

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
February 13, 1958

IN THE MATTER OF: Case No. 1378

TRANSCRIPT OF PROCEEDINGS

DEARNLEY - MEIER & ASSOCIATES  
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ALBUQUERQUE, NEW MEXICO  
3-6691 5-9546

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
February 13, 1958

----- )  
IN THE MATTER OF: )

Application of El Paso Natural Gas Company )  
for an order amending Order No. R-333-C & D. )  
Applicant, in the above-styled cause, seeks ) Case 1378  
an order revising, amending or deleting cer- )  
tain portions of Order No. R-333-C & D to )  
extend the testing period and revise the )  
test scheduling procedure applicable to gas )  
wells in San Juan, Rio Arriba, Sandoval and )  
McKinley Counties, New Mexico. )  
----- )

BEFORE:

Mr. A. L. Porter, Jr.  
Mr. Murray Morgan  
Governor Edwin L. Mechem

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: We'll take up next Case 1378.

MR. COOLEY: Case 1378: Application of El Paso Natural  
Gas Company for an order amending Order No. R-333-C & D.

MR. WHITWORTH: Jack Whitworth, representing El Paso  
Natural Gas Company. I understand this case is uncontested, so  
we plan to be brief. We have one witness, Mr. David Rainey.

(Witness sworn.)

DAVID H. RAINEY

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

DIRECT EXAMINATION

By MR. WHITWORTH:

Q Please state your full name.

A David H. Rainey.

Q By whom and in what capacity are you employed?

A Employed by El Paso Natural Gas Company as administrative assistant with the proration department.

Q Have you had occasion to be qualified as an expert witness before this Commission?

A Yes, sir.

MR. WHITWORTH: We ask the qualifications be accepted.

MR. PORTER: His qualifications are acceptable.

Q Have you had occasion to read and study the application in this case?

A Yes, sir.

Q Are you familiar with the situation outlined in that application?

A Yes, sir.

Q Would you state that situation to the Commission?

A At the present time the deliverability test period as provided for in Order R-333-C and D provides for testing period from April 1st to October 31st. At the present time there are between 3500 and 4000 wells in the San Juan Basin, all of which must be tested each year, and that period of time does not appear to be sufficient to test the wells; and El Paso is here making

application to extend that test period to a total of ten and a half months, or from February 1st to December 15th.

Q El Paso operates and tests a substantial number of wells in the San Juan Basin area, is that right?

A Yes, sir.

Q What period of time is prescribed -- first of all, are you familiar with the Order R-333-C and D?

A Yes, sir.

Q What period of time is prescribed in that order for performing annual deliverability pressure shut-in?

A The test period is from April 1st to October 31st, as I previously stated.

Q In your opinion, is this length of time adequate to perform those tests?

A No, sir, it is not.

Q You previously gave a reason to the Commission. Do you care to elaborate on that?

A No, sir, I don't think so. We think that the Commission received copies of a letter which El Paso sent to all operators. if you would like to have copies of that letter now. We proposed in that letter that the period be extended from February 1st to November 30th. After more serious deliberation on the matter, we are requesting that it be extended to December 15th, in that if a well is connected to a pipe line facility as late as October 31st it cannot be tested in the prescribed manner by the end of November.

Consequently, we are lengthening that time period to December 15th.

Q Now are you familiar with sub-section (II) of Section A of that order, relative to scheduling of tests?

A Yes, sir.

Q Have you prepared suggested changes to this order with respect to annual deliverability shut-in pressure tests and scheduling of tests?

A Yes, sir. I think everybody has a copy of these proposed changes. I have underlined the places that there are actual changes in the present rule.

We have changed wording, or arrangement, in the interest of clarity or simplification in some cases, but the basic changes are merely those that are underlined. I have already outlined the reasons for extending the period from February 1st to December 15th. Paragraph 4 of the proposed changes is an entirely new paragraph, which reads: "All Annual Deliverability and Shut-in Pressure Tests taken in compliance with Section B of this Order shall be filed with the New Mexico Oil Conservation Commission and with the gas transportation facility to which the well is connected within 30 days after the end of the month in which the test is completed but no test shall be filed later than December 31, provided however, that administrative approval may be granted by the Secretary-Director of the Commission for extensions of this period in special cases."

As a little further explanation of that, there are places

in the rule currently providing that the test shall be filed within the month following the month in which the test is completed. El Paso is urging that that provision be enforced to prevent a large number of tests being filed toward the end of the year, thereby imposing an abnormal work-load on the Commission and the operators right at the end of the year. The El Paso is proposing that a company making the test furnish a copy of the test to the gas transportation facility at the same time the test is filed with the Commission. This, in effect, will assure the pipe line company making up the schedules that the wells have been tested in compliance with the schedule, and no reason to reschedule the wells at a later date.

This paragraph further provides that no test shall be filed later than December 31, provided however that in cases of extreme need the Secretary-Director can grant administrative approval. It would have to be left to discretion of the Commission staff and the Director of the Commission what reasons would be valid for extensions of that. Something like freeze of the line, possibly, in the test in the latter part of the year, something could happen to the test, no fault of the operator, a valid extension could be granted.

In Section III in regard to scheduling of tests, the current order provides that one schedule shall be furnished to the Commission on February 15, scheduling for the entire year. It has proven with a large number of wells in the San Juan Basin that so many wells

have to be rescheduled that it would appear to be more feasible to schedule the wells in two-month increments rather than trying to schedule the entire year at one time, and that way if some test is a non-valid test or the well is not tested at all, it can immediately be rescheduled in the next two months and not have a big backlog of tests right at the end of the year that have to be caught up on.

Q In your opinion would these changes if adopted provide a more reasonable time period for making these tests than the rules or orders as they now exist?

A Yes, I think so. If I may, I have one other suggested change in the rules. In Section B, Sub-section I, sub-paragraph 6, present rule provides that orifice meter charts shall be changed and so arranged as to reflect upon a single chart the flow data for the gas from each well for the full seven-day deliverability test period. El Paso proposes to add a phrase there providing, "except that no tests shall be voided if reasonable explanation is made as to the necessity for using test volumes through two chart periods." In some instances we have lost tests because we failed to get good volume readings or something of that nature on one chart period. If we could have used the three days on one chart period and four days on another, with a reasonable explanation as to why that was necessary, we wouldn't have to reschedule the well and go through the whole process again. We are also requesting that change be made.

Q Do you have any suggestion of how testing may be accomplished for the year 1958?

A Since we are already past the February 1st date as proposed in these new rules, El Paso is requesting at this time that an emergency order be issued relieving the pipe line companies of the obligation of filing the full year's deliverability test schedule on February 15th, and permitting them to file by February 20th a test schedule for the months of March and April for this year only, so that we can get into the testing immediately, if at all possible. El Paso has already prepared for their part schedules for tests for the months of March and April, and if the Commission so desires, we'll be glad to submit them at this time.

In the first area, it's broken down in seven areas, in the first area only El Paso wells are scheduled, so that it will be no undue burden on other operators in trying to receive notification in time to get the test started.

Q In your opinion, if this application is granted, will it result in waste and will correlative rights be protected?

A It will not result in waste and I think very definitely that correlative rights would be protected. I say there would be no violation under any stretch of the imagination.

Q Also in your opinion if this application is granted, will it prevent undue hardship?

A Right.



Q To your knowledge, has there been concurrence of other companies in this application?

A Yes, we have a number of letters. Some of the letters have been furnished to the Commission. Quite a number have not been furnished to the Commission. In the interest of time, with the Commission's permission, I will not read the letters. They are all in general concurrence with the application. I have photo-stats or duplicate copies of all the letters that were sent to El Paso that the Commission did not receive copies of. They are from the Ohio, Tennessee Gas Transmission Company, Beaver Lodge Oil Corporation, R. E. Baanon, General American Oil Company, Bayview Oil Corporation, D. H. Boling, George J. Darnell, Argo Oil Corporation, Texas Natural Petroleum Company, Southern Petroleum Exploration Incorporated, William G. Webb, Western Development Company of Delaware, Pubco Petroleum, Western Natural Gas Company, Sunray-Midcontinent Oil Company. I would like to submit these for the record.

Q Now El Paso's Exhibit No. 1 is the proposed changes to this order?

A Yes, sir.

Q That was prepared by you?

A Yes, sir.

MR. WHITWORTH: We ask that El Paso's Exhibit No. 1 be accepted.

MR. PORTER: Without objection it will be admitted. Mr.

Cooley, were you able to follow Mr. Rainey on this list of letters? Do you have any in our files that he didn't mention?

MR. COOLEY: All of them.

A There are quite a number and copies were sent to the Commission.

MR. COOLEY: All these are in addition to the ones that he mentioned. We have letters concurring in the application from Magnolia Petroleum, San Jacinto Petroleum and Empire States Drilling Corporation, Horace F. McKay, Jr., The Frontier Refining Company, Three States Natural Gas, Delhi-Taylor Oil Corporation, J. Glenn Taylor, Squire Production Company, El Dorado Refining Company, and PetroAtlas Corporation.

MR. PORTER: Does anyone have a question of Mr. Rainey at this time? Mr. Utz.

CROSS EXAMINATION

By MR. UTZ:

Q Mr. Rainey, I note that your changes do not include anything in the way of scheduling except for a sixty-day period to be submitted thirty days before the beginning of the sixty-day period, is that right?

A Yes, sir.

Q Would you have any objection to the change in rule requiring a complete list of all purchasers connections be filed with the Commission before the annual testing season?

A I can see no objection to that, no, sir.

Q In this matter of granting administrative approval for an extension of the annual testing period beyond December 15th, I believe that's what you had in mind?

A That is not exactly what I had in mind, Mr. Utz. I may not have clearly set it out. What I wanted was the extension of time to file the test after December 31st. It's conceivable that it should be provided that an extension for later tests could be added in there, that was not the intention of this particular paragraph.

Q Then you are not recommending administrative approval for an extension of the annual test period?

A No, sir. I have no objection to it, however.

Q Then it is your intention, in order to clarify the matter once and for all, that all wells be delinquent as of January 1st?

A Yes, sir, except as provided.

Q All wells connected by October 31st?

A That's right, except as provided for, whatever extension might be granted.

Q The present rules provide that when an initial deliverability test is taken in conformance with the annual test procedure, that the Commission be notified in writing at any time during the fourteen-day conditioning period?

A Yes, sir.

Q That would constitute scheduling the well, would it not?

A Yes, sir.

Q In this change that you are submitting here, where it states, "In the event changes for substantial reasons are necessary in any," and the word changed is "any", "test schedule, the Commission shall be notified ten days before tests are scheduled to commence."

A The reason for that underlining "any", the current rules provide "in the annual test schedule".

Q The one that I have just stated here would be an annual test, he doesn't have to notify the Commission ten days before beginning the test if he rescheduled that; the way I understand that, you would have to notify the Commission ten days before the test?

A That's a point. This says "changes" in the schedule.

Q That would be a change in the schedule. In one case you notify them during the conditioning period, and if you have to reschedule the well, you would have to notify them ten days before?

A These two paragraphs are copied almost word for word from the present rule. I don't know how you have been operating under that in regard to that respect, but these two paragraphs are copied directly from the present rule. I changed the wording, I changed the wording in that paragraph that "The Commission shall be notified in writing during the fourteen-day test period", but it states the same thing that is in the present rule.

Q I just want to be sure that is what you want. Regarding the flow period being on one test chart, which we have required heretofore, do you know of any adjustments in the meter or any

meter corrections to be made between chart changes, or at the time of chart changes?

A Not normally, no, sir.

Q It is never done?

A It is conceivable that something could be done to it; as a normal operating procedure, it is not done. All they do is wind the clock and put a new meter chart on it.

Q It says they take that one reading to determine the meter information, or that would run the average off?

A This provision was not with the intention of giving any blanket permission to run them through two chart periods. It was for extreme cases where you might lose a test entirely without having the provision to carry it over into two chart periods.

Q Do you think that if it were allowed, it might become the rule rather than the exception?

A I intended to leave the reasonable explanation portion of that up to the discretion of the Commission. If they feel like it is being abused, they can state it is not a reasonable explanation and require the operator to re-test the well.

MR. UTZ: That's all I have.

A Let me add one other point right here. If you will note in this suggested change in the current rules, it provides that the Commission shall be notified during the test schedule and it shall be approved by the Commission. We have left that out entirely. The pipe line companies would notify all the operators of the test

schedule. It seems to me that there is no particular approval necessary for the test schedule, and it is merely an unnecessary time consuming provision. I wanted to point that out. I noticed that I had missed bringing that up before.

MR. UTZ: Do you think it would be necessary for the Commission to notify all operators that their wells were going to be tested during the test period?

A No, sir. This rule, I think, is pretty evident on that, that all wells must be tested during the testing period, and if the pipe line company notifies the operators, it seems to me that under the provisions of the rule, that should be sufficient notice.

Q You think they can run their own business?

A It's to be presumed so.

MR. PORTER: Mr. Nutter.

By MR. NUTTER:

Q Mr. Rainey, do I understand correctly that you are proposing five two-month testing periods, being February-March, April-May, June-July, August and September, and October and November?

A Yes, sir, except the last one would be two and a half months.

Q Then you have an extra fifteen-day period?

A That is correct.

Q What happens if you test a well in the latter part of that fifth testing period, being October, November, and the first fifteen days of December, and you get a bad test? Do you have time to take a re-test on that well?

A Not as a general rule, no, sir. That would be a case in line with Mr. Utz's question on the paragraph on the front page, as to the administrative approval for extensions. If the Commission sees fit to grant administrative approval for extension of tests, it could be handled that way. Otherwise it would be necessary to come in for a hearing or lose the allowable because the well was not tested and the form filed in due form.

Q If this thing were to be written to provide for five two-months testing periods and reserve the month of December for re-tests as may be necessary, and not schedule any wells for their original test in the month of December?

A I see no objection to that, if the Commission feels that is the best way to handle it. The reason we cut it off on the 15th of December was to give the operators and the Commission a little time to get the tests in and evaluate them and get the necessary data taken off and put on the proration schedule.

Q If the testing period were cut off at November 30th, the month of December would provide adequate time if any wells had to be re-tested?

A Not entirely. See, most of the charts are eight-day charts, and there is only thirty-one days in a month, that is thirty-two days for four chart periods, and you would lap over into the first of January.

Q That wouldn't be very far.

A Well, I mean the rules are written to provide certain

things, if we are going to abide by them, it seems to me that we ought, you start letting it go two or three days, why the whole thing breaks down, in my opinion.

Q Well, what would be more likely to occur, to have a reserve test period at the end of the year dedicated to re-testing only?

A I see no objection to that.

Q Would there be any objection to that, in order -- the only chance you have of coming up short at the end of the year would be if the re-test failed, would it not?

A Yes, sir. I see no objection to that, if the Commission feels that allowing tests to run to December 31st, if you run the test itself through to December 31st, it takes a couple of weeks to get these charts integrated and the test calculated and filed with the Commission. It would be the middle of January before the test could be filed. That is why we cut it off on December 15th, to give the two-week period there to assure that the test would be in by December 31st. I have no objection to it, if the Commission wants to set the final date for the filing of tests on January 15th, say.

MR. NUTTER: I believe that's all. Thank you.

MR. PORTER: Mr. Arnold.

By MR. ARNOLD:

Q As a practical matter, if the order was written the way you propose, probably the last month or six weeks of the testing



season is going to be used on wells that have been re-scheduled anyway, isn't it?

A Chances are it probably would be, yes, sir. Of course, with 3500 to 4000 wells in the Basin, that necessitates testing 350 or 400 wells a month.

Q Do you see any practical reason for setting aside one month for re-test when you can handle it with the order written the way you have suggested?

A No, sir, but on the other hand, I can see no practical reason for not doing it. It's just one of those things.

MR. PORTER: Do you have any further questions, Mr. Arnold?

MR. ARNOLD: No, I believe that is all.

MR. PORTER: Mr. Kendrick.

By MR. KENDRICK:

Q Do you propose that the emergency order you requested indicates that the test period for 1958 started on March 1st instead of February 1st?

A Yes, since we are already so far into the month of February, I think for this year it should provide for a test period from March 1st through December 15th.

Q Is it your intention that the beginning date of the test period would be the beginning date of the flow chart of such test period?

A They show the conditioning period to start February 14th and run through February 28th, and the actual flow period for

testing would be February 28th through March 8th.

Q In other words, the first week of the test period could be used as a flow week of the test?

A Yes, sir. That's the way they have these schedules worked up now. As I say, we'll be glad to furnish the Commission with copies of these right now and if the emergency order is granted and the Commission so notifies us, why we can get these schedules out to the operators within the next week.

Q On page 2 of your Exhibit 1, your proposed changes, the paragraph that begins, "In the event changes for substantial reasons are necessary....."

A Yes, sir.

Q You have a provision that the Commission will be notified ten days before testing schedules commence?

A Yes, sir.

Q You know ten days in advance that you are going to have a line break?

A No, sir. As I said, this particular paragraph is copied directly from the present rule, except that I changed the word "annual test schedule", to "any test schedule". In an emergency situation, the only thing you can do is notify the Commission and re-schedule the well.

Q Do you think it would be more practical that the Commission be notified prior to the flow chart of the test, or as soon as possible in emergency situations?

A Yes, sir. I have no particular feeling one way or the other about that particular clause. I think the Commission should be notified that that test is not going to be taken at that time. If the Commission feels there is no need to notify them, there is no need in having that point in there.

MR. PORTER: Anyone else have a question?

MR. WHITWORTH: I have one more.

REDIRECT EXAMINATION

By MR. WHITWORTH:

Q Do you suggest that provision be made for administrative approval for re-testing if good cause is shown?

A That would be the simplest way to do it, rather than taking up the Commission's time and the operators' time in requiring that a hearing be held for extending that time. As it is written, as Mr. Utz pointed out, it can be interpreted either way.

MR. WHITWORTH: That is all.

MR. PORTER: Any further questions? The witness may be excused.

(Witness excused.)

MR. PORTER: Anybody else have testimony to present in the case? Any statements?

MR. MANKIN: Aztec is either the operator or has an interest in approximately 340 wells, gas wells, in the San Juan Basin. They subscribe whole-heartedly to the suggested changes to Order R-333-C & D as suggested by El Paso.

MR. PORTER: Anyone else? We will take the case under advisement.


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C E R T I F I C A T E

STATE OF NEW MEXICO     )  
                                  ) ss  
COUNTY OF BERNALILLO    )

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this 6<sup>th</sup> day of March, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

  
NOTARY PUBLIC

My commission expires:

June 19, 1959.