

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

IN THE MATTER OF:

Case No. 1197

TRANSCRIPT OF PROCEEDINGS

DEARNLEY-MEIER AND ASSOCIATES

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BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 16, 1957

IN THE MATTER OF:

The application of the New Mexico Oil Conservation Commission upon its own motion for an order promulgating pool rules for the North Mason-Delaware Pool in Eddy and Lea Counties, New Mexico. Applicant, in the above-styled cause, seeks an order promulgating permanent pool rules for the North Mason-Delaware Pool in Eddy and Lea Counties, New Mexico, for the purpose of establishing the allowable for said pool.

Case No. 1197

BEFORE: Honorable Edwin L. Mechem
Mr. Murray Morgan
Mr. A. L. Porter, Jr.

TRANSCRIPT OF HEARING

MR. PORTER: The next case is 1197. Mr. Nutter, will you be sworn please?

(Title of the within case read by Mr. Cooley, Attorney for the Commission. Mr. Cooley then swore Mr. Dan Nutter as a witness.)

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. COOLEY:

Q Please state your full name and your position.

A Dan Nutter, Petroleum Engineer for the Oil Conservation Commission.

Q Mr. Nutter, have you previously testified before this Commission?

A Yes, sir, I have.

Q In your official capacity have you had an opportunity to study the conditions with respect to the North Mason-Delaware Pool in Eddy and Lea Counties, New Mexico, particularly with regard to the necessity of establishing the allowable for said pool?

A Yes, I have. I would like, briefly, to summarize the history of this pool. Order R-571 of the Commission created the pool and established the depth bracket as being from zero to 5,000 feet. As a result of the pool lying on the Texas border with part of the pool in New Mexico and part of it in Texas, the allowables were fixed at the amount of the average Texas Allowable which was different than the average New Mexico Allowable for the same period of time. We established a temporary allowable of 48 barrels per day from February 1, 1955 to February 1, 1956, by Order R-571. Order R-571A established a temporary allowable from February 1, 1956 to September 1, 1956, of 48 barrels per day. That was adjusted on September 1, 1956 until February 1, 1957, at 49 barrels per day. As a result of all these temporary orders, it looks like this could go on forever, so we decided to try to get up some kind of permanent pool rules. We got in touch with the Texas Railroad Commission and found that the portion of this pool which is in that state is producing over 93 barrels top per well MER, which is based on the 40-acre 1947 yardstick for depths

ranging from four to five thousand feet. I have summarized the production in the State of New Mexico for a depth factor equivalent to this pool--which also shows Texas production--that is, for Texas and New Mexico both, and find the average production for the last 24 months in the State of Texas has been 48.9 barrels per day; that is the average in Texas, whereas the normal unit allowable for New Mexico for the same depth has been 39.6 barrels per day. I feel that drainage across the state line could occur if the allowables in the two states are not equivalent to each other. I, therefore, recommend to the Commission that an order be issued establishing rules to permit the regulation and whereby the allowable in the State of New Mexico can be fixed at a rate corresponding to that in Texas the previous month. In other words, we would determine what the Texas allowable was for the month of--we are going into February now--setting the allowables for February--determine what the Texas Railroad Commission authorized in January, 1947, and set the New Mexico Allowable for February the same as the Texas January allowable. In other words, the two pools in the two states would have the same allowables; however, New Mexico would be one month behind Texas in fixing its allowable. We have prepared this as Exhibit 1 which we would like to offer; it shows the difference in the allowables for the last 24 months and we also offer an official communication from the Texas Railroad Commission as Exhibit 2 in the case, wherein they state what the allowable is in Texas, and how it is fixed for that pool.

MR. PORTER: Is there any objection to the admission of these exhibits? If not, they will be admitted. Does anyone have

a question of Mr. Nutter?

CROSS-EXAMINATION

by MR. MANKIN

Q I have one question: Would it be your recommendation in this case that each monthly, that each month, the order for the allowables have a particular paragraph in it relating to what the allowable should be for the North Mason-Delaware Pool for the coming month?

A Yes, sir, it should make provision for the North Mason-Delaware Pool each month.

MR. PORTER: Does anyone else have a question?

CROSS-EXAMINATION

By Mr. COOLEY

Q Mr. Nutter, do you feel under the proposed rule, that the New Mexico Commission would be bound by the Texas allowable or merely would consider it?

A I don't think you could write the rule except that it would be bound by the Texas allowable. The rules and regulations provide that the Commission can set the allowable in various pools as it sees fit in New Mexico. Also, it provides that the Commission take into consideration the market demand in fixing the allowable for the pools. However, this would be fixed by consideration of other than market demand, there's no doubt about that. But the production from the North Mason-Delaware pool would be taken into consideration each month in determining new allowables for the rest of the other pools.

~~Q As you pointed out, and it is my thought, that the New~~

Mexico allowables should be established by the New Mexico Commission, and not by Texas.

A The two states have variations in market demand at times and if you went strictly by market demand in the case of a pool which lies in two states, you might have unequal rates of withdrawal, depending on the states' rates of production that month, and I think protection of correlative rights may override worrying about market demand in such cases. This is strictly in the interests of protection of correlative rights here. It has been established for the last two years that Texas allowables have been some ten barrels higher per month than New Mexico for equal depth pools in that area.

MR. PORTER: You are referring to New Mexico's correlative rights, Dan?

A Yes, sir, I'm worried about New Mexico. Of course, we wouldn't want to drain Texas--and this would work both ways; both states would be protected.


MR. PORTER: Does anyone else have a question? You may be excused, Mr. Nutter. Does anyone have a statement in the case, or any comments on it? If not, we will take the case under advisement

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STATE OF NEW MEXICO)
COUNTY OF SANTA FE) ss.

I, Dorothy B. Myers, Court Reporter and Notary Public in and for the County of Santa Fe, State of New Mexico, do hereby certify that the foregoing and attached transcript of proceedings before the Oil Conservation Commission of the State of New Mexico, was reported by me in shorthand and reduced to typewritten transcript by me, and that same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my hand and seal this 22nd day of January, 1957.


NOTARY PUBLIC - COURT REPORTER

My commission Expires:
August 3, 1960.