you have a question.

MR. WALKER: Yes. Don Walker for Gulf.

By MR. WALKER:

Q Is there some other way that you could get just the volume of cement from the cementing company by an extra copy? I don't know what they have, but rather than require them to file information that you have gotten from the operating company?

A I don't say, Mr. Walker, that any information is required of the cementing company that they don't already know. It would be just as easy for them to supply all the information they know about the job as it would be just a part of it.

GOVERNOR SIMMS: What were you thinking of, the ticket on the job?

MR. WALKER: Yes, sir, an extra copy rather than a separate report.

A That could be done if we had a ticket on every job. I am sure that the tickets give most of the information.

MR. WALKER: Yes, sir. I think there must be some way other than a new form to fool with.

MR. PORTER: Mr. Madule.

MR. MADULE: Madule for Magnolia Petroleum Company.

By MR. MADULE:

Q If all the information you want is the amount of cement, why do you go into all the other things with reference to my hole?

A I believe that this information that is asked on the form, Mr. Madule, it is all public information.

Q Well, if it is, why do you need another report?

A It's consolidated in one place so we can know whether the job was good or bad. I think we can get a good idea by glancing at the form to see that the wells were cemented properly.

Q Isn't it true that the only way they can get the information is to get it from the one who has the hole, Magnolia Petroleum Company?

A Most of that information is supplied by the operator, yes, sir.

Q Why require second-hand information when you have first-hand information?

A There are cases where the information that is reported on the 103 doesn't truly reflect the job that was done on the well.

Q Why penalize the honest operator for the one that is dishonest?

A I am sorry that is the way it has to be done. I don't see that this is penalizing the operator. All the objection this morning is coming from the operators.

Q Mr. Nutter, any time an additional report is made, we are

going to pay for it. That is the whole thing. I mean now if you start making them put on statisticians to furnish the information that we have already furnished you, we are going to have to pay that clerk too and we got enough clerks as it is.

A In my opinion this form is going to result in the cementing services selling a few sacks of cement they haven't been selling, and maybe the extra cement is going to pay the cost of the clerks that will have to make out the form.

Q That doesn't answer my question. I beg to differ with you. Let's go back here. Just where would they obtain the total depth of the well?

A They would obtain that from the operator.

Q Why do they have to report on that?

A Because if we have the form here reporting some sacks of cement run in the well and we don't have the casing size and the hole size and the total depth of the well, we don't know how much of the hole was filled up with cement. That's why we have to have the information in one place so you can sit there and study it out and see if there was enough cement run in the hole.

Q What would total depth have to do with it?

A Perhaps total depth wouldn't be completely necessary. It may be in the case of running surface pipe when the well has only been run so far and you want to see if cement was circulated to surface. There is cases where cement is dumped around the top of the pipe and that is as far as it ever gets. I don't believe Magnolia is one of those operators.

Q I am not fussing except I don't see the necessity for the additional form. We have enough forms as it is.

A We need the report. If there is a way to get the information without the form --

Q Why don't you limit to the cement? You want the cement that was actually poured in the well, limit it to the cement. You have the other information. All you have to do is turn to the other Forms 103 and 105 on that well, and you would have your complete information and your hole size, your total depth and cement work done, wouldn't you?

A If you had the cement and the Forms 103 and 105 available to you all at the same time, yes, sir.

Q You have them in there?

A Yes, sir. When it is all reported on one form together it is much easier to make a comparison of the whole thing.

Q You want Magnolia and these other companies to do your work for you, that is what you are saying?

A Well, it facilitates the study to have it on one form.

MR. PORTER: Any other questions? Mr. Greiner.

By MR. GREINER:

Q Did I understand you, Mr. Nutter, that these misreports on 103 and 105 are pure inadvertent errors or they are deliberate?

A There has been some cases where there has been deliberate chicanery.

Q Is the Commission without power to take appropriate steps where such chicanery is engaged in?

A We don't know of all the cases in which that occurs. If we did we could probably take the proper action.

Q Why is there apt to be any more or less chicanery here than there is in the other form?

A Because the cementing company is asked according to my proposed Form C-129 here, the cementing company is asked to certify that the information reported is true and correct to the best of their knowledge and belief. It is going to be an assistance to them to be able to tell some of these operators that they have to give a sworn statement as to the amount of cement they ran.

Q Isn't perhaps it an appropriate remedy to simply have that as a sworn statement then rather than to have this entirely new and different form here? That is what you want so you can get them under the perjury statutes; aim your bullet at what you want to hit rather than going off down the side tracks. Why not put the responsibility on the people for telling the truth instead of putting a burden on all of these other conforming people to pay for these other unnecessary forms as Mr. Madule has pointed out? It strikes me that your remedy isn't particularly well suited to cure the ill, and there are adequate mechanisms already within the Commission's control and power to control fraudulent or negligently careless statements.

A This was the only means that we had of bringing this into the hearing. Maybe it is a healthy thing it was brought in.

Q I can't quarrel with that statement.

A It may not be the proper procedure, but we think the thing should be considered.

MR. HUGHES: Mike Hughes. I am Division Manager for the Horward-Knowles Cementing Company. I have been listening to the comments about the people that are paying for this. I think their statements are true. The only thing I would be willing to certify without some careful study would be the day of the month that the job was done. All this other information that is on this request

here we would have to ask the people we are doing the work for, well, they tell us that is what we put on the tickets. As to the exact location of the well, we don't feel we would have to get a licensed survey to check the well. We don't have the money or the time to do it. If we did do it we would have to pass it on to the customer. We feel to comply with this on every well that we would have to augment our staff to comply with this and get it in on time.

GOVERNOR SIMMS: What about the amount of cement delivered.

MR. HUGHES: We couldn't do that because after so many are delivered there is a pile of cement out there in sacks. We don't get out and count them because they are stacked in such a manner we couldn't count without moving them. The same goes as with the admixers. If we deliver the cement out there with the admixers in we could comply with it because we would know what was there. It would be difficult for us to possibly check on this to be able to certify to the effect this was done or that was done. The hole was so deep. We can see the top of it, oftentimes there has been more than one size casing put in the hole. That we do not know unless we get it from the people who are paying for our service. We object to this.

MR. PORTER: Are there any other well companies represented here?

MR. FLETCHER: My name is Fletcher. I am with the Atlantic Refining Company. I have here a written statement concerning the case that I would like to read. "The New Mexico Oil Conservation Commission has made application for an order requiring the various oil well cementing services to report monthly on all cementing operations performed in the State of New Mexico. The Atlantic Refining Company respectfully opposes that application for the

following reasons:

1. That reporting by service companies would cause duplication of records already on file at Commission offices. Well cementing and completion data are already reported on Form C-103, Miscellaneous Reports on Wells, and Form C-105, Well Record.

2. Filing of reports by service companies will cause increased service company overhead cost. These increased costs will be passed on to the oil industries through increased service charges.

3. The processing of the proposed reports will require additional personnel for Commission offices resulting in an increased overhead cost that must be paid at least in part by added taxation on the oil industry.

4. The Atlantic Refining Company is very particular as to the accuracy of all of its records including those pertaining to well cementing and completion operations. These reports, after being carefully filed and checked, are duly notarized and submitted to the Commission and copies are retained in our permanent files for company reference and use. As an alternative, it is suggested that the Commission consider revision of the existing forms C-103 and C-105 to include space for any additional well cementing program or completion information now needed by the Commission staff."

MR. GURLEY: Due to the controversial nature of this particular case, I move the Commission that this case be continued until the next regular hearing in June for one reason, so that the Commission staff has more evidence to put on at that time. Obviously there will be other testimony by companies who are objecting to this case.

MR. SMITH: By J. K. Smith, Stanolind Oil and Gas.

By MR. SMITH:

Q How many instances have been brought to your attention where there has been faulty cementing?

A That will be part of the testimony next month.

Q Can you let me have a rough estimate?

A No, sir, I can't at this time.

Q You don't know whether it is two or three or two or three hundred.

A There are several.

Q What actions have been taken by the Commission in the way of penalizing the Commission or requiring them to do additional work in these instances?

A I can't testify to that right now.

Q Has anything been done at all? A I can't say.

Q You mean you don't know or you are not in a position to testify?

A I am not in a position to testify at this time.

Q May I ask why? A No, sir.

MR. SMITH: I wanted to bring it out that he did not wish to testify.

A We will have further to testify about it next month.

GOVERNOR SIMMS: I don't think there is anything secret about it. If they are forced to testify they will bring the member of the field staff up to testify. That is what Dan is saying in a nice way.

MR. WALKER: I believe these statements and comments have been very much in order. As a matter of fact, I am glad you asked those questions, Mr. Smith, because I am as ignorant about this as anyone in the room. I don't know what the staff has and would

certainly be in favor of continuing it to next month if the staff wishes to do that. I am wondering if that is the case if there is any reason why the Oil Commission can't investigate and take action against the parties and perhaps make an example and stop the ones who are doing it without going into a new order. Do you think that is possible?

A That might be possible, yes, sir.

MR. SMITH: Actually it doesn't make too much difference to Stanolind one way or the other, but it occurred to me that perhaps if nothing is being done on the known instances, that the filings of these additional forms will probably result in further no action being taken and those might be unnecessary. I am inclined to agree with Mr. Walker that probably the best solution is to take out after those making the false statements and not doing the jobs properly rather than to put a burden on the entire industry to file an additional form when perhaps nothing would be done anyway.

GOVERNOR SIMMS: Within my knowledge, and mine is very very limited, as Johnny Walker says, I am as ignorant as anyone here. As to my knowledge, this first thing came up about six months ago. A lot of us heard about it. Bill Macey was the director and he asked informally a lot of companies and the cementing companies, if they would give the information without a ruling. It was the consensus that they would be put in a position of stool pidgeoning on their own customers in that rare irregular case. I want to say I certainly agree that it is a minority of the cases, not a majority. It is a very few. Those people told Bill Macey, I think this is my recollection, that they would not rather volunteer the information, but nobody had an objection to a routine order so that

they would be put in a position of saying, look, I don't like to give it voluntarily, but it is required by the Commission.

I say that in Dan's defense because I don't think anyone of us want to increase the paper work load, but I think there was a misconception on the part of the Commission that this was an unopposed matter that they would be willing to do it as the matter of practice out of the volunteer field. I am glad we had the testimony and all the protest because I think it can be done the other way. It isn't something that Dan dreamed up last night to present today. It is six months old. If it can be handled another way, I am sure the Commission would like to do it that way. I certainly agree with what Commissioner Walker said, if the occasional unorthodox or irregular operator needs to get cracked down on, maybe that will increase compliance with the existing form.

I would certainly be for putting it over if the staff wants to put on testimony in the case next time on specific cases and call specific names, that is fine. I would prefer not to do it myself. I don't think it would help the Commission or industry. Maybe the word will get out that we are not fooling about this type of report and it will clean itself up. I think we ought to hold it over and review it and we can ask Hanson to bring the information he has up and take a look at it and hear it next month if we desire.

MR. PORTER: We will have to continue the case until the next regular hearing, and in the meantime if anybody has any suggestions or objections that they haven't expressed here, they might send them on.

C E R T I F I C A T E

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 22nd day of May, 1956.



Notary Public-Court Reporter

My commission expires:
June 19, 1959.

MAIN OFFICE CCC

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BEFORE THE

Oil Conservation Commission

SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1068

TRANSCRIPT OF PROCEEDINGS

DEARNLEY-MEIER AND ASSOCIATES

COURT REPORTERS

605 SIMMS BUILDING

TELEPHONE 3-6691

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 14, 1956

IN THE MATTER OF: -----

Application of the Oil Conservation Commission upon its own motion for an order requiring the various oil well cementing service companies to report monthly on all cementing operations performed in the State of New Mexico. Applicant, in the above-styled cause, seeks an order requiring a monthly report to be filed by every service company involved in the cementing of oil wells in the State of New Mexico. Such report would be as complete as is practical, and would include all pertinent information dealing with each individual cementing job performed by the reporting company.

Case No.
1068

BEFORE:

Mr. A. L. Porter
Mr. E. S. (Johnny) Walker
Honorable John F. Simms, Jr.

TRANSCRIPT OF HEARING

MR. PORTER: The next case that we will take up is Case 1068.
Mr. Gurley, would you read the case, please?

MR. GURLEY: Application of the Oil Conservation Commission upon its own motion for an order requiring the various oil well cementing service companies to report monthly on all cementing operations performed in the State of New Mexico. Applicant, in the above-styled cause, seeks an order requiring a monthly report to be filed by every service company involved in the cementing of oil wells in the State of New Mexico. Such report would be as complete as is practical, and would include all pertinent information dealing with each individual cementing job performed by the reporting company.

If it please the Commission, we would like to move the dismissal of this case at this time, as advertised.

MR. PORTER: As many of you will recall, and as the record of course will indicate, there was considerable discussion of the subject matter in this case at the last hearing. Enough, I believe, to indicate that both the industry and the Commission recognize the importance of proper cementing job. The Commission recognizes also that there was some reasonable opposition to the form and rule as proposed at the last hearing. The Commission, therefore, is willing to dismiss the case as it is now advertised, and we will try the approach of more frequent witnessing of cementing job with the addition of some field personnel in the areas where violations have been reported.

If the matter cannot be satisfactorily handled in this manner, it might be the subject of a future hearing as to the requirement of the filing of a copy of the delivery ticket by the cementing company, or having the operators notify the Commission prior to any cementing job.

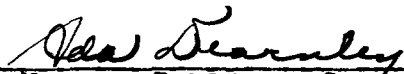
Is there any objection to Mr. Gurley's motion? The case will be dismissed.

C E R T I F I C A T E

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 20th day of June, 1956.



Notary Public - Court Reporter

My commission expires:
June 19, 1959.