

**BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO**

**IN THE MATTER OF:**

**CASE 1848: Application of El Paso Natural Gas Company for  
an exception to Paragraph 3 of Order R-1065**

**TRANSCRIPT OF HEARING**

**JANUARY 6, 1960**

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
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IN THE MATTER OF:

CASE 1848 Application of El Paso Natural Gas Company for :  
an exception to Paragraph 3 of Order R-1065. :  
Applicant, in the above-styled cause, seeks an :  
extension of time to make up the accrued under- :  
production of the Jones 4-A Well (a pressure :  
build-up test well), located in Unit B, Section :  
13, Township 28 North, Range 8 West, Blanco- :  
Mesaverde Pool, San Juan County, New Mexico. :  
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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 1848.

MR. PAYNE: Case 1848. Application of El Paso  
Natural Gas Company for an exception to Paragraph 3 of Order  
R-1065.

MR. SETH: Mr. Examiner, could I enter my appearance  
in two cases, Case 1838 and 1848, together with Mr. Garrett Whit-  
worth?

MR. NUTTER: Yes, sir.

MR. WHITWORTH: Garrett Whitworth, representing El  
Paso Natural Gas Company. I believe Mr. Oliver Seth, local coun-  
sel, has already made an appearance in this case.

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MR. PAYNE: Yes, sir.

MR. WHITWORTH: We have one witness to be sworn, Mr. John Mason.

(Witness sworn)

JOHN B. MASON,  
called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. WHITWORTH:

Q Mr. Mason, will you please state your full name for the record and by whom and in what capacity you are employed?

A John B. Mason, employed by the El Paso Natural Gas Company as a proration engineer.

Q Have you previously qualified as an expert witness, proration engineer before this Commission?

A Yes, sir, I have.

MR. WHITWORTH: We ask that the witness' qualifications be accepted.

MR. NUTTER: They are. Please proceed.

Q You are familiar with the application of El Paso Natural Gas Company in this case, are you not, Mr. Mason?

A Yes, sir.

Q What does El Paso seek by this application?

A By this application we seek to extend the period during which underproduction, which has accrued upon the Jones 4-A

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Well -- we request permission to extend the period during which that underproduction may be made up. The Jones "A" No. 4 Well was on pressure build-up test authorized under our Order R-1065.

Q How was this application made to the Commission?

A This application was made by -- in a letter form and it was -- and in the alternative it was requested that if we could not receive administrative approval or relief, then, that it be set for hearing.

Q Do you have a plat depicting the exact location of this well?

A Yes, sir, I do.

MR. WHITWORTH: Will you mark that for identification as El Paso's Exhibit No. 1?

(Thereupon, El Paso's Exhibit No. 1 was marked for identification.)

Q Where is this well located?

A This well is located in the NE/4 of Section 13, Township 28 North, Range 8 West, San Juan County, New Mexico.

Q Now, the well was put on maximum pressure build-up test, was it not?

A Yes, sir, it was.

Q Pursuant to what Order?

A Order R-1065.

Q And when did the well go on test?

A April 17th, 1957.

Q The well is not presently under test, is it?



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A No, sir, it is not.

Q When did it come off test?

A Came off test February the 5th of 1959.

Q Now, during the time that the well was being tested, were allowables assigned to the well?

A Allowables were assigned to the well during that period and during the test also. We had two transfer wells that were authorized under the same Order, that was Jones 6-A and the 5-A. An allowable for the Jones 4-A was being produced by those two transfer wells, to a certain extent.

Q Do you have any data as to the production history of this well during the time it was being tested?

A Well, during the testing period, of course, there was no production; it was shut in completely. During that period there was underage being accrued under the provisions of the Order. Now, by way of history, I might point out that this well was first reported to the Commission as having completed its test on October the 14th of '58. That report was erroneous. However, the Commission had issued a supplemental and transferred the allowable that was requested to the transfer wells. The well actually completed its test in February of 1959. At that time we notified, the Commission requested that the previously issued supplement, which transferred the allowable, remain in effect; the only thing, that the date of the make up period was changed to January 31, 1960.



Q Now, you have a document setting out the amount of allowables during that period, do you not?

A I have what I have designated as Exhibit 2, which sets forth the allowables during the year 1959.

MR. WHITWORTH: For identification, I would like to have it marked as Exhibit No. 2.

(Thereupon, El Paso's Exhibit No. 2 was marked for identification.)

Q I notice that you have some current allowables underlined in red. What is that for?

A Well, it might be best if I backed up a little bit before that, and in order to better explain what the underlying current allowables are, it would be better to give a little background material, I believe. When the well came off of test in February of 1959, there was a new deliverability test taken during the latter part of February and the first part of March. This test indicated an increased deliverability. The test was sent to the Aztec office and apparently -- this is pure conjecture on our part in trying to determine what actually happened and why it happened. The test was sent to the Aztec office and it was apparently thrown into a basket since the test was submitted and taken during the period 1959, during the period for which a deliverability test would have been taken, upon which the 1960 allowables would be based. And since this was during the first of '59, it would not be used until 1960 and actually determine

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1960 allowables; it was probably just pushed aside until such time as it would be needed.

Well, now, there had been no test during 1958 since the well was shut-in for deliverability test. So in the absence of a test for 1958, it was probably considered delinquent, just delinquent in its test, and there being no test, there was no allowable assigned from February through November of this year -- of 1959. Then, by some means, it was discovered in the Aztec office, and a gas supplement No. 5210 dated December 4, 1959, was issued assigning a total allowable of a hundred and seven-seven million five hundred and fifty-seven thousand cubic feet, assigned retroactively back through February of 1959. Now, the allowables that I have appearing under the column of "Current Allowables" are those allowables that were assigned by the December gas supplement -- December 1959 gas supplement.

Q Because --

MR. NUTTER: What was the date of the gas supplement No. 5210?

A December the 4th, 1959.

Q (By Mr. Whitworth) Because of this gas supplement assigning allowables retroactively to the well, the well is currently underproduced, is that right?

A That is correct. Now, when the well came off of the pressure build-up test -- maximum pressure build-up test, our ordinary methods of checking the status of wells in our El Paso



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office was deviated somewhat because this was a special exception since it was a pressure build-up test well. Ordinarily, our clerical help, there is -- a proration schedule is issued each month, will check the proration schedule against the records we carry, and usually any omission or any error will be caught. But since this was a pressure build-up well, we have been suspending the usual check, and Mr. Rainey and myself have been keeping a check on these wells ourselves to see whether or not they are making up their underproduction or whether they are becoming overproduced, but in doing that we have only checked the status, and since February or since the well came off test, the well appeared to be making up its underproduction in an adequate manner and, in fact, through well into the month of May. At the end of May, the status indicated that it was overproduced, and, of course, it was overproduced during June. The month of July we started cutting back on the production. In fact, it was produced only one day during July, I think two days during August, and two days in September and a portion of a day in October and November in an attempt to eliminate this overproduction. But even in cutting back on the overproduction, on the monthly production, we noticed that the status continued to show an overproduction.

Q When was it first discovered that no allowable was assigned to the well?

A Apparently, sometime around the first of December, and at that time -- well, it was first discovered by El Paso when



we received the gas supplement, 5210.

MR. NUTTER: What was your question, that no allowable was assigned?

MR. WHITWORTH: That no allowable was assigned.

MR. NUTTER: The well always had an allowable, didn't it?

A There was no allowable being assigned at all in the schedule, it was just blank. There was no allowable. And from May through November, the proration schedule carried a status with APO on the side, which indicated that the well was six times overproduced, it was getting no allowable, so that if it had any connection at all, it was being carried as an overproduced well.

Q (By Mr. Whitworth) In other words, its overproduced status was the result of its having no allowable. There wasn't follow-up in the deliverability test or anything like that?

A That is correct.

Q So since it had no allowable, any production at all would six times overproduce, would it not?

A Any production made it be more overproduced.

Q Now, would you care to comment on the red lines?

A Yes, sir. Of course, the red lines do indicate the allowable that was assigned retroactively by gas supplement 5210. And going on across the schedule, of course, I have listed the production since the well went off test in the third column from

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the left and the cumulative status is the status that the well should have been carried in the proration schedule, had the allowable, the current allowable that is underlined in red, been figured in with the status of the well. The status, the far right-hand corner, right-hand column is the status that was actually carried in the proration schedule and the status that we were observing in determining whether or not the well should be produced more or cut back.

Q When the well was put on test, what was its deliverability?

A Deliverability when it went on test was 854 MCF per day.

Q What is the deliverability of the well now?

A The deliverability -- the state deliverability now is indicated to be 2,070 MCF, the test that was taken following the shut-in period.

Q When was this increased deliverability discovered?

A Well, I imagine the increased deliverability was discovered at the time the test was taken. Now, as far as the -- when the Commission discovered it, I guess it was at the time they discovered that the well was getting no allowable, because the 2070 was the deliverability used in assigning this retroactive allowable back from the time that the well came off the maximum build-up test.

Q What is the amount of underage of the well at the



present time?

A As of the end of November, the underproduction was a hundred and twenty-five million one hundred sixty-two thousand cubic feet.

Q Now, are you familiar with the balancing periods for the well pursuant to the Order?

A Yes.

Q What does the Order provide with respect to balancing periods?

A Paragraph 3 of the Order provides that a well may have until the end of the balancing period following the balancing period, during which the well came off test, to make up its underproduction.

Q When is the end of the balancing period for this well?

A That would be January the 31st of 1960 for this well.

Q Would this well be able to make up its underage within this period of time?

A No, sir, it would not.

Q In your opinion, what period of time would be necessary for the well to make up its underproduced status?

A We are requesting that this balancing -- that this make-up period be extended through the next balancing period, which would be through July the 31st.

Q Do you feel that would be a sufficient amount of time?

A Yes, sir, it would. I might add that this well has

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been getting an allowable which, as it appears on Exhibit 2, would indicate to be somewhere in the neighborhood of fifteen million a month. The well has exhibited an ability to produce about fifteen hundred MCF per day. Therefore, it would ordinarily take about ten days to produce its allowable; remaining twenty days could be used to make up this underproduction. It will probably take four or five months to make up the additional underproduction.

Q Getting back to the plat, the location of the well, do you know of any offset operators that would be adversely affected should the Commission see fit to grant this application?

A No, sir, I don't. We can see on the right side of this plat, to the east of this well is the 28-7 unit which is operated by El Paso. There are wells appearing as offsets there, Mesaverde offsets, which are not shown on the plat. El Paso is the operator there. Of course, the 5-A and the 6-A are on the same basic lease and even to the north and to the south, the wells are operated by El Paso. And I might add that in order to do that, by permitting this well to pick up this underproduction, in effect, would only be permitting it to make up production which it is entitled to and was inadvertently denied during the period from 1959 --

Q Should the Commission grant the relief requested by this application, in your opinion, would it violate or prejudice correlative rights?

A No, sir, but, to the contrary, I feel if it were



denied, there would be a violation of correlative rights, or the 4-A Well would be denied production of gas to which it was entitled.

Q In your opinion, would the granting of the requested relief prevent waste?

A Yes, sir. There would be no waste, as a result of it, I should say.

Q Mr. Mason, referring to the letter application in this case which states in the second Paragraph "Consequently, it was produced" -- referring to the well -- "on the basis of an allowable based on a deliverability of 854 MCF." Is that a correct statement?

A No, sir, it is not, and I would like to make note of that at this time, that actually it was -- well, the -- there was no allowable at all. The letter indicates that what we were asking for originally was the difference between the allowable that it would have received under 854. Further checking, since the writing of this letter, revealed that the well had received no allowable during that period rather than an allowable on the basis of an 854 deliverability.

Q Then, would you --

MR. NUTTER: It received an allowable for part of the time, didn't it, Mr. Mason?

A No, sir, there was no allowable at all from February of '59 through November, and only until we received the gas supple-

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ment 5210 was there an allowable, and that was on the basis of a deliverability of 2070.

MR. NUTTER: It wasn't six times overproduced as of February, was it?

A No, sir, it was underproduced; everything being under the maximum build-up test, it was actually underproduced.

MR. NUTTER: Why didn't it receive an allowable, then?

A Well, as I supposed earlier, that it was perhaps the test that they did receive, the test having been received during the period for the 1960 deliverability test; it was assumed that that test was to be used for the 1960 allowables, and that there was no test during 1958 upon which 1959 allowables should be based.

MR. NUTTER: So, in other words, for a period of time until the Commission received the deliverability test that was taken for that period of time to when the well was placed back on production until it became six times overproduced, it probably didn't receive an allowable because it was delinquent, a test that would have been normally taken in 1958?

A That's right, and the well having been shut-in in 1958, there was no test.

MR. NUTTER: No test could have been taken?

A Right.

MR. NUTTER: So it was actually delinquent there for a period of a few months, --

A No.

MR. NUTTER: -- and then it didn't receive any allow-

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able because it was overproduced?

A No, I don't know actually what happened, but the test was taken at the end of February, I think February the 27th it was started, and it is my understanding it was a delinquent test. The allowable would be effective thirty days prior to the beginning of the test which would be -- have been back prior to the time that the maximum build-up test would have been completed, so that there would have been no penalty for delinquent test there. Now, if an allowable had a period on the schedule based upon -- well, in fact, based upon any deliverability, then the well never would have appeared to have been six times overproduced. It appeared to have been six times overproduced because there was actually no allowable being assigned to it because, for example, in May it appears to be -- well, the status carried in the proration schedule is indicated on Exhibit 2, 7,500 MCF, and that is indicated to be six times overproduced. Well, at no time during '59 on this retroactive allowable was the current allowable less than, well, ten thousand, for example.

Q (By Mr. Whitworth) Was there any change in the cumulative status of this well during the time that it was on test and the other two wells were producing, its current allowable, --

A Only --

Q -- did its cumulative status change?

A Only once, and as I pointed out earlier, that was as a result of having reported the test to have been completed sooner

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than it actually was, but now that test was indicated earlier to have been completed in October of '58.

MR. NUTTER: What was the status of the well in April, 1957 when it was first shut-in?

A I'm afraid I don't have that, Mr. Nutter. But the point I'm trying to make is that the effect of the transferring of allowables kind of ironed itself out so that at the end of January the cumulative status of 44,563 underproduced was the correct status at that time, and the well had been assigned allowables on the basis of its old deliverability test through January of '59 was the correct status.

MR. NUTTER: I'm wondering if this underproduced status here at the end of January, 1959 of 44,563 could have been in part due to a failure of 5-A and 6-A to make the total allowable for the well while the well was shut-in?

A No, sir. We transfer allowables, only a portion of underproduction, to the 5-A and 6-A, and the 5-A and 6-A, now, they had been overproducing themselves, and we transferred allowable to the extent of their overproduction, to the extent of their overproduction plus assigning some underproduction to them. Now, those wells have come back into shape and are in good order, and the 4-A also would have been had we been aware that the well was not receiving an allowable, and we could have called the Commission's attention to that fact. But through our mistake also, we failed to catch the fact that it wasn't getting an allow-

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able. We merely looked at the status as was being carried in the proration schedule and also in our production histories, which checked out with each other, and the well seemed to be making up its underproduction in an adequate fashion.

MR. NUTTER: What is the latest status that you have on the well right now?

A The actual status, considering the effect of the allowables granted under the supplemental 5210, the status would be, at the end of November --

MR. NUTTER: That's the latest figure you have?

A Yes, sir, is one hundred twenty-five million one hundred and sixty-two thousand.

Q (By Mr. Whitworth) Cubic feet. And you feel you could make that up by July the 31st, --

A Yes, sir.

Q -- as you stated, or August the 31st, as the letter says?

A Well, that should be July the 31st, the end of the next balancing period.

MR. NUTTER: One way to iron this out, wouldn't it be, Mr. Mason, and remove this underproduction, would be to cancel a portion of that supplement?

A Of course, that would do it, but I don't think it would be quite fair.

Q (By Mr. Whitworth) Do you think this well still has



the deliverability of 2070?

A I think it is somewhere in that neighborhood, as indicated here in September. And August, the well was produced, according to our records, only two days during those two months, and the deliverability seemed -- the actual producing ability seemed to maintain something at 1500 to 2000 MCF during that period.

Q The months of August and September both?

A Yes, sir.

Q That was two days' production?

A Yes, sir.

MR. WHITWORTH: I want to request that the letter of application previously referred to, sent to the Commission by Mr. Rainey, be amended to show July 31, 1960 in the last Paragraph instead of August 31, 1960, and also that the last portion of the second sentence of the second paragraph beginning with the word "consequently" and ending with "858 MCF" be omitted.

MR. NUTTER: The entire phrase beginning with the word "consequently?"

MR. WHITWORTH: Right.

MR. PAYNE: Do you also want to amend the amount of underproduction?

A Yes, sir.

MR. WHITWORTH: I think that that probably should be omitted, and we so request, to correspond to El Paso's Exhibit No.

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2, being 125,152?

A May I clarify something here? That figure 125,546 appears on supplement 5210 as the new net allowable for November after the effect of the retroactive allowables rather than status. That is a valid figure, but is a net allowable rather than status; that is how the figure got in there.

MR. NUTTER: The status actually is 125,152, then?

A Yes, sir.

MR. WHITWORTH: And since our evidence is to that effect, we request that the letter of application be so amended.

MR. NUTTER: The letter of application has been amended in those particulars.

Q (By Mr. Whitworth) Do you have anything else you would like to add to your testimony, Mr. Mason?

A No, sir.

MR. WHITWORTH: That's all we have, sir.

MR. NUTTER: Does anyone have any questions of the witness?

MR. PAYNE: Yes, sir.

# CROSS EXAMINATION

BY MR. PAYNE:

Q Mr. Mason, to what do you attribute this substantial variation in deliverability in this well?

A The only explanation I have, Mr. Payne, is the fact that during this almost two years, two-year period that the well

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was shut-in, the gas more distantly removed from the well bore moved in closer to the well bore and stabilized, and there was just more gas surrounding the well bore to be produced, and it appears that it might be flush production during that period of the test. However, as was indicated by the August and September production, it seems to be maintaining that rate, at least up to the present.

Q How soon was this test taken after the well was re-turned to production?

A It was started about three weeks following.

Q Do you feel that perhaps after the well has been shut-in for the period that this one has, that a new deliverability test should not be taken until the well has producted, oh, two months, that you might get a more correct deliverability test --

A Well, --

Q -- or thirty days of actual production?

A Well, I will say this, that we do keep a check on these wells, and if the point should ever be reached when it appears that it will not make the allowable as being assigned on the basis of this production, that a new deliverability test certainly would be in order, but at the present, I see -- or if we had waited several months to take this particular test, that I don't think it would have made any substantial difference.

MR. PAYNE: Thank you.

Q (By Mr. Nutter) Has the 1960 test been scheduled



for this well yet?

A I don't know, Mr. Nutter, whether -- that is a question that has arisen in my mind, whether or not they intend this test to apply for 1960 or whether they intend to take another test.

MR. PAYNE: You would be willing to take another test?

A Yes, sir, I think we would be willing to do that, definitely.

QUESTIONS BY MR. UTZ:

Q Mr. Mason, when did you complete the build-up on this well?

A On this particular well it was February the 6th, 1959.

Q And when did you request the transfer of allowables?

A I don't have the exact date of the first letter that we sent, the one that I mentioned earlier in my testimony, which was in error, when we erroneously reported a finished completion date. It was back in December, I believe, and supplements were issued on January the 11th. But then when we did find that this well was still on test, had completed its test, we requested -- we submitted our request then on April the 9th. I believe that the transfer was requested previously, assumed to be the completion date, October 14, requested that that transfer remain in effect since it would have made no substantial difference in the underage or overage that we had, and it seemed it would require fewer supplements that way, and things were in good order, as it were.

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Q That was when, in April?

A Just a moment, sir. This was April the 9th. Now, the reason we usually wait that long -- well, maybe not this long in every instance -- but we did not get our February production history, of course, until sometime in March, and then, of course, from probably the middle of March to April the 9th, I'm not sure what the reason was, that there was a delay there. But your attention was called to the fact that we had erroneously -- we had previously erroneously reported the completion date, and that we were making request at this time to transfer the allowable as had been done in the initial request.

Q Did you make a supplemental request for transfer after April?

A No, sir. Now, there was another supplement issued April the 1st. This well had been subjected to the cancellation redistribution schedule from which it was to be exempted under Order R-1065, and we called that to the Commission's attention, and there was a supplement April 1st which reinstated it at that time, but other than that, there was no other cancellation.

Q Appears to be a foul-up on everybody's part?

A Yes, sir. That includes us, yes. Usually we would catch a mistake such as this, and I would advise the Commission, as is the usual practice every month, but since it was being given special consideration, its being on pressure build-up test, as I pointed out earlier, the clerical help didn't know exactly

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how to handle them, and we had been keeping watch over them separately, and it didn't get its usual scrutiny that it usually does, and, therefore, it evaded us, and it was carried to this point.

MR. NUTTER: Do you have the number of days of production for each month the well was produced since it was put back on production handy there?

A I have it for some of the months. Yes, sir, I do for all of the months.

MR. NUTTER: Will you just read those off to me, please?

A Starting with February and going through November: 11; 23; 18; 17; 13; 1; 2; 2; 1; and 1. Now, I think that this October and November 1 is just a portion of a day and was reported as one day's production.

MR. NUTTER: Now, were the producing characteristics the same, I mean the choke size and everything the same for all of those months?

A Yes, sir. There was no check on the well, just production against existing line pressure.

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

MR. WHITWORTH: I have one.

REDIRECT EXAMINATION

BY MR. WHITWORTH:

Q Mr. Mason, were El Paso's Exhibits 1 and 2 prepared by you or under your direction?

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A Yes, sir.

MR. WHITWORTH: We request that these Exhibits be admitted in evidence.

MR. NUTTER: El Paso's Exhibits 1 and 2 will be admitted into evidence.

(Whereupon, El Paso's Exhibits 1 and 2 were received in evidence.)

MR. NUTTER: Mr. Mason may be excused.

(Witness excused.)

MR. NUTTER: Does anyone have anything further they wish to offer in this case? Take the case under advisement.

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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 15<sup>th</sup> day of January, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Joseph A. Trujillo  
 NOTARY PUBLIC

My Commission Expires:

October 5, 1960

I do hereby certify that the foregoing is a complete record of the proceedings in the Examine hearing of Case No. 1848 heard by me on 1-6, 1960.

William, Examiner  
 New Mexico Oil Conservation Commission

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