

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1776

TRANSCRIPT OF HEARING

SEPTEMBER 30, 1959

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OIL CONSERVATION COMMISSION
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IN THE MATTER OF:

CASE 1776 Application of Continental Oil Company for an ex-
ception to the overproduction shut-in provisions :
of Order R-520, as amended by Order R-967, for :
nine wells in the Jalmat Gas Pool. Applicant, in: :
the above-styled cause, seeks an order allowing :
the following-described wells in the Jalmat Gas :
Pool to compensate for their overproduced status :
without being completely shut-in in order to pre- :
vent possible waste: :
Ascarate D-24 Well No. 1, Unit J, Section 24, :
T-25-S, R-36-E, Danciger A-8 Well No. 2, Unit P, :
Section 8, T-23-S, R-36-E, Jack A-20 Well No. 4, :
Unit G, Section 20, T-24-S, R-37-E, Jack A-29 :
Well No. 3, Unit H, Section 29, T-24-S, R-37-E, :
Meyer A-29 Well No. 1, Unit O, Section 29, T-22-S, :
R-36-E, Meyer B-28 Well No. 1, Unit E, Section 28, :
T-22-S, R-36-E, State A-32 Well No. 4, Unit F, :
Section 32, T-22-S, R-36-E, Stevens A-34 Well No.:
1, Unit E, Section 34, T-23-S, R-36-E, Wells B-1 :
Well No. 1, Unit A, Section 1, T-25-S, R-36-E, all: :
in Lea County, New Mexico. :

BEFORE:

Daniel S. Nutter, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. NUTTER: We will take next Case 1776.

MR. PAYNE: Case 1776. Application of Continental
Oil Company for an exception to the overproduction shut-in provi-
sions of Order R-520, as amended by Order R-967, for nine wells in
the Jalmat Gas Pool.

MR. KELLAHIN: If the Commission please, we would like the record to show the same appearance as in the preceding case, and ask that the record show that the witness has been sworn.

MR. NUTTER: The record will show that the witness has been sworn in this case.

JOHN A. QUEEN,
called as a witness, having been previously duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Are you the same Mr. Queen who testified in the preceding cases?

A I am.

Q Mr. Queen, are you familiar with the application in Case 1776?

A I am.

Q Would you state briefly what is proposed in this application?

A If I may, just a minute, I have five Exhibits. I believe it might be better -- I have more than five Exhibits -- to pass out the Exhibits at this time, if that is all right with the Commission.

Q Would you state, first, briefly what is proposed in this application?

A This application, Case No. 1776, is involved due to

the fact that several marginal wells as classified under Jalmat Rules as determined by deliverability tests run during various times in 1959 and 1958 have been changed and reclassified to non-marginal wells because their production was greater than that would have been given to that non-marginal well. Continental Oil Company is asking for exception to balancing Rule No. 10 of Order R-520 as amended by Order R-967, for nine of these wells operated by Continental Oil Company and owned by the New Mexico Federal Unit, so that they can be produced at a rate so that the overproduction can be made up at a rate less than the shut-in production.

Q Now, referring to what has been marked as Exhibit No. 1, will you discuss that Exhibit, please?

A Exhibit No. 1 is a plat showing the area in which four of these wells are located. The wells are circled in red, and the approved proration unit allocated to each well is outlined in red. As shown, these wells are located as follows:

The Ascarate D-24 No. 1, located 1980 feet from the South and East lines of Section 24, 25 South, 36 East. The Jack A-20 No. 4 located 1980 feet from the North and East lines of Section 20, 24, 37. The Jack A-29 No. 3 located 1980 feet from the North line and 330 feet from the East line of Section 29, 24, 37. The Wells B-1 located 660 feet from the North and East lines of Section 1, 25, 36.

Q Now, referring to what has been marked as Exhibit No. 2, would you discuss that Exhibit, please?

A Exhibit No. 2 is a plat showing the area in which five additional wells are located. These wells are circled in red and the approved proration unit allocated to each well is outlined in red -- I beg your pardon -- four wells. The Danciger A-8 No. 2 located 660 feet from the South and East lines of Section 8, 23, 36. Meyer A-29 No. 1 located 660 feet from the South and 980 feet from the East line, Section 29, 22, 36. The Meyer B-28 No. 1 located 2310 feet from the North line and 330 feet from the West line of Section 28, 22, 36. And the fourth well, the State A-32 No. 4 located 1980 feet from the North line and the West line of Section 32, 22, 36.

Q Now, with reference to what has been marked as Exhibit No. 3, would you discuss the information shown on that Exhibit?

A Exhibit No. 3 is a plat showing the area in which the Stevens A-34 No. 1 is located. This well is shown circled in red as in the previous cases and is located 1980 feet from the North line and 660 feet from the West line of Section 34, 23 South, Range 36 East. The approved proration unit allocated to this well is outlined in red.

Q Now, Mr. Queen, is that all of the wells for which Continental is seeking an exception at this time?

A That is correct.

Q Are all of these wells tubed?

A No, sir, there are two wells that are not tubed.

However, the --

Q Which wells are those?

A Those are the Ascarate D-24 No. 1, and the Danciger A-8 No. 2.

Q Are any steps being taken to remedy that situation?

A There is. The proper necessary paper work is being prepared for proper management approval to purchase tubing and install it in these wells.

Q Do you know when this will be completed?

A It will be completed in 1959. There is a problem arising from several of the wells that don't have tubing. Several of these will have to be plugged and abandoned since they cannot pay the installing of the tubing.

Q Now, what is the situation as to the wells for which you are seeking an exception in this case?

A These wells are overproduced in excess of six times their current allowable, which has been fairly low, varying in overproduction of six months to eighteen months overproduction.

Q Were each of these wells reclassified in the last year?

A They have been reclassified within the last two months, I believe.

Q And all of them have been since overproduced, is that correct?

A No, sir. They were overproduced at the time they were reclassified. They had been continued to be overproduced since they had been reclassified.

Q Now, do each of these wells produce liquids?

A They do.

Q Referring to what has been marked as Exhibit No. 4, will you discuss that Exhibit, please?

A Exhibit No. 4 is a copy of a gas measurement chart for the Meyer A-29 No. 1 which is located on Exhibit No. 2. And the chart was made before the installation of a high pressure separator. This installation has been completed. As can be seen on this chart, the liquid passing through the meter distorted the differential pressure reading to such an extent that an accurate differential reading could not be obtained. I have tried to determine as to what reading the gas purchasing company used in regards this matter, and as I understand, they merely used the reading set forth in this chart and averaged it of course, which would be a lesser rate than actually -- a lesser rate of gas than actually went through the meter. This Exhibit is merely offered to prove that the well was making gas in the Slugging -- was making fluid, and the slugging effect of the fluid caused a differential change in the meter reading.

Q What did they average, do you know?

A No, sir I do not know. I presume they have one of these Vectornic devices they can run these things out. Actually the wells we are talking about are not very good wells. Most of these wells are in a very peculiar situation, in that the majority of these wells are on the verge, and especially Ascarate,

which is overproduced 13 points, and it is questionable, really, whether it is economical to install the tubing in this well.

Q Referring to what has been marked as Exhibit No. 5, will you discuss that Exhibit, please?

A Exhibit No. 5 is a copy of the chart measuring gas produced by the Meyer A-29 Well after a high pressure separator was installed upstream from the meter. This Exhibit shows that the high pressure separator eliminated the liquid in passing through the meter: The slight variations of differential readings on the chart are due to the dumping of the separator. There was no other work done on this well except the installation of a high pressure installation.

Q Will you refer to Exhibit No. 6, and discuss that Exhibit, please?

A Exhibit No. 6 is a copy of a gas measurement chart taken on the Meyer B-28 No. 1 Well. The differential reading on this chart shows exactly when liquid was passed through the meter, and when just -- and just when gas was being metered. I have circled the areas in one in particular where fluid passed through the meter. However, there are two more instances where it happened, one just after the start of the first day, and the other one, and there is not as much change as the fourth day when there was a slug of liquid passed through the meter.

Q Now, referring to what has been marked as Exhibit No.

--

A If I may, I just thought of something I would like to add. As noted, at the start of the first day, after the unloading of the liquid, the gas production is considerably higher than in the seventh day when it was loading up and when the liquid was unloading, and, therefore, the production of the well is directly tied with the accumulation of fluid in the well bore.

Q Now, referring to what has been marked as Exhibit No. 7, would you discuss that Exhibit, please?

A Exhibit No. 7 is a copy of a static pressure survey run on the Ascarate D-24 No. 1 Well. This survey showed approximately 250 feet of liquid in the well after it had been shut-in for twenty-four hours. On Exhibits 4 through 7 -- the Exhibits 4 through 7 prove to me that liquid is present in these Jalmat gas wells. If these wells were shut-in for an extensive period of time, the liquid present in them could form a formation block and do great harm to the productivity of the wells. I will testify, if it is desired, as to the liquid productivity of each one of these wells. They are not in the form of the Exhibits, they are in the form of verbal testimony, if the Commission so desires.

MR. NUTTER: We would like to hear that, Mr. Queen. We would also like to know the amount of overproduction that each of the wells has. You mentioned it was from six to eighteen months.

A All right, sir, I will read that into the record. The overproduction that will be read by me was calculated as of

8/1/59, and the name of the well, the MCF of overproduction, and the months overproduced in a comparison -- I'm not sure about this, Mr. Nutter, whether this is the August or July in comparison to that month's overproduction. Maybe I had just better read into the minutes the amount of MCF overproduced. I can give you a figure, but I'm not too sure whether it compared with the July figure or the August figure.

Q You've got the number of months, but you are not sure what you are comparing it with?

A I believe it's August. However, if it is of concern, I can let the Commission know --

MR. NUTTER: Well, now, is this a comparison of this individual well's allowable or the average allowable for the pool for that month, or just what?

A I would not say this; I'm at a loss. I would prefer to read into the minutes the name of the well and amount of overproduction as of August 9: Ascarate D-24 No. 1, 19,778. And, as I said, these are MCF figures. The Danciger A-8 No. 2, 69,783. Jack A-20 No. 4, 56,871. Jack A-29 No. 3, 82,012. The Meyer A-29 No. 1, 46,864. The Meyer B-28 No. 1, 70,439. The State A-32 No. 4, 119,969. The Stevens A-34 No. 1, 10,271. The Wells B-1 No. 1, 20,313. According to our calculations, the Meyer B-28 No. 1 is overproduced in regards -- on a monthly basis. According to our calculations, it is 18.3 months, but I cannot tell you what comparison that is made.

I would also like to state there are other wells in the Jalmat Pool that have liquid producing problems, but, however, are not overproduced, and the ones that we have brought to the Commission this morning are only those that are overproduced.

MR. NUTTER: Do you have any other wells that are overproduced, that are shut --

A I cannot answer that. You mean whether they have a liquid problem or not?

MR. NUTTER: That is correct. Do you have any other wells that have been shut-in, that are not the subject of a hearing this morning, that are in the same category?

A No, sir, not in the same category.

Q (By Mr. Kellahin) Mr. Queen, do you have the information on the liquid in the other wells other than that you have already given?

A I have.

Q Give us that, please.

A I would like to give the deliverabilities for these wells at the same time I give these figures, and the line pressure to which they are producing. The Ascarate D-24 No. 1 is a low volume liquid producing well, and is blown down by field personnel once to twice per month. Each time the well is blown down, one to two barrels of fluid is produced. The deliverability of the well as calculated on 4/4/58 was 96 MCF per day. As determined on 3/2/59, it was 95 MCF per day. This well produces into a line

pressure of what is classified as a low line pressure of 97 pounds per square inch -- I beg your pardon -- 87 pounds per square inch. The Jack A-20 No. 4 is blown down once per week, and two barrels of oil and water emulsion is obtained each time it is blown down. The 1958 deliverability obtained on March the 21st, 1958 was 162 MCF per day.

MR. UTZ: What was that?

A 162 MCF per day. Deliverability on 5/1/59 was 396 MCF per day. This well is 50,967 overproduced. This figure I'm giving to you is a different figure than I read to you as of 8/1/59; I would like to give it to you as it compares with August production. The August production was 929 MCF, and at the end of August, it was overproduced 50,967 MCF. The Jack A-29 No. 3 is blown down once per week, and two barrels of fluid is obtained, mostly water. The deliverability on 2/27/59 was 589 MCF per day. Deliverability on 5/1/59 was 749 MCF per day. With no remedial work or any other form being -- of work being done to this well, this well is producing into a low pressure line of 125 pounds. The Wells B-1 No. 1 is blown down once per week, and produces one barrel of fluid each time. The Wells -- this is in reference to Wells B-1 No. 1 the Wells A-1 No. 2 which is a west offset to the Wells B-1 No. 1 flooded out with water and was temporarily shut down. Attempts to unload and use as a pumping well for fuel purposes are now being made on this well. It is our opinion that this well has been lost as far as commercial status is concerned.

I would like to further add this --

MR. NUTTER: Where is the location of that well again?

A It is in the NW/4 of Section -- it is on Exhibit 1 -- the west offset to the Wells B-1 No. 1.

MR. NUTTER: That's your Wells A-1 that you are talking about?

A That's right. It would be in Section 1. This well, remedial work was performed on the Wells A-1 No. 1 on February the 25th, 1959, when we attempted to squeeze the formation, reperforate an acid frac. We did not recover load oil and the well was shut down. And it was shut down prior to the remedial work, and, in our opinion, remedial work cannot be justified on the Wells that is now under consideration as based on the results of this well.

The Danciger A-8 No. 2 is blown down once per month, and one to two barrels of fluid is obtained. This well does not have tubing and does not require blowing down any more often than any of the other wells. The deliverability, as obtained on 3/14/58, was 769 MCF per day. As obtained on 2/6/59, was 290 MCF per day, and as obtained on 4/24/59, was 389 MCF per day. This well produces into an intermediate pressure line of 258 PSI.

The Meyer A-29 No. 1 produces from twelve to fifteen barrels per day; is producing now on a reduced flow volume to keep unloading,, and this was instigated after the ruling of which this case is under consideration. It is, in August 242 overproduced,

and August production was 7,986 MCF. Deliverability of 3/7/58 was 289 MCF per day. Deliverability on 2/2/59 was 635 MCF per day.

MR. NUTTER: How much?

A 635 MCF per day. The well produces into an intermediate pressure line of 252 PSI. The Meyer B-28 No. 1 produces from 4 to 12 barrels of fluid when it is swabbed, which it was. I would like to give some history on this well since it is particularly important testimony to this case.

In January and February of 1958 this well was dead due to loading up of water. The well was swabbed off four times in January and February to unload this water. For all practical purposes at the time this well was done, the well was non-commercial. During a period of several months, the well was immediately swabbed and flowed and blown down and carefully observed by field personnel. It is now being unloaded one time weekly to keep it from logging up with fluid, and since it is overproduced, very little gas is being produced from the well. In other words, we are attempting now to curtail this production. The well now is overproduced as of 8/1/58 70,493 MCF, which is the well, I said, on a monthly comparison basis, is overproduced the largest amount.

Q How much did you say in liquids it makes per day?

A The original figure, I started out to give a liquid figure, that was being swabbed off at the time we attempted to

put it back on production almost a year and a half ago, there was being produced 4 to 8 barrels of fluid each time it was swabbed. At the present time, it is unloaded once a week, and it is producing less than 4 barrels a day.

Q I thought when you first started talking about this well, you said it was making 12 to 15 barrels per day?

A As I said, I started to give the testimony as to its present production. It is usually 4 to 12 barrels originally, and this is what it was producing at the time it was swabbed down after we got the well blown down and cleaned up, which took several months in time. Now, it is producing somewhat less than 4 barrels per week.

MR. NUTTER: Well, now, the daily production, does that have water in it?

A No, sir. Some of them produce some water continuously and some of them do not. They load up and you have to manually blow them down.

Q (By Mr. Kellahin) So you blow this one down once a week and get 4 barrels?

A Now, these figures that I have given you are not measured each time they are normally blown down, and they have been obtained from personnel who actually do this work. And, as previously mentioned, there are numerous other wells that are blown down similar to this. However, they are not overproduced. Deliverability on this well, I do not have it. There was no

deliverability test made in 1958 because the well was considered non-commercial at the time. Deliverability on 4/3/59 was 370 MCF per day, and it is producing into an intermediate string of 325 PSI. And this is very significant in the fact that in January and February of 1958 the well was absolutely dead.

The State A-32 No. 4 is blown down every two weeks, and each time it is blown down it produces approximately 2 barrels of fluid, and when I use the term "fluid," it is primarily water. Deliverability on 2/20/58 was 412 MCF per day. The deliverability on 2/6/59 was 657 MCF per day. This well produces into an intermediate sales line of 254 PSI.

The Stevens A-34 No. 1 does not require swabbing very often. However, it was swabbed off in May to unload. It was completely logged up at that time, it would not produce through the tubing. It has been unloaded through the tubing since that time on several occasions. And I believe I was a little ahead of myself in that testimony because the well is unloaded one time per week producing approximately 3 barrels of fluid, mostly water each time it is unloaded. Deliverability on 2/13/59 was 29 MCF per day. Deliverability on 5/1/59 was 41 MCF per day, producing into an intermediate line of 226 pounds. This well was overproduced on 8/1/59 by 10,271 MCF. And again referring to this figure of which I do not -- cannot tell you whether it is an average figure in comparing July or August production, but it was fourteen months overproduced, and it is an extremely low well which falls into an

unusual category by the method in which they have been allocated; almost a non-commercial well. If this well did not have tubing, I'm sure it would have to be shut down. That is the -- its present rate of production. I believe that covers the nine wells in regard to the amount of fluid they produce.

Q (By Mr. Kellahin) Now, Mr. Queen, in the event a well is shut-in, is there tendency for the liquid to accumulate in the well bore?

A There is, as shown by Exhibit No. 7 on the Ascarate D-24 No. 1, buildup fluid in twenty-four hours of 250 feet. I'm at a loss at the present time -- no, I believe I can explain this. This well does not have tubing, therefore, it would have fluid in the well bore that cannot be blown completely down, and this is one of the wells -- what we call the FEA has cleared our office to install tubing. This is one of the wells that possibly can be a payout after the installation of tubing. However, it cannot be known until the proper installation of tubing --

Q Is it economic to rework a well and swab it and try to get it back on production, as you have described, in regard to any one of the wells in this case?

A If the well has been shut down and is loaded up with fluid, sometimes it is possible to swab the well back; by careful maintenance of flowing time and blow down time, the well can be brought back to production. In regard to remedial work, it is our opinion that remedial work cannot be economically performed

in these wells to shut off the water so that they may be producing fluid free.

Q Is it economical to go through the process of getting a well back on production once it is loaded up with fluid, does that constitute waste?

A It constitutes waste, and not only that, if this happens, you have severely damaged the formation, and you will never return this well to its deliverability as it was before the well was shut down. So, it is actually a loss of ultimate recovery.

Q Do the wells tend to load up in the event production is curtailed to a large extent?

A Very definitely.

Q In your opinion, is there any danger to -- in this situation, which would occasion the loss of a well in the event they are completely shut-in?

A If I understand the question correctly, there would be, in my opinion, there would be a possibility of losing a well and a very good chance to lose a well if they were shut-in until the overproduction is made up.

Q Does that constitute waste?

A It definitely does.

Q In the event they were not completely lost, is there a possibility of severe damage to the well?

A There is.

Q And would that constitute waste?

A It would.

Q Now, Mr. Queen, as I understand the application, it is for an exception to the Rule, which would permit continued production of these wells at a curtailed rate, and, as I understand your testimony, if the rate is curtailed drastically, there would still exist a danger of damage to the well on account of the accumulation of liquid. Do you have any proposal to make to the Commission as to how this situation should be handled?

A Since we are talking about several wells, it is impossible at this time to state exactly at what proportion these wells should be produced at, and what rate they should be produced at, to keep this accumulation of fluid from harming the well bore. It would be our contention to produce the wells at the least rate possible to keep them unloaded with fluid, and, therefore, by not damaging the reservoir and thereby making up the underproduction in the fastest period possible without stipulating the actual maximum or minimum rate.

Q Could the most feasible rate of production be determined?

A After proper testing, it could be.

Q Would you recommend such a testing procedure?

A Providing the Commission does not give any additional allowable for these wells, and I think there should be some consideration for such a thing. I believe it would be most economical

to allow the field personnel to produce these wells at their pre-determined rate to maintain the fluid level at the minimum in the well; in other words, the blown off condition, I should say, and that no testing be required in that a prudent operator should make up his old production in a minimum length of time. The Commission, of course, will have complete control of such a procedure in that they will note at what rate the -- they are producing, how much they are overproduced at any one month, and thereby, if the operator is not prudent to make up this overproduction, then such action can be taken as necessary. If we require each operator -- I should say, if we require Continental Oil Company to go out and test these wells to determine the exact rate they should be produced and to notify the Commission of this exact rate, this would cause several weeks' time of testing, and, in my opinion, this is unnecessary economic waste of manpower to do this. It is Continental's intention, if no additional allowable is given, to make up the overproduction in the least amount of time possible.

Q Do you have anything further to add, Mr. Queen?

A Nothing, except I would like to comment further on this possibility of the Commission considering additional allowables for these wells as they know the circumstances in these wells being overproduced. Also according to Commission Rules, the operator has very little control in the actual production rate of these wells. They would not have curtailed them probably

in the past unless this was pre-announced, based on the fact that if they did curtail them and this water production would increase, it would load up and possibly harm the wells, and it is very peculiar that a well with a deliverability of, varying from 29 to 41 MCF would be classified as a non-marginal well and be shut-in when at this rate it is hardly uneconomic to operate them.

Continental Oil Company decided not to come before the Commission to ask for additional allowable due to varying reasons. However, I would highly recommend that the Commission take this into consideration, consider the reasons these wells are overproduced, consider their producing nature, and the fact I hope I have proven to the Commission that they will be damaged if they are shut-in. And at this time it is not known how much they can even be curtailed without physically damaging the reservoir and loss of ultimate production thereof by this curtailment. However, this has not been made a part of this case. I believe that's all.

Q Mr. Queen, were Exhibits 1, 2 and 3 and 7 prepared by you or under your direction and supervision?

A Yes, sir, they were.

Q And are Exhibits 4, 5 and 6 copies of the meter charts furnished to you by the purchasers?

A Yes, sir, they were.

Q Are they taken from your company files?

A They are the same charts that the actual tests were conducted on. I would have to check on who opened them, if they were actually deliverabilities taken or intermediate tests taken at the time, but they are of tests, as I understand, observed by the purchasing line company.

MR. KELLAHIN: At this time we would like to offer in evidence Exhibits 1 through 7 inclusive.

MR. NUTTER: Continental's Exhibits 1 through 7 will be entered in Case 1776.

A I would like to comment, if I may, that Exhibit No. 7 was run by our test engineer on 9 -- the date of 9/1/-- 9/9/59 in particular reference to this case.

Q (By Mr. Kellahin) Was this taken with a bottom hole pressure bomb?

A Yes, sir, it was. We were pretty much rushed on this, and we did not get the reading on these things as shown on this chart, and then we double checked. We did plot the different time on these things to show the pressure buildup.

MR. NUTTER: Is the fluid level at the end of twenty-four hour shut-in -- he didn't take a bomb reading at the beginning of the shut-in, did he?

A I cannot answer that. Surely if the bomb was opened, the reading would be available, and whether he -- since this well does not have tubing in it, and, of course, he did not obtain a fluid level from the sonic reading. This is the most import-

ant question, I understand, and I'm not able to answer it.

MR. KELLAHIN: That's all the questions I have.

MR. NUTTER: Does anyone have any questions of Mr. Queen?

CROSS EXAMINATION

BY MR. PAYNE:

Q Mr. Queen, are the water problems or fluid problems uniform throughout this pool?

A No, sir.

Q Are most of your wells located on the flank?

A No, sir.

Q Where are they located, generally, in regard to the pool? Are they spread out?

A Yes, sir, and in particular, if you take into consideration all the wells that produce fluid, as I previously mentioned, we have only discussed those here that are affected by this change of status from non-commercial to commercial -- I beg your pardon -- from marginal to non-marginal.

Q So that any well in this pool may make a great deal of liquids no matter where it is located?

A No, sir, I don't mean to infer that.

Q Your wells are not located in one general area, are they?

A No, sir.

Q And yet all of these nine wells do make considerable

fluid?

A In general, the wells on the flank, on the edge of the structure, downdip from the highs in the structures are those that are more plagued with water production. I do not have a list of all the wells that are making water in this area.

Q Now, is there any attempt being made at the present time to compensate for this overproduction?

A At the present time, in contemplating what will happen at this hearing, we are trying to determine in what way we can produce these wells without them loading, and, therefore, by curtailing production --

Q You are trying to hold all these wells at least within the allowable at present?

A I would not say that, no, sir. We are at the time trying to determine at what rate they could be produced; not all of them, but we are taking certain wells to determine this. This is a time-consuming process to determine what is the minimum rate of production you might produce a well without loading it up with flood adversely to what it has been doing.

Q And that rate might be in excess of the allowable?

A That is correct, sir.

Q Now, I believe you testified that if you had to shut-in one of these wells, you might lose ultimate recovery. Now, is that loss of ultimate recovery from the well or from the pool?

A Well, if it is ultimate recovery from our wells, that

is all we need to be concerned with because somebody else in the pool may get it, and if it is continued, or the New Mexico Federal Unit or Continental, as operators go, underlying their acreage, and if it is moved off for some other reason to another pool because we are not allowed to produce it -- beg pardon, not allowed -- we cannot produce it due to this damage to the reservoir for a short period of time and this is an economic loss to all.

Q It is not physical waste --

A It is not physical waste.

A It is possible it could be physical waste.

Q It is not produced out of that well, yet it is produced out of another one?

A It is my opinion that if these wells were shut down, and if they could not be brought back, which in my opinion, they would not be to their original producing rate, that some loss of ultimate recovery would be sustained from the entire pool. How much, of this would be very difficult to say.

Q What you are saying, then, is that all of it wouldn't be recovered from another well, or at least there is a good possibility of that?

A Yes. I would like to make it clear, if I may, that it is Continental's opinion that gas underlying this acreage at this time should be produced through their wells and not by some offset operator's wells.

Q Well, it might be just your misfortune that your wells happen to make considerable water and the other fellow's

didn't?

A Well, this word "misfortunate" I don't believe applies since this is controlled by the producing features of the formation, and as again pointed out in the case of the Steven A-24 No. 1, we have a deliverability close to the economic limit, if not at that point; that a well curtailed at that point seems to be unduly restricted in its producing rate.

Q Now, you testified, didn't you, that Continental itself shut-in one or two of these wells because they were thought to be non-commercial?

A No, sir, I didn't say we shut them in. At the time the well that I was speaking of, which was Meyer B-28 No. 1, in January and February of 1958, which was temporarily shut down at that time and considered non-commercial, the -- at that time Mr. Lot, who is presently our division gas coordinator in the Roswell office had been assigned from Texas to Eunice, New Mexico to our Eunice district office as gas foreman for the specific purpose to taking care of wells and placing wells back on production like this. Continental Oil Company did not have personnel there prior to this when these wells started to load up when they originally started to make water production; were not properly blown down. In the first place, we didn't even know what was happening to them, and Mr. Lot in his course of duties with Continental Oil Company at the district office placed this well back on production in the manner in which I stated.

Q How long was this well shut-in? It was temporarily shut-in, right?

A The well was never shut-in as far as to the pipeline. The well loaded up with water and did not produce gas. We did not shut the well in.

Q Did the well suffer material damage when it was brought back on?

A Due to the lack of proper testing, of which the entire industry, I believe, is at fault, and reservoir analysis of, which, is just now coming into its own, into complete reservoir studies, we cannot tell you, or cannot testify as to the damage of this particular well. I'm sure that if an engineering study was made that proper testimony could be prepared to indicate one way or the other. Based on the information we now have, based on information of producing rates, deliverabilities and operating pressures of the wells, that it is a common knowledge, and belief with the engineers in the Eunice District and with myself, that these did damage the ultimate productivity of the wells, ultimate recovery and productivity.

Q Let me ask you this. Did you have a deliverability in this well before it was temporarily shut-in or temporarily not producing and a deliverability after the liquids were unloaded and it was producing back again on the line?

A I do not think that we have a deliverability as such, because, as I recall, I don't believe there were any deliverabilities

conducted until 1958 in the Jalmat Pool. Mr. Utz might be able to correct me on that. I'm not that familiar with it.

MR. UTZ: There were some in '54.

A This I do not know. They may be available in our files.

Q Do you feel that the installation of tubing in these two wells will alleviate the fluid accumulation problem for those two wells?

A No, sir. It will better aid us to keep the wells blown down if they are allowed to produce at a proper rate. The other seven wells that I have testified to have tubing in them, and we, in some instances, produce more water in these wells than we do in the tubing. The tubing in these wells, which there have been some installed since 1958, strictly because the wells would load up with water, and they were commercial enough that we were justified in doing it.

MR. NUTTER: Mr. Queen, I would like to ask a question here. You say you can go out here and blow these wells down and remove the water from the bottom of the hole. What is the matter with shutting the wells in and going out there and blowing the well down every morning?

A The well would have to produce at a rate for sufficient time to blow these wells down, in the first place, and what rate this would be and how long it would have to be blown to do this, I do not know, I am not prepared to testify; when we say

we blow them down once a week or once a month, how many hours this takes. Secondly, if the water is allowed to build up over the phase of the formation and then is blown down and is doing this continuously, it is my belief that you will still obtain harm to the formation because of this water wetting of the phase of the formation.

MR. NUTTER: Sounds like it is pretty wet, all right?

A The question is when you talk about water wetting and capillary action, and this is like this, if the well is blown down and allowed to produce at a rate sufficient to keep it from building up, except periodically, then you will have sufficient time in between this for the formation phase to possibly clean up.

MR. NUTTER: You think there would be more of a back accumulation with no production and with weekly or bi-weekly blow-downs?

A If I understand the question correctly, I believe there would be more water produced if the well were not continuously produced, if the gas were not continuously produced.

MR. NUTTER: Do you notice any correlation between the amount of water that these wells make and the depth of the perforations or the depth to which the well is drilled and not plugged back?

A There appears to be some correlation. However, this was our thinking when we moved in on the Wells A-1 No. 1, and attempted to perform remedial work, which cost approximately

twelve thousand dollars, and we were unable to control the water by plugging this well back. This is a west offset to the Wells B-1 No. 1, which is under consideration.

Q (By Mr. Kellahin) Well, it is down in the flanks from the producing --

A That is correct.

Q -- or down from the tubing?

A That is correct.

Q And did you attempt to plug it back, but by the time you plugged the water up, you plugged the remaining gas too?

A No, sir. The load oil in this well was not recovered. It was costing considerable more to swab test than obtain the load oil. It was commercial pressure, enough to furnish commercial production to the well, whether the well would come back making completely free water gas, a very small amount, it is not known.

MR. PAYNE: Mr. Queen, assuming you come up with a figure, and correct me if I am wrong here, it is my impression that each one of these wells should have a particular rate of production rate rather than one rate for all of them to make up this overproduction?

A Yes, sir.

Q The rate of production for each well should be determined individually?

A Right.

Q Assume you found that rate for the two wells that are untubed. Do you think that rate can be reduced once tubing is installed in those two wells?

A I would anticipate that it would take less rate of production to unload water through tubing than it would through casing. However, we are proposing to install this tubing irregardless of this hearing. After our recent encounter with the Commission, we have attempted to install tubing.

Q How do you accomplish this blow down? Do you have blow down strings in all these wells?

A No, sir.

Q It helps if you do install them?

A Yes.

Q How many of these wells have blow down strings in addition to the two-inch tubing string?

A You have asked a question that I'm not able to answer.

Q Now, I'm not quite sure I got your procedure for determining how we should decide the rate of production for each of these wells. You intend to test them?

A If I may go ahead, if the Commission gives us approval to make up our overproduction at a lesser rate than shut-in production, and does not stipulate that it will be 10 percent, 90 percent, we will inform our district -- our field personnel

who are in direct charge of producing these wells, that they will produce their wells at the lowest rate possible without damage to the well bore by fluid accumulation, thereby making up their overproduction at the most rapid rate, and in doing this, their only procedure would be to go out and gradually cut this well down, whether it would take one week or one month, and without physically testing the wells, taking manpower time. This work can be given to our pumper and gas foreman in the field, and I believe, with reasonable length of time they can determine this, and at that time they will know it -- determine this to furnish to the Commission the rate before we know what we are going to produce, and do this in a reasonable length of time for all nine wells, which would require considerable extra help. Otherwise, they would do it as rapidly as they could, which would consist of one or two wells of test --

Q You want to determine the rate of production where you wouldn't reach a critical fluid buildup. Do you have any idea what the critical rate of fluid is? There is going to be some fluid, isn't there?

A There will be fluid buildup at the capacity it is flowing. All we are asking is to maintain the maximum rate of flow so we will have the minimum fluid buildup, and I believe it would be unsatisfactory to do it as Mr. Nutter stated doing it once a day. We do not state that we will get away from the fluid

buildup by producing the wells because we have the fluid buildup. We are attempting to maintain these wells to keep these wells clean of fluid as often as possible, and a certain rate of continuous production will be required to do this.

Q This is what I'm trying to pin down. You are going to have fluid buildup at any rate. Now, how much fluid buildup is critical?

A This will depend on deliverability of the well and how much fluid is coming into it, and will be dependent upon each well. Permeability and porosity will come into bottom hole pressure. As you noticed, our deliverability line pressure varied all the way from 87 PSI, which I believe was the lowest, to 325, which I believe was the highest. For example, we are doing work with the purchasing company at the present time in trying to get some of these wells reduced to lower line pressures. The Stevens A-34 No. 1, which has the lowest deliverability of 29 to 41, is producing into a hundred twenty-six pound line pressure. If we can get this lowered to a low line pressure of, say, 87, it is our contention our deliverability will go up and we will be able to produce more gas on this.

MR. PAYNE: That's all. Thank you.

A I believe in one question that you asked me, if I had to give a percentage of the allowable of what might be, an average figure might be assumed to be 50 to 60 percent, but this may be way too much for one well and way too little for one well.

It depends on permeability, porosity, bottom pressure and things of that kind.

QUESTIONS BY MR. NUTTER:

Q Now, would you suggest, Mr. Queen, that the wells while they are being permitted to, say, produce at 50 percent of allowable, that they receive no future allowable during that time --

A As I stated, --

Q -- so that all production would be charged against overproduction?

A As far as this application, that is true. As stated, it is our thinking that the Commission should consider giving these wells additional allowable, taking into consideration that we are not talking about good wells, we are not talking about high potential wells, we are talking about, in most cases, wells that are making the operators a very small amount of money, and, in my opinion, there will be several wells actually shut down or plugged and abandoned due to the installation of tubing which we realize we should have in; therefore, there is an unusual situation. To make my statement clear, we are not asking for any additional allowable. However, we would highly recommend the Commission recommend this and take it into consideration because we feel that they are due additional allowable over what, the small rate they are giving due to these tests.

MR. PAYNE: How many wells does Continental have in

the Jalmat Pool?

A I should know this quite well. Fifty-two. Mr. Kellahin should know this. I believe we operate fifty-two wells.

MR. PAYNE: And you are only asking relief for these nine?

A That is correct. We also have other wells producing water, which we started preparing a list. I have three wells that I can give you the names that are water-producing wells that are slightly overproduced or underproduced, and I mean slightly less than six times their daily allowable. And these are the Lynn A-28 No. 5, which is underproduced, and it has a serious water problem, and we have seriously considered numerous types of remedial work which we cannot justify because of previous -- we have other remedial work which I did not try to attempt, that we have done on these wells that have been unsuccessful. The Meyer A-29 No. 4 has a serious water producing problem. It is underproduced. The Schultz B-30 No. 2 is underproduced, but only a very small amount, and it has a serious liquid problem. Now, we have classified our wells as to whether we consider it moderately serious or slight liquid problems, which I did not present today, depending on which it is, depends on how fast the overproduction can come out.

MR. PAYNE: How does this situation come about, where you have two wells of comparable delivery and comparable water problems, and one is considerably overproduced and another is not?

A This is deliverability.

MR. PAYNE: They've got the same deliverability now?

A They have the same deliverability, and they have the same acreage, and, therefore, they have the same allowable.

Q MR. PAYNE: Yes, and the same water problem?

A I'm sure you have two in the Jalmat that would meet this. I would offhand and without taking too much time state that the permeability and the porosity and the bottom hole pressure in that particular area of the pool would control such a thing very easily.

Q (By Mr. Nutter) Perhaps the perforations would enter into that, too, wouldn't it?

A That's right. We have learned a great deal since these wells were completed.

Q Do you think these wells may have a problem because they have a small proration unit, their allowable is too low on account of their acreage?

A We have everything from 80 to 320 here. This could be a problem. However, they could not have gotten to a non -- to a marginal status in the beginning if this had been true. I would say that one of the problems -- one of the reasons we are here today on this very problem is because of the allowables that have gone down. Also, I believe that if this thing was not brought to the attention of the Commission staff or however it is -- was brought out, until, say, December, that possibly they would

have been -- half of these wells would not even be here, and possibly the Commission would not have brought it to a hearing or to a point because it might have been made up over the winter months.

Q What is the status of the Ascarate D-24 No. 1? That's just north of this Ascarate No. 1 that we are talking about today? It is there on your Exhibit 1?

A Exhibit 1. This well does not have -- this well is temporarily shut-in.

Q Does it make a lot of water too?

A No, sir, it doesn't make much water. It is low volume. This is the well that does not have tubing in it, on which an engineering study is in progress. I say it should have been in our office last week to justify whether the well will be shut down or whether tubing will be installed, and it is a well that in all probability, based on the preliminary study in the conversation that I have had with the district, that this well will not be continued as a Jalmat gas well because of the requirement of installing tubing.

Q Would it make gas through casing?

A It is making a small amount of gas, and it is making a small amount of fluid. I'm not prepared to testify as to the volumes. As I recall, the well has been on our lease not operating at any profit. However, it can get on this because of several reasons, which economically we can still operate. Pumper

salaries would not be eliminated. If it is on a marginal basis, we can continue to operate them. We have allocated sufficient money in 1959 to install tubing in all wells in the Jalmat Pool. Those wells where it will not be installed will, of course, be shut down and we will have an ultimate loss of gas. However, we feel it be sufficient that it will not pay the price of this tubing.

MR. PAYNE: If you have to abandon one of these wells, do you feel that the acreage that was assigned to that well should properly be assigned to another well?

A This would require analyzing, and, of course, if we can properly justify and feel that this acreage is still gas-productive, and if the well to which it could be assigned could produce the additional allowable, of course, we, I'm sure would appear before the Commission for --

Q You wouldn't consider it the same as a dry hole simply because you had to abandon it?

A No, sir. We are spending considerable money and effort to determine whether we can afford to install tubing and separators and the necessary items. I would like to further state that another thing that has really made this problem acute now and has been happening, I would estimate since I was not here, somewhere in '57, early '58, that the time when these wells first started making water has not been too long past. In fact, I'm sure if we were to check this one well that I gave testimony to, that was well in January, February, this well probably started making water in '57. This

is not something that has gone on for years and years and continued. And any of the operators before this Commission, and I understand there are some more cases, have let their wells go until you say, "Well, you should do this. These wells are beginning to make water, they are increasing in the quantity of water." I'm sure if we were before this Commission a year from now, we would testify that these wells are being blown down automatically once a day. How efficiently depends entirely upon its deliverability, its back pressure and flow rate and things like this. And one reason we must do it manually now is because of the large volume of gas that must be produced immediately. Now, we are blowing the well down, and with the addition of automation coming into being, it means that you will have some type of automatic hourly blowdown because we have had no -- found no way to economically shut off the water in these wells, and this is testimony on my part. If someone can show us how -- if the Commission has a way, we would be most happy to consider it because we have numerous wells here that the water is going to cause ultimate loss of production, and if we could shut off this water, maybe we could get it back. That would be the idea. I don't know if it is possible or not, but I believe it is.

MR. NUTTER: Any further questions?

QUESTIONS BY MR. UTZ:

Q Mr. Queen, has the Commission issued any shut-in order for any of these wells up to date?

A No, sir, I don't believe so. I was in conversation with

Mr. Nutter to ask him what was being done about it, and he informed me that several had a hearing this date, and we immediately rushed into preparation of this application, and this is the only contact that I know has been made or reference has been made to this order that was issued.

Q Your wells, now, have not been shut-in by the Commission?

A No, sir.

Q There was some reference to previous testimony that indicated there might have been shut-in orders?

A I'm sorry, there have been none that I am aware of.

Q Now, this overproduction that you gave, as of August the 1st, that was total overproduction?

A That is correct.

Q Does not represent the amount of gas that these wells are curtailed or may be curtailed for --

A ~~No, sir.~~ What would be the number of months it would take to make up the overproduction.

Q These wells are curtailed for a considerable lesser amount of overproduction than the actual production. In other words, they are curtailed for the overproduction that they had as of December the 31st, which was not made up as of December 31, curtailment volume is substantially less than the actual overproduction because the overproduction that you had from December until July is not a curtailed volume?

A Is not taken into consideration, which the Commission is going to ask us to curtail, is that the point?

Q Yes, that is correct.

A But will the Commission not come back when they make their correction at the end of their six months' producing period and take this into consideration?

Q The end of January, the figures you read would probably be more correct.

A So we must be concerned about the figures I read more than the figures that you are concerned about because eventually we will be faced with the making up of this overproduction.

Q The overproduction we need to be concerned about presently is substantially less than the figure you gave, is that correct?

A That is correct. It may be possible we may make up that before the other figures come up. This is an overall production you are correcting.

Q I note that the overproduction you read for August the 1st is almost in every case substantially less than July 1st. You are curtailing these wells at the present time?

A We endeavor in every case to abide by Commission rules, and this is an example of that.

Q During the past several months, twelve months, these wells have produced some months substantially less gas than they

have other months. Are you prepared to state whether you had any problems during those producing months?

A No, sir, I am not. We have today, in view of, say, four years ago, I dare say, we know many many more times the information about the wells than we did a few years ago, and this information that I have obtained was obtained from the field and files that were kept but were not individual company records, individual foremen files, but I believe if the Commission so desires this information, it could be obtained.

Q I'm a little bit at a loss as to how you are going to determine what your minimum producing rate is on these wells. Are you going to try to flow them consistently at some minimum rate, --

A It is our opinion --

Q -- or are you going to blow them once every two weeks into the line or once a week into the line, or such a matter as that?

A This will have to be determined. I would anticipate that our initial figure would be that the most desirous way would be to flow the wells continuously. However, if they can be blown periodically and still the same result obtained, which is the maintaining of a blown off condition of the liquid production, then this would be the most rapid way of making up the old production. We have very little to gain, especially volumewise, by prolonging the period required -- I mean prolonging the period in which we make up this overproduction.

Q Unless you prolong the completion of the pool?

A That is correct. We do not intend to do this, and I'm sure the Commission would not allow this to be done. In our thinking, a well, for instance, that may have ten months' overproduction, rather than take these ten months as shut-in time, whether it is going to take fifteen months or twenty months or twenty-five months, I would say this is the period that we are talking about, and whether it would be one of these periods would be dependent upon the well.

Q Since you ~~even~~ at these successive rates of production overproduction, we'll say, you still have liquid production and still have to flow each of these wells periodically, and even though you do lower the rate of production something less than the allowable, you still are going to have these periodic blow downs?

A That is correct.

Q And in view of that, would it not be reasonable to assume that you can shut-in these wells for a certain period of time and that period to be determined, and then go out and produce them, say, once a week or once a month?

A Well, I would ~~have~~ to be a part of the engineering group that had to write a letter to the Continental management, that he lost a well because they were going to shut it down for a long period of time to determine how long they could shut it down, it could be done. There is no doubt that some of this will be done, Mr. Utz. At this time, the most important thing that I'm trying to say here, without being tied to a particular well, is how this

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thing will be accomplished, and then reporting this to the Commission which would be a time-consuming process for the Continental Oil Company and the Commission. Actually, what I am saying is if the Commission does not grant any additional allowable which is in addition to this application, if they grant us approval to produce these wells at a lesser rate than the shut-in rate, I believe this is the correct way to say it, then we will endeavor to produce this at the most rapid rate. This is the way we would like to have this application rule. However, if the Commission states that we can do this but at a predetermined rate or at a rate on which you must notify us, this is the extra work and effort that I'm trying to alleviate from this problem. Actually, as I can see the problem, the only difference will be that the Commission will not know except by checking month by month or after a period of time how the well is proceeding. The other requirement would require for you to write the Commission -- for us to write the Commission a letter telling you how we have tested and what the end result -- and what end results are; which, if we can prove to the Commission that this is the minimum rate, I believe the Commission will accept it.

Q You are going to continue to curtail these wells at a lesser rate?

A That's correct.

Q If you select some rate where the well is low enough to where the well dies, you are in pretty bad shape?

A The timing of this thing, whereby we may be requested

especially to comply with any particular rules, a well might be put on a rate at, for example, 90 percent of its capacity. These wells have been producing, in general, and the wells can be analyzed, as time permits, by the engineers or our gas foreman, and then he can further reduce it, or if a well appears to be giving difficulties, it can last a longer period of time. The timing of this thing is the only difference that I can see. I'm trying to be relieved of any time period on which this can be done because we have one gas foreman in the Eunice District which is responsible for the entire Jalmat Pool as well as other gas production. Our engineering manpower is -- we certainly do not have an overage, and the timing of this thing is what I am trying to get relieved from. We originally thought that we could come and should come in, and just ask for some figure to allow us to make our old production at 50 percent. Now, this, in some cases, we can make it up at 10 percent, which would mean we would get it made up faster, so if we set a figure -- if the Commission sets a figure, and it would have to be almost high enough to take care of, let's say, the worst wells, then, if the people make it up, their better wells at that same rate, it is going to prolong the period, so there is a problem arising either way. Again, you get down to individual wells, if you get down to individual wells and force the operators, by ruling, to furnish the Commission at what rate they are going to be overproduced, you are forging additional work that will not be required.

Q How long do you think it will take to determine what

these are?

A In some wells one or two weeks, other wells considerably more.

Q Wouldn't it appear, Mr. Queen, that you could probably determine the optimum rate of production to keep this water at a minimum and still be making overproduction? Couldn't a month's production do that?

A If we assigned a gas foreman and engineer to obtain several tests and conduct numerous tests during the month, which we would have to calculate, this could be done in a month's time. This is the problem.

Q Do you think it is an overburden to the operator to take two men for a month to determine the rate of curtailment for nine wells? This is a rather important thing we are talking about here. I have no idea how many hundreds of millions of feet of overproduction we've got here.

A Mr. Nutter, the Meyer "A" No. 9 produced 79,006 MCF of production in August. This is equivalent, roughly, to eighty dollars. Our engineers make considerable more than this, not enough, but considerable more than eighty dollars a month. As I see it, we are in a very peculiar set of circumstances here. I do not know about the other companies, but the majority of the wells that I have testified to this morning are very poor wells. They do not make the operator very much money, after lifting costs and taxes, but there is very little left to be even played with, to do

anything with. If Continental Oil Company had thought it would have been advisable and at all possible to get the Commission to do it, we would have been here this morning testifying to the fact why we thought they should have been cancelled, the overproduction, and the well reclassified as marginal such as a well with deliverability of, taking the best, 41 MCF a day. It is almost inconceivable to see how a well like this can be called a non-marginal well.

MR. PAYNE: How much acreage is there dedicated to it?

A The Steven "A" 24 No. 1, which is on Exhibit 3, is 160 acres.

MR. PAYNE: That is rather inconceivable.

A It is.

Q (By Mr. Utz) Wouldn't intermitters do this job for you?

A No, sir. We now have a study in progress of how to produce the wells in the Jalmat Pool most economically, and one of the procedures that we have gone as far as installing is a pump unit, an intermitter, and it has been discarded a long time ago. There are other variables, such as line pressure and things like that. That brings out an old wound in that deliverability is directly controlled in most instances by line pressure which the Commission does not agree.

MR. NUTTER: Mr. Queen, the way I figure, you are talking about 496,000 MCF here. How much is that gas worth?

A Four hundred six thousand would be about forty-nine

thousand dollars. About ten cents -- I was figuring this at ten cents an MCF.

Q That would certainly be worth a couple of men's time, wouldn't it?

A The figure that you have quoted has probably been going on for two years, and with the investment involved, if you divide forty-nine thousand by nine wells, which is five thousand dollars for two years, this gets down to still a considerable investment for drilling wells and operating wells. It is not a great deal of money. I would like to state there is no doubt a well or wells here that possibly should be curtailed. I would not say that all nine of the, necessarily would do it; they -- all nine have been classified under one group. We, in our opinion, have decided to ask for the application as we have set forth and this is, as I understand it, is an additional consideration. I would have to examine each nine of -- each well, examine their deliverability, their line pressure and all other reservoir facts about the well before I could, as an engineer either for Continental or for the staff, either recommend whether he should be curtailed. Certainly, in sitting here, facing the Stevens "A" 34 No. 1, in my opinion, has no place in this application, even though this well in comparison to this figure was fifteen months, as I recall, overproduced. And it has a hundred and sixty-acre unit, as we have just checked, which means it is not given an excess amount of acreage. This is probably the most glaring example as to the amount, in my opinion,

inequity of curtailing this well.

MR. NUTTER: Now, do I understand you correctly that perhaps if these men did go to work on these wells and found the optimum rate of production to make up the overproduction, they would find that some of these wells would not be curtailed, how would they make up the overproduction?

A Found out they could not be curtailed?

MR. NUTTER: Found out they could not be curtailed?

A Then, the overproduction could not be made up unless the Commission asked us to damage, in our opinion, our wells.

MR. PAYNE: You might make up the overproduction from another well, might you not, if you had the same royalty owner?

A I would have to ask Continental Oil Company to say about such a question as this. I would, offhand, say this. I would hate to see the Commission start transferring overproduction from well to well.

MR. KELLAHIN: If the Commission please, the allowables are assigned to the unit, not the royalty owner.

A You really shook me up, Mr. Payne. If the Commission pleases, we would like to, here, state that Continental Oil Company would, in a future date, be prepared to present testimony as to why and on what basis that we think that this curtailment of production is inequitable.

Q On a well by well basis after taking tests, or what?

A This is a tremendous question and would have to be

further considered. At that time tests would have to be conducted. For instance, the Stevens "A" 24 is a prime example; again, very little consideration would be given because the well could almost be classified as a non-commercial well making somewhere three dollars a day.

Q Has very little overproduction?

A Fifteen months overproduced.

Q But in actual MCF it is very small?

A Ten thousand MCF, as I recall. The whole point is the time that is going to require to make this up, if we go even at the rate of fifteen months, at 50 percent, for example, and I use this merely as an example, it would take thirty months, two and a half years to overproduce to make up the overproduction.

MR. UTZ: Mr. Queen, in regard to your statement which you stated that is not a part of this record about minimum allowables, actually what you are saying is that you feel there ought to be minimum allowable set for the Jalmat Pool, isn't that correct?

A I don't believe I made any particular comment as to the record. I meant as regards to this testimony. I'm sure it is all for the record, and then the second part is, do I consider that each well should have a minimum allowable?

Q Isn't it a fact -- wasn't that in effect, that is, what you were suggesting, minimum allowables?

MR. PAYNE: Or special allowables?

A Or special allowables on such a well, which I believe

this is not unusual. It has happened before. I had not gone to the extent as to how this would be done. I fully agree that the Commission must control allowables and all of this, so how this particular thing that I was referring to be done -- would be accomplished, I had not gone that far. I do note that on an oil well due to water production, and I presume the Commission has heard applications on gas wells for special allowables requests due to water production, or due to the fact that the local market, as I recall -- I do not think that the Greenweld unit has an allowable because the allowable gas from the Greenweld unit and what their demand is, is our allowable, so this is a special allowable, so there is probably more than one way to alleviate the problem that I'm referring to, and I presume there are others. I haven't studied that out, how it would be handled. It would be dependent upon the well and the circumstances. I wish I were the last member to testify before this Commission, I would be writing notes, I'm sure, and preparing additional things to say. I have discussed this briefly with some of the other operators, who were going to be here this morning, and this basically is the reason why I state that the Continental has discussed with considerable -- with several people considerably up the line from our division office as to whether we should request some special allowable, or as I said, we hadn't talked about a special allowable, we had talked about that this overproduction should not be taken into consideration on certain wells. And we do not take out a certain number, we talk about

them in general.

Q The only way you would do that would be an exception to the proration formula, isn't that right?

A I believe so. I'm not too well acquainted with New Mexico yet, I'm learning, but, in fact, if this goes like this and with things being said and other things being testified to this morning, the Commission may find itself with numerous applications on this because we would not know how we stand. I mean we, as Continental. In regards to the other operators, if there is testimony given this morning along these same lines to support that, we feel like we will not be standing alone, that we probably will be appearing before the Commission at some future date with the prospect of asking for a special allowable. I do not consider this inconceivable. This is causing considerable time and effort for a well that is making three dollars a day, but it may be the best thing overall because some of the wells do more than that, I am sure, or I know they do.

MR. NUTTER: Any further questions? Mr. Queen may be excused.

(Witness excused.)

MR. NUTTER: Does anyone have anything further they wish to offer in Case 1776?

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

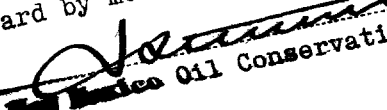
I, J. A. Trujillo, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript by me, and that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

WITNESS my Hand and Seal this, the 23rd day of October, 1959, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Joseph A. Fuzill
NOTARY PUBLIC

My Commission Expires:

October 5, 1960

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 1776,
heard by me on 9-30, 1959.
 Examiner
New Mexico Oil Conservation Commission