

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1595

TRANSCRIPT OF HEARING

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February 4, 1959

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

IN THE MATTER OF:

Application of John J. Dempsey Associates for  
the assignment of a minimum allowable to one  
gas well in the Fulcher Kutz-Pictured Cliffs  
Gas Pool, San Juan County, New Mexico. Ap-  
plicant, in the above-styled cause, seeks an  
order assigning a minimum allowable to one  
gas well in the Fulcher Kutz-Pictured Cliffs  
Gas Pool in order to prevent premature abandon-  
ment thereof, said well being the Hutchison  
Well No. 1 located 660 feet from the North  
line and 635 feet from the East line of  
Section 1, Township 29 North, Range 13 West,  
San Juan County, New Mexico.

CASE NO

1595

BEFORE:

Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: The hearing will come to order, please. The  
first case on the docket this afternoon will be Case 1595.

MR. PAYNE: Case 1595. Application of John J.  
Dempsey Associates for the assignment of a minimum allowable to  
one gas well in the Fulcher Kutz-Pictured Cliffs Gas Pool, San  
Juan County, New Mexico.

MR. BYRD: Harl D. Byrd, with Bigbee and Stephenson  
for the Applicant.

MR. VERITY: George L. Verity, appearing for Southern Union Gas Company.

MR. UTZ: Any other appearances? If not, you may proceed.

MR. BYRD: If the Examiner please, I would like to make an opening statement in connection with this matter. The Applicants in this matter seek to be granted an extension to the acreage attribution portion of Order R-565, and request that they be granted an acreage attribution factor of one on the Hutchison Well No. 1 located in the NE/4, NE/4, Section 1, Township 29 North, Range 13 West, San Juan County, New Mexico, which is located in the Fulcher-Kutz Pool in the Pictured Cliffs Formation.

It is Applicant's contention that since subject well was drilled prior to Order No. 748, promulgated on the 22nd day of June, 1948, which order established drilling and spacing units of 160 acres, and since Order R-565 issued by the Oil Conservation Commission did not take into consideration the fact that the foregoing well had been drilled prior to the promulgation of aforesaid Order No. 748 and at a time when it was legal for such wells to be drilled upon tracts of land of less than 160-acres, that Applicant should be relieved from Order R-565, which placed them upon an acreage attribution factor of less than one.

That, if it please the Examiner, basically is what our petition is all about. Applicant further feels that their Petition should be granted in order to prevent premature abandonment of the subject well. In reviewing the files of the New Mexico

Oil Conservation Commission, we have run across two separate hearings concerning the Fulcher Kutz Pool in the Pictured Cliffs Formation, and the problem here involved has been fully presented to the Oil Conservation Commission in at least two other cases; those cases being Case No. 1461 and No. 1538. From our review of these cases, it is clearly apparent that it is routine for the oil well companies to over-produce the wells in this particular locality and then to shut these wells in. Now, it also clearly appears that a shut-in well will result in a lost well, or in any event, that it is customary for water to permeate a well which will result in extensive reworking over. In this connection, we would like to direct the Examiner's attention to Pages 17, 19, and 20 of the transcript in Case 1461, and transcript in Case 1538, Page 12.

In connection with Case No. 1461, it further appears that testimony was introduced before the Examiner to the effect that it requires approximately \$145.00 a month gross income from wells in this locality to properly care for a well, which would include operating expenses, expenses incurred in connection with the payment of royalties, and to provide for workovers, which extended, I believe, in that case over a period of twenty months.

Now, it also clearly appears from both of these cases that a break-even figure, predicated upon ten cents per thousand cubic feet of gas, would result in an allowable being granted in connection with this well of 1500 MCF per month.

Now, testimony concerning this latter matter, the question of economics is set forth at Page 49 in Case No. 1461, and at Page 24 in Case No. 1538. As appears from the records of the Examiner and on file with the Oil Conservation Commission, the well in question was drilled prior to 1948, and in all pertinent respects and aspects presents an identical problem to the facts and circumstances set out in these two additional cases. The present allowable, as shown by the records of the Oil Conservation Commission on this well is 332 MCF per month. The well has been shut-in since April, 1957, except for production in the months of April and May, I believe. It is, again, fully shown by the records of the Oil Conservation Commission.

It is our contention that this is a very analogous and presents the identical problem of waste and premature abandonment as set forth in the cases that I have specified, and what we would propose and move is that the testimony contained in these two other cases be incorporated and made a part of this case as though set forth in detail. Now, because of the precedent that has been established by these cases, I am some what at a loss in determining the proper manner of proceeding. Mrs. Dempsey is here who can answer any questions that the Examiner might think pertinent in the case, representing the partnership of John J. Dempsey Associates, and in addition, Mr. Paul Clote, who is drilling production superintendent for Southern Union Gas Company, is also available for any questions that the Examiner might determine pertinent in the case.

MR. VERITY: Your Honor, we have no objection to the record of these other two cases being incorporated in the record here the same as though the testimony were given at this time.

MR. UTZ: Is there any objection to the incorporation of the testimony in Cases 1461 and 1538 into the record in this hearing? In the absence of any objection, they will be incorporated in this case.

MR. BYRD: If the Examiner please, we would like to amend our petition to the extent that what we are asking for here is that the subject well be allowed 1500 MCF per month. In other words, we are not asking for any more or any less than the allowable that has been previously set by this Commission in connection with these other wells.

MR. VERITY: Your Honor, we would like to request that 1500 MCF be not designated as the minimum allowable if it is granted.

MR. PAYNE: I don't quite understand your point there, Mr. Verity.

MR. VERITY: Some of the companies have, pipeline companies that are purchasing this gas have certain contractual relations and obligations that give rise to complication if this Commission would enter an order that would establish a minimum allowable. We don't object to this order at all, but we would like to request that, as in these previous orders, you do not prescribe a minimum allowable, but a special allowable for the relief of premature abandonment.

MR. BYRD: We have no objection to what the Examiner might label this thing, our only interest is the 1500 MCF per month.

MR. UTZ: Is there objection to the requested amendment to the application? If not, the application will be so amended. Mr. Verity, I think I understand what your concern is in this regard. Would it be satisfactory with you if we set a maximum allowable for this well of 1500 MCF?

MR. VERITY: It would be satisfactory with me, Your Honor, but a maximum allowable might not give them the allocation that they need. I think if you designate it as you have in the last order, it is all right.

MR. BYRD: May we suggest that the Examiner incorporate into any order that might be entered in connection with this matter the language that was used in Case No. 1461, which reads as follows:

"That the above described wells" -- well in this case -- "shall be assigned an allowable equal to their capacity to produce, or 1500 MCF per month, whichever is less."

MR. VERITY: That's all right.

MR. UTZ: Do you have a witness that you would like to have sworn in at this time in order to present testimony on the case?

MR. BYRD: If the Examiner would like to hear testimony in connection with the matter, we are prepared to have Mrs. Dempsey testify.

MR. PAYNE: Off the record.

(Discussion off the record.)

(Witness sworn.)

M R S. J O H N J. D E M P S E Y, a witness called by  
and on behalf of the Applicant, being first duly  
sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY: MR. BYRD:

Q Would you state your name, please.

A Mrs. John J. Dempsey.

Q And do you represent the applicant in this particular  
case?

A I do.

Q Mrs. Dempsey, are you familiar with the application that  
was filed in this case?

A Yes.

Q And it is my understanding that what you are attempting  
to do is to be placed in the same position as other well owners  
in this particular pool?

A Exactly.

Q Now, when was the subject well drilled, Mrs. Dempsey?

A In 1947, it was completed October the 1st, 1947.

Q Under the present allowable, as shown by the Oil  
Conservation Commission, of 332 MCF, can you continue to operate  
~~this well so long as the present allowable continues to remain in~~



effect from an economic standpoint?

A No, we cannot.

Q The reason is that you are not getting any income, is that correct?

A That's correct.

Q Do you recall how long this well has been shut-in?

A Well, since April or May of 1958.

Q Do you have any cost figures with you that would show the operating cost and expenses incurred with this well?

A No. We tried to get that from Southern Union, but we didn't have time to get it.

Q Would you be willing to furnish that information to the Commission if it so desires?

A Surely.

Q Now, under what allowable do you feel that you can continue to operate this well and to prevent premature abandonment of the well?

A 1500 MCF a month like the other wells in that area.

MR. BYRD: I have no further questions.

#### CROSS EXAMINATION

BY: MR. PAYNE:

Q Mrs. Dempsey, what acreage is dedicated to this well at the present time. Do you have that information?

A 40-acres, I think.

Q Am I correct in my understanding that a city ordinance

in the municipality of this area prohibits drilling additional wells in adjoining acreage?

A That is what I was told by Southern Union Gas Company.

Q So that to the best of your knowledge there are no other wells producing from the Fulcher Kutz Pictured Cliffs Pool in the immediate area of your well?

A No, there is not.

MR. PAYNE: That is all.

EXAMINATION BY MR. UTZ:

Q Mrs. Dempsey, do you think that you need 1500 MCF a month in order to pay expenses for operating the well as well as lay back a little for workover, as much as necessary?

A Yes, I think so.

Q Do you think you need as much as that?

A Yes, I do.

MR. UTZ: Does anyone have any more questions of the witness? If not, the witness may be excused.

(Witness excused.)

MR. UTZ: Mr. Byrd, could you furnish us the cost data in regard to operation of this well, and the information asked for.

MR. BYRD: Yes.

MR. PAYNE: I have a statement here, Mr. Examiner.

MR. UTZ: Mr. Payne.

MR. PAYNE: We received this statement from Pan American

Corporation which reads as follows:

"Pan American Petroleum Corporation wishes to enter a statement in Case 1595 which is scheduled to be heard at the February 4, 1959 Examiner Hearing. We request that the following statement be read into the record of this case:

Pan American Petroleum Corporation is operator of approximately 44 wells in the Fulcher Kutz Pictured Cliffs Pool. We recognize that under certain circumstances increased allowables may be necessary for economic reasons to prevent premature abandonment of certain wells which were drilled on short spacing prior to June 22, 1948. Pan American is opposed to the granting of any increased allowables for these wells if other wells were drilled after that time in the same immediate vicinity at locations which would preclude the assignment of additional acreage to form standard size units for the previously existing wells. We also oppose the granting of increased allowables if additional acreage can be assigned to these wells and no valid attempt has been made to do so. We further believe that increased allowables should only be granted for wells that would qualify under the provisions of the Statutes after examining the economic factors concerning each individual well and then only in the amount necessary to prevent premature abandonment. Signed, Alex Clarke, Jr."

MR. UTZ: Any other statements? If not, the case will be taken under advisement.

STATE OF NEW MEXICO     )  
                                   )  
 COUNTY OF BERNALILLO    )     ss

I, Joseph 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 Hearing before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to 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 12th day of February, 1959, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

*Joseph A. Trujillo*  
 NOTARY PUBLIC

My Commission Expires:

October 5, 1960

**ILLEGIBLE**

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1595, heard by me on 2-14-59, 1959.  
*John H. Mc*, Examiner  
 New Mexico Oil Conservation Commission