

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1443

TRANSCRIPT OF PROCEEDINGS

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May 14, 1958

BEFORE THE
OIL CONSERVATION COMMISSION
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IN THE MATTER OF:

In the matter of the hearing called by the	:
Oil Conservation Commission of New Mexico	:
on its own motion to revise Rule 112 (a) to	:
permit administrative approval of oil over	: CASE NO.
gas and oil-oil dual completions under	:
certain circumstances.	: 1443
	:
	:

BEFORE:

A. L. Porter
Murray Morgan

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: The Commission will consider next Case
1443.

MR. PAYNE: Case 1443. In the matter of the hearing
called by the Oil Conservation Commission of New Mexico on its
own motion to revise Rule 112 (a) to permit administrative ap-
proval of oil over gas and oil-oil dual completions under
certain circumstances.

(Witness sworn.)

MR. COOLEY: If the Commission please, William J.
Cooley appearing on behalf of the Commission. This case was
called for the purpose of allowing some more flexibility in
multiple completions in the State of New Mexico, wherein Rule

112-A as it now exists would require a formal hearing after notice to obtain a dual completion where the oil is over the gas or where it is requested that an oil-oil dual completion should be made.

We have one witness in this case, Mr. Nutter.

DAN NUTTER

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

DIRECT EXAMINATION

BY: MR. COOLEY:

Q Mr. Nutter, will you please state your full name and position for the record.

A Dan Nutter, engineer for the Oil Conservation Commission.

Q Mr. Nutter, in your official capacity as engineer for the Oil Conservation Commission, have you had an opportunity to make a study of the proposed revision of Rule 112-A of the New Mexico Oil Conservation Commission Rules and Regulations pertaining to dual completions?

A Yes, sir, I have.

Q Would you please state in general terms what the conclusions are that you have drawn from your study.

A The present provisions in Rule 112-A afford administrative approval of dual completions provided only that wells may be dually completed for the production of gas from both zones, or for the production of gas from the upper zone and oil from the lower zone,

and then only in the event that both zones are within defined pools. Quite a sizeable load had been placed on the Commission dockets as the result of applications for dual completions in the last several months. I recommend to the Commission that a change be made in Rule 112-A to provide administrative approval in a larger number of cases where dual completions are requested. I would recommend that administrative approval procedures be established for gas-gas dual completions, gas-oil dual completions, oil-gas dual completions where cross-over flow assembly is incorporated into the equipment to enable the well to be flowed through the tubing, and oil-oil dual completions where parallel strings of tubing are installed, and the tubing is either two inch, two and a half inch, or two and one-sixteenth inch or larger Hydrill "CS" Joint tubing. I would also recommend that certain provisions, which are included in every dual completion order relative to the manner in which the dual completion will be completed to separate the production from both zones, pertaining to testing casing to assure that no casing leaks exist, pertaining to the filing of certain forms to the Commission, pertaining to pressure tests and reservoir tests, pertaining to packer leakage tests, and pertaining to diagrammatic sketches which are required, all be either incorporated in one general completion order, and reference thereafter made to that dual completion order by a number instead of repeating all of these various provisos in the dual completion order, or that these provisions be incorporated in the dual completion

rule in the rule book. I picked two orders, one the result of a hearing, one the result of an administrative approval for dual completions, and marked a number of provisos with red pencil, and I think that these can be eliminated from each of these orders. It is an unnecessary burden to have to enter this into each order, so I therefore enter these two random orders as exhibits in this case with the recommendation that the portion that is marked in red either be entered in the Rule providing for dual completions, or in a general dual completion order, and reference in future orders to be made only by number.

MR. PORTER: Let the record show that the order to which Mr. Nutter just referred to is identified as Exhibit 4 in this case.

MR. COOLEY: Correction, let that be identified as Exhibit 5.

Q With reference to your last suggestion, Mr. Nutter, that general provisions be made to show the manner in which the wells are to be operated, ~~tested, and reported~~, and such other requirements as imposed by the Oil Conservation Commission in a general order rather than each order, wouldn't it be feasible to refer, in Rule 112-A, to a memorandum issued by the Oil Conservation Commission setting forth the limitations upon all dual completion orders granted thereafter, whether by hearing or by administrative order.

A That would be possible, yes, sir.

Q And just for the sake of clarification, is it also your recommendation that the provision contained in the present Rule 112-A, which requires that no well shall be dually completed without a hearing, except as provided thereafter for administrative approval, the point of my question being that even under the revised 112-A, no one can dually complete unless the dual completion has either been approved after notice of hearing or after administrative approval in certain cases?

A That is correct.

Q Have you prepared a general revision of State Wide Rule 112-A, or do you feel that this should be written from your recommendations as just given?

A No, I have not prepared any revised rule, however, Phillips Petroleum Company has prepared a revised rule.

Q And have they asked you to present this on their behalf and not necessarily as your own recommendation?

A Yes, sir, they have. Mr. O. P. Nicola, Jr., Director of Proration, Production Department, Phillips Petroleum Company, Bartlesville, Oklahoma, was in Santa Fe at the time this hearing started, but he had to leave Santa Fe, and has requested that I enter as part of the evidence in this hearing the proposed rule for multiple completions, which Phillips has written. I'd like to read this rule into the record as this time.

Q Just a moment, Mr. Nutter. For the sake of the record, this proposed rule has been identified as Exhibit 1.

Exhibit 1 reads as follows:

"Proposed General Rule of Statewide Application pertaining to Multiple Zone Completions"

Rule 112. Multiple Zone Completions.

(a) The multiple zone completion of any well may be approved only by order of the Commission upon notice and hearing, except as hereinafter provided.

(b) (This paragraph should recite the general types and relative position of reservoirs and the type or types of mechanical installations which may be approved.)"

I would like at this time to recommend that the various mechanical dual completions that I mentioned a while ago be described in Paragraph (b).

"(c) Application for approval of a multiple completion shall be filed on Form No. _____, "Application for Multiple Completion". The application shall be accompanied by the following:

1. Electrical log or other acceptable log with tops and bottoms of producing zones and perforated intervals shown and marked.
2. Packer Setting Report - Form No. _____.
3. Diagrammatic Sketch of Multiple Completion Installation.
4. Packer Leakage Test.
5. Plat showing the location of all wells on applicant's lease, all offset wells on offset leases, and the names and address of operators of all leases offsetting applicant's lease.

6. Waivers consenting to such multiple completion from each offset operator, or in lieu thereof, copies of letters requesting such waivers."

Right here I might mention that several items are shown as being required to be submitted with the application here, which would not be possible to submit unless you had already completed the dual completion. I believe that provision should be made in the rule for the submission of these various items after the dual completion has been effected and the packer leakage test and the packer setting report and such other reports can be filed. To continue with the proposed rule:

"Concurrent with the filing of the application with the Commission, a copy of the application shall be forwarded by registered mail to each operator of a lease offsetting applicant's lease.

(d) The first application for approval of a multiple completion between two or more zones or reservoirs in each field may be ratified only by order of the Commission after notice and hearing. If, as a result of such hearing, the Commission shall authorize the multiple completion involving certain specific zones or reservoirs in a field, the Commission shall add such zones or reservoirs in said field to a list of zones or reservoirs in specific fields throughout the state approved for multiple completion. Subsequent applications for multiple completion of the same zones or reservoirs in the same fields may be approved administratively without the necessity of a hearing, under the

the following conditions:"

I would like to deviate again from the rule and recommend that the provision there for multiple completion between two or more zones be changed to two zones only for administrative approval. I do concur, however, with Phillips' recommendation that the first dual completion in a pool be the subject of a hearing to explore the various factors that may affect the dual completion or the efficiency of the dual completion in that area, and then after the first one has been approved by hearing, administrative approval would be possible, providing it met the requirements of Paragraph (b) above.

Going on:

"Upon receipt of the application, with attachments as provided in (c) above, the Commission will first determine if the zones or reservoirs to be multiply completed were theretofore approved for multiple completion." That means by hearing. "If so, the Commission will hold such application for ten (10) days. If within said 10 day period any offset operator, reciting reasonable cause, shall file in writing with the Commission a protest to such multiple completion, or if the Commission is not in accord with the application, the matter shall be set down for hearing on the Commission's docket. If no such protests to such multiple completion are offered by either an offset operator or the Commission within said 10 day period, the application shall be approved and appropriate ratification issued by the Commission."

Q Let me interrupt you there, Mr. Nutter. In your experience over the past two years with this administrative dual completion, have you found that ten days is adequate in most cases to make the determination necessary, both from the standpoint of the Santa Fe office and the field office?

A Ten days is not normally sufficient time for holding a request for an administrative approval.

Q Do you think that in many instances that some of the companies, especially major companies who have large chain of command to check through before determining whether they would object or concur with a given application, do you feel at this time it is sufficient for them to make a determination?

A In many cases, ten days is insufficient.

Q Would you then recommend another period, other than ten days?

A I would, except for one reason, and I will come to that in a minute. To get on with this, Paragraph (e) reads as follows:

"(e) With respect to a multiple completed well, the allowable of one zone, or reservoir, specified by the operator, shall become effective on the date of completion, or the first day of the calendar month, the same as if said well were singly completed in the specified reservoir. Allowables of additional zones or reservoirs shall become effective at 7:00 a.m. on the date on which the Commission issues its order or otherwise ratifies the multiple completion of the well."

Now, I would like to offer a couple of observations here.

This provides that the allowable will become effective for a dually completed well on the first day of the calendar month or the date of completion for whichever zone the operator has chosen to produce. I think this ought to be handled upon the approval of a C-104 and C-110.

MR. PORTER: Mr. Nutter, in that respect, do you think that the rule which now applies to the completion of any well should also apply to this?

A Yes, I think it should.

MR. PORTER: This is in effect a new well?

A Yes. Now, he has, Mr. Nicola, in his proposed rule here has also stated that he thinks the date of allowable for the additional zone in a dually completed well should be the date that the Commission has issued its order rather than the filing for the multiple completion of the well. I think, again, though, this should be handled upon a request for an allowable, and approval of the request.

"(f) Every multiple completed well shall be so equipped, operated, produced, and maintained that there will be no commingling of the production from said formations. Upon request by the authorized agent of the Commission, any multiple completed well shall be tested at any time to demonstrate the effectiveness of the separation of sources of supply, such tests to be witnessed by representatives of the Commission and by offset operators if

desired."

This concludes the proposed general rule which Phillips has submitted. Now, there are certain forms which --

Q Mr. Nutter, are you at this time able to answer the question about the waiting period or would you care to wait longer?

A No, sir, I will answer the question. Mr. Nicola, when he was here also put in my hand three forms, which are taken from the Book of Forms, which was adopted by the Interstate Compact Commission at Tulsa, Oklahoma, during the annual meeting in December 1957. These forms are labelled Exhibits 2, 3, and 4 respectively. Exhibit No. 2 is the Interstate Compact Commission's adopted application for multiple completion. This form, in the bottom paragraph, states as follows:

"Should all necessary waivers not accompany application," --and I have filled in the name, New Mexico Oil Conservation Commission--"shall hold such application for a period of ten (10) days from date of receipt in Santa Fe, New Mexico. If, after said ten day period, no protest or request for hearing is received in the Santa Fe office, the application will then be processed."

Now, I would be in accord with extending this ten day period to any reasonable length of time, twenty, twenty-five, or thirty days, providing that it won't upset the aim of the various companies and the Interstate Compact Commission to have the form adopted. Now, this form could be adopted and another number substituted in ~~there for ten days. It would probably be at least a step in the~~

right direction. We would still be aiming toward uniformity in forms with the other states.

Q I have the greatest of sympathy with Mr. Nicola in his effort to obtain uniformity in the forms used by the other Oil Conservation Commissions throughout the country, but I think this hearing is to see what New Mexico should do about dual completions.

A I think ten days is a little bit short.

Q Now, what period would you recommend, Mr. Nutter?

A I think a minimum of twenty days should be provided.

Q Now, this Exhibit No. 2 is identified as an Application for Multiple Completion, is it not?

A Yes, it is.

Q And that is the same form to which the proposed rules identified as Exhibit 1 refers in sub paragraph (c)?

A Yes, it is.

Q Will you proceed to identify Exhibit No. 3.

A Exhibit 3 is a packer setting report. The New Mexico Oil Conservation Commission at this present time has a similar form known as the packer setting affidavit. There has been a trend toward eliminating affidavits from regulatory body forms, and perhaps the adoption of this packer setting report will serve the purpose that our present packer setting affidavit will serve. In essence, it is exactly the same form that we use at the present time.

Q And is it the same packer setting report which is referred

to in sub paragraph (c) of Rule 112-A?

A Yes, sir it is.

Q As proposed in Exhibit No. 1?

A Yes, it is.

Q Would you proceed to identify Exhibit No. 4, please?

A Exhibit No. 4 is a packer leakage test as adopted by the Interstate Oil Compact Commission. I wouldn't recommend the adoption of this form at this time. Copies of this proposed form have been submitted to the engineers for the Oil Conservation Commission in the Hobbs and the Aztec offices, and they are studying it, and we can arrive at a suitable packer leakage test form a little later on. We have a present form that is being used, and perhaps this form will be satisfactory. It depends on what the engineers in our other offices have to say about it. Now, on Exhibit 2 I have marked a couple of other changes, with Mr. Nicola's permission, and he agreed that they would be satisfactory and would not change the body of the form too drastically. I have provided that the Unit Letter, Section, Township, and acreage be used to identify the location of the well, as is on other Conservation Commission forms. I have also scratched out the blocks for intermediate zone completion, and have here two blocks for upper and lower zones.

Q Do you have any further recommendations to make in this case, Mr. Nutter?

A Yes, sir. I also recommend that the portion of the

application for multiple completion which requires a notary public's signature be scratched out and a certificate attached reading as follows: "CERTIFICATE: I, the undersigned, state that I am the _____ of the _____ (company), and that I am authorized by said company to make this report; and that this report was prepared under my supervision and direction and that the facts stated therein are true, correct and complete to the best of my knowledge." and the man who files the application would sign it. A place for his signature is all that is provided.

Q Do you have any further recommendations in this case?

A I recommend that the application for multiple completion be adopted, that the packer setting report be adopted, that the packer leakage test form be substituted, and that Phillips' proposed Rule No. 112 be adopted with modifications.

MR. PORTER: With your modifications?

A With other modifications too, possibly.

Q Mr. Nutter, would you recommend the adoption of these forms as numbered forms?

A The packer setting report and application for multiple completion, yes.

MR. PAYNE: Mr. Nutter, to your knowledge, isn't it often the case that applications for dual completions are received in single copies?

A Yes, sir.

MR. PAYNE: Would you recommend that the rule which we write incorporate a provision stating that carbon copies will be

mailed to the district office in the area, and if in southeastern, New Mexico, that a copy be sent to the Hobbs Engineering Committee.

A That might save some time, because it has been the practice in the past to receive three copies in the Santa Fe office and mail a copy to the district office as well as the Engineering Committee. Any way, direct mailing to those people would save some time.

MR. PORTER: Under our present procedure, we have to wait for the form to be processed or the application to be processed in the Hobbs office and returned to us?

A That is correct.

MR. PORTER: Mr. Nutter, did your recommendations provide for immediate approval if the application is accompanied by waivers, or would you think that desirable?

A I think that no approval should be given until the district office of the Oil Conservation Commission which has jurisdiction of the area in which the subject well is located has had an opportunity to examine the application and furnish the Santa Fe office with a recommendation. For that reason, I think it would be impossible to grant immediate approval.

MR. PORTER: But it might be granted before the twenty day waiting period?

A Yes, sir, that's possible.

MR. PORTER: If those conditions were met?

A Yes, sir, that's right.

MR. PAYNE: Mr. Nutter, when you recommended, in the case of a new pool, that the first dual completion in a pool had to be set for hearing, you did not mean to imply that we would start now in all pools and have a hearing on each one, did you?

A No, sir. I think that if the dual completions have already been approved, that's fine.

MR. PAYNE: Thank you.

Q (By Mr. Cooley) Mr. Nutter, would you permit the administrative approval of dual completions in those areas which have not been designated as official oil and gas pools by the Commission?

A Yes, I would, providing the dual completion is within one mile of a well that has already been the subject of a hearing and is in the same zone.

Q That would require substantital revision of the proposed Exhibit 1 then, wouldn't it?

A Yes, it probably would.

MR. PORTER: You mean to include those wells within a mile limit from the pool?

MR. COOLEY: No, sir. Mr. Nutter, would you rephrase your answer please.

A If a hearing has been held for a dual completion on a well which is outside of a pool, and the dual completion was authorized for two certain zones, then if application is made for administrative approval of a dual completion in the same zones of a well which is located within one mile of the well which has

already been authorized by a hearing, then I think administrative approval should be granted, or it would be eligible for consideration of administrative approval.

MR. PORTER: That answered my question.

MR. UTZ: Mr. Nutter, does the packer leakage test report which you recommended include the space for Commission approval?

A I didn't recommend the packer leakage test report, Mr. Utz. I have one here which has been submitted to the district offices for their study, and it does not have a place for approval by the Commission of the packer leakage test.

MR. UTZ: Don't you recommend that it should have?

A I think the packer leakage test should be approved.

MR. PORTER: By a district representative?

A Yes, sir.

MR. UTZ: Does your recommended rule provide for notice before that packer leakage test so that the Commission may witness such test?

A This rule says: "Upon request by the authorized agent of the Commission, any multiple completed well shall be tested at any time to demonstrate the effectiveness of the separation of sources of supply, such tests to be witnessed by the representatives of the Commission and by offset operators if desired." Now, this says upon the request of the Commission that the well be tested. I think that there is a requirement that the well be tested upon the initial completion of the well, and this provides

in here that it be witnessed by representatives of the Commission, so it automatically provides that they would notify the Commission. It probably should be clarified. That's among those things that are included in those provisos in the dual completion orders which have been entered heretofore, and which should be continued. A number of them should be continued either in the rule or in a memorandum as Mr. Cooley suggested.

MR. PORTER: Does anyone else have a question of Mr. Nutter?

MR. SANDERS: John Sanders with Magnolia. I have some questions.

CROSS EXAMINATION

BY: MR. SANDERS:

Q Mr. Nutter, do you recommend then that the type of equipment, to be approved administratively, be specified in the order?

A It would be specified in the application. On the back of the application for multiple completion, there is an example diagram, which is not the diagram to be used, but an example of how the diagram for your dual completion should be sketched. It provides for all of the various components that make up the dual completion to be listed and shown on the application, and I don't know, it's a legal question as to whether you can dually complete a well in any other fashion other than what you have applied for. I think, perhaps, it should be specified in the order that it will

be completed as applied for.

Q What I was trying to clarify is, in this proposal by Phillips, in Rule 112, this Paragraph B. This paragraph recites: "This paragraph should recite the general types and relative position of reservoirs and the type or types of mechanical installations which may be approved." I understood you to say that you had a list of them that you would recommend they be approved.

A Yes, sir. Not of the reservoir. There is also a question on this application for multiple completion that says, "Have the reservoirs herein requested to be used for multiple completion heretofore been approved for multiple completion by the New Mexico Oil Conservation Commission after notice and hearing?" If the answer is yes, then it would be eligible for consideration by administrative approval, if the answer is no, then this would have to have an application for a hearing. The second question reads: "Identify one instance (operator, lease, well number) wherein the New Mexico Oil Conservation Commission has granted multiple completion involving these same reservoirs in the field." so the application would take care of that requirement. There has to have been one previous dual completion authorized by a hearing, and then I would recommend that the following dual completion be eligible for administrative approval, gas-gas dual completion flowing through the casing and the tubing, the casing annulus and the tubing; gas-oil dual completion flowing the gas through the casing and the oil through the tubing; oil-gas dual completion, flowing the oil

through the tubing by means of a cross-over assembly and the gas through the casing; an oil-oil dual completion utilizing parallel strings of tubing, and the tubing size requirements would be two inch, two and a half inch, or two and one-sixteenth inch Hydrill "CS" tubing, or larger.

MR. SANDERS: That is all.

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

MR. COOLEY: I have no further questions of the witness. I would like, however, to make a formal offer of Exhibits 1 through 5 in this case.

MR. PORTER: Without objection they will be admitted. Does anyone have anything further to offer in this case?

MR. PAYNE: I have a statement to read, Mr. Commissioner.

MR. PORTER: Just a minute. Mr. Sanders has a statement.

MR. SANDERS: John Sanders with Magnolia. Magnolia Petroleum Company is in agreement that administrative approval of dual completions is needed; that Magnolia would prefer a blanket order without specifying equipment covering the following points: Application to explain equipment and the procedure which has been outlined here; all operators in the field to be notified, and offset operators to be notified of any subsequent dual, and if any objection is forth coming, a hearing should be held. This differs from what has been recommended here; and we recommend approval of the first dual in a well, the first dual in a field without a hearing,

provided all operators are in agreement.

MR. PORTER: All operators in the pool?

MR. SANDERS: There is no objection to all operators. We feel that by not specifying equipment, that it will give more latitude to the Commission, and once the equipment has been approved, it shouldn't be set forth in the order, but will be able to continue to approve that equipment.

MR. CURRENS: Dan Currens with Pan American Corporation. Pan American is in accord with the Commission on this, that we do need some method for administrative approval of oil-oil dual completions and oil-gas dual completions by the methods Mr. Nutter outlined here today; parallel tubing strings, or in the one instance, cross-over assembly utilizing in each case a packer. We think that this will make a more efficient operation on the part of the operator as well as remove an unnecessary burden from the Commission.

MR. PORTER: The Commission favors the latter part of your statement.

MR. PAYNE: Statement of Humble Oil and Refining Company relative to Case No. 1443.

Humble is in favor of the proposal to revise Rule 112-A to permit administrative approval of oil over gas and oil-oil dual completions. Humble recommends that any rule adopted should provide for adequate notice to all offset operators affected by any proposed approval. Clarence E. Hinkle, attorney for Humble.

MR. PORTER: Does anybody have anything further to offer in this case? Take the case under advisement and the hearing is adjourned.

STATE OF NEW MEXICO)
)
COUNTY OF BERNALILLO) ss

I, J. A. Trujillo, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings was reported by me in Stenotype at the time and place hereinbefore set forth; that same was thereafter transcribed into typewritten transcript by me, 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 the 3rd day of June, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.


NOTARY PUBLIC

My Commission Expires:

October 5, 1960