

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1893: Application of Petro-Atlas, Inc. for an order  
cancelling the over-production charged against  
one well in the South Blanco-Pictured Cliffs  
Pool, San Juan County, New Mexico

TRANSCRIPT OF HEARING

FEBRUARY 10, 1960

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

-----

IN THE MATTER OF:

CASE 1893: Application of Petro-Atlas, Inc. for an order  
cancelling the over-production charged against  
one well in the South Blanco-Pictured Cliffs  
Pool, San Juan County, New Mexico. Applicant,  
in the above-styled cause, seeks an order cancel-  
ling the overproduction charged against the  
Aztec Well No. 1, located in the SE/4 NW/4  
of Section 8, Township 27 North, Range 9  
West, South Blanco-Pictured Cliffs Pool, San  
Juan County, New Mexico. Such overproduction  
was occasioned by applicant's delay in  
filing Form C-122-A.

-----

BEFORE:

Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: We will take next Case 1893.

MR. PAYNE: Case 1893. Application of Petro-Atlas,  
Inc. for an order cancelling the over-production charged against  
one well in the South Blanco-Pictured Cliffs Pool, San Juan County,  
New Mexico.

MR. VERITY: George L. Verity for the Applicant. By  
way of an opening statement, I would like to point out to the  
Examiner that this well in question was completed as a commercial  
well in August of 1958, and at that time the Applicant had just  
gone through a reorganization wherein it had just taken over the

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

operation of its gas wells and prior to that time had not carried through on mechanics to the Commission of these gas wells. Upon completion of this well, the Applicant obtained the information required by the form required for filing, Form C-122, which was the general form for filing a completion of a gas well deliverability. In November, 1958, this well was put on production to El Paso Natural Gas Company, and in that month all of the information required for Form C-122-A, which is required by the Special Rules promulgated by Order No. R-333 C and D, were obtained. The well was given the required open flow test, which I believe is two weeks, and then was given line pressure tests for the required eight days, and all of the information that is required in the required form that should have been filed at that time was obtained, but Petro-Atlas in all innocence thought that they had filed the only form required when they filed Form C-122 in August. The well then was produced until August of 1959, at which time the fact that Form C-122-A had not been filed came to the attention of your department in Aztec, and they shut the well in and at that time advised Petro-Atlas that they had not filed the proper form. This was the first time that they knew about it.

MR. NUTTER: What was the interval of time, Mr. Verity, from the time the tests were completed --

MR. VERITY: The tests were completed on the 8th day of December, 1958.

MR. NUTTER: And it was called to your attention by the



Aztec office--

MR. VERITY: August of 1959, and then in September of 1959, the Form 122-A was actually filed with the Commission, but we particularly want to point out that that form that was filed was based on the tests and information that was taken in November and December of 1958 at initial production. Since then, the well has been only partially produced under the shutin order, just a small amount.

One other thing, and this will, of course, all this information will be brought out by Mr. Grove in testimony. If we had actually filed the form, the information on the test, then our allowable through August of 1959 would have been, that was from first production through August of 1959, would have been 33,724 MCF. During that same period we actually produced 45,705 MCF. Now, this meant that we were produced -- that we actually produced more gas than we were entitled to produce if the report had been properly filed, but it is 33,724 MCF that we have been penalized that we would like for the Commission to allow us to forego by an order stating that the report filed in September on the test, actually made in September, be taken as of that time.

MR. NUTTER: In other words, you are not requesting that all of the overproduction be cancelled, but only that portion --

MR. VERITY: Which we would have been entitled to receive, that's 33,724 against the 45,705.

(Witness sworn.)

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



NORMAN GOVE

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

## DIRECT EXAMINATION

BY MR. VERITY:

Q Will you state your name, please?

A Norman Gove.

Q Are you a graduate petroleum engineer?

A I received a BS degree in geological engineering from the University of Oklahoma in 1948.

Q Have you testified before this Commission as an expert?

A No, sir, I have not.

Q You have before other Commissions?

A Yes, sir.

MR. VERITY: We submit the witness' qualifications.

Q (By Mr. Verity) Mr. Gove, how are you now employed?

A I am the engineer for Petro-Atlas, Incorporated and also in charge of their oil and gas production.

Q Was there a reorganization of your company in July of 1958?

A Yes, sir. Effective July 1958, the previous production the Petro-Atlas, Incorporated had in Oklahoma, Kansas, New Mexico, Texas, and a few other states was sold to American Petrofena of Texas, and the new company was organized as Petro-Atlas, Incorporated, and then in the summer of 1958 operating as Petro-Atlas,

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



Incorporated, we drilled several wells in the San Juan Basin, including the Aztec No. 1, a gas well.

Q Prior to August of 1958, had Petro-Atlas, Incorporated or its officers had occasion to complete in San Juan, Rio Arriba, or McKinley Counties --

A There were some gas wells completed by Petro-Atlas, however, the operations were turned over to El Paso Natural Gas Company, or Southern Union.

Q So that you had not operated any?

A Yes, sir.

Q Then in July you took over this operation out of your own office?

A Yes, sir.

Q Now, when did you complete the Aztec No. 1 well which is here in question?

A The Aztec No. 1 was completed in August of 1958.

Q And this well is located, is it not, in the approximate center of SE NW, Section 8, 27 North, 9 West,, San Juan County?

A Yes, sir.

Q Did you cause tests to be made on this well at the time of its completion in August of '58?

A Yes, sir, we did.

Q Did you make these tests to obtain information to fill in Form C-122?

A Yes, sir.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



Q Was that the form at that time that you and the officers of Petro-Atlas thought was the proper information to file with the Commission?

A Yes, sir.

Q I hand you what has been marked Applicant's Exhibit 1. Tell us what it is, please.

A It is a copy of Form C-122 for the Petro-Atlas, Inc. Aztec No. 1.

Q That's the well here in question?

A Yes, sir.

Q Did you run tests and obtain all the information reflected in this report?

A Yes, sir.

Q And was an identical report like this filed at that time with the Commission?

A Filed with the Aztec office, yes, sir.

Q Now, when did you first learn -- First, subsequent to that, was this well put on production to El Paso Natural Gas?

A Yes, sir, it was, it was put on production the latter part of November, 1958.

Q And at that time did El Paso Natural run any tests on the well?

A El Paso Natural Gas produced the well in such a manner that test data was obtained.

Q And when did you first learn that you had not filed

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



proper reports with regard to this well?

A It was August 25th, 1959.

Q At that time did you receive a notification from the Aztec office of the Oil Conservation Commission--

A Yes, sir.

Q --of New Mexico. I hand you Exhibit No. 2. Is that the information you received from them?

A That is the correct information, yes, sir.

Q Now, after receiving that information, did you then obtain information from El Paso concerning the test that they had run in November and December at initial production?

A We did, yes, sir.

Q And did you obtain at that time from those initial tests, did you obtain all information that was required for Form C-122?

A Yes, sir.

Q Did you file Form C-122 at that time?

A Yes, sir, it was filed September 11th, 1959.

Q And when was the information taken that you included in that form that was filed in September of 1959?

A That information was obtained during the period of November 30, 19 -- There is an error, that should be '58, November 30, 1958 through December, 1958.

Q Now, I hand you what has been marked Exhibit 3. Is it a copy of the report that you filed at that time?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO





A Yes, sir, it is.

Q Are you familiar with the orders that have been promulgated regarding the Blanco-Pictured Cliff Pool?

A I am now.

Q At one juncture was this the proper report to file? I mean, was Exhibit 1 the proper report to file?

A It apparently could have been used.

Q Up until Order No. R-333 C and D were promulgated?

A I believe so, looking back over a group of orders, yes, sir.

Q Now, from initial production through August of 1959, what was the total gas produced from the Aztec No. 1 well?

A From November 1958 through August 31, 1959, we produced 45,705 MCF.

Q Do you know what your allowable would have been if you had filed Form C-122-A in December, 1958, at the time when it should have been filed? That is, the allowable for that same period of time?

A I have calculated an allowable which I think would be within a couple of percents. I've calculated an allowable for that same period of time of 33,724.

Q MCF?

A MCF, yes, sir.

Q Now then, have you also calculated the allowable from the end of that period; that is, from the end of August through

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

January?

A Yes. The allowable from September 1, 1959 through January 31, 1960, that additional allowable.

Q Do you have the cumulative figure?

A Yes, sir.

Q From initial production through January, what is your cumulative, what would your cumulative allowable be if you had filed --

A Through January 1, it would have been 52,541 MCF.

Q Now then, do you also have, from initial production through January, the actual production?

A Yes, sir, the actual production through January 31, 1961 would have been --

Q 1960.

A I'm sorry, would have been 65,611 MCF.

Q Does this leave you overproduced from what your true allowable would have been if your report had been filed properly?

A Yes, sir.

Q How much?

A 3,407 MCF.

Q Do you know what your February allowable for the well is?

A Yes, sir, 3,753 MCF.

Q So then if the well remained shut in through February,



what would be the situation with regard to what the true allowable should have been?

A We would approximately have, we would actually be under-produced by some 277 MCF.

Q And then if the Commission cancelled the underage that they have this well charged with in the amount of 33,724 MCF, which was the allowable from initial production through August of '59, the time that you first discovered that you hadn't filed the proper report, would that make it even as of the end of February?

A Yes, sir, if that overage was cancelled it would be approximately even.

MR. VERITY: We offer into evidence Exhibits 1, 2 and 3.

MR. NUTTER: The letter was Exhibit No. 3, Mr. Verity?

MR. VERITY: The letter was 2 and the blue report was 3.

MR. NUTTER: The C-122 was 1, the letter 2, and the blue copy is Exhibit 3?

MR. VERITY: Yes, sir.

MR. NUTTER: Petro-Atlas' Exhibits 1, 2 and 3 will be entered in evidence in this case.. Does anyone have any questions of the witness?

MR. PAYNE: Yes.

MR. NUTTER: Mr. Payne.

CROSS EXAMINATION

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

Q Mr. Gove, your actual production through January 31, 1960 has been 55,611 MCF?

A Yes, sir.

Q Now, in that case the well is only -- What would it have been on the 122, the well would be only 3,470 MCF overproduced as of that date?

A Yes, sir.

MR. VERITY: As of February 1, yes, sir.

Q So what you are asking then is that this 3,470 MCF be cancelled?

A Yes, sir, that's based on my calculated allowable, Mr. Payne.

MR. VERITY: Well, excuse me, no, we are asking that more underage than that be cancelled. See, that is provided that you don't charge us with 33,724 MCF of overproduction from initial production through August. In other words, this 33,704 MCF overproduced is under assumption that we don't, we are not charged with 33,724 MCF production from initial production through August.

MR. PAYNE: Then you are asking in effect that instead of being overproduced, that the well revert to an underproduced status?

MR. VERITY: No, sir, I'm sorry, we are not doing that either, what we are asking -- You see, we would have a true allowable if this report had been filed from initial production through August, in the amount of 33,724 MCF.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

Now, since we didn't file that report on time, your Aztec office says, "You are overproduced all that you produced from initial production through August." Now, we actually produced during that period 45,705 MCF and we acknowledged the difference, that 33,724, which would have been our true allowable and which we produced as underproduction, so we acknowledge presently -- I say presently as of February 6, we are overproduced 3,470 MCF, but we say that we shouldn't be penalized for not having filed the information when the test was actually made, and that we should back date the figure of Form C-122-A to December of 1958 in which case it will wipe out 33,724 MCF that you got us charged as being overproduced. Do you understand that?

MR. PAYNE: No, sir, because your well produced 45,705, in the critical period that we are discussing the allowable would have been 33,724.

MR. VERITY: Right.

MR. PAYNE: So the only overproduction that should be cancelled under your theory of the case would be 11,981.

MR. VERITY: No, because you charged us during that period not just with that amount, you charged us with 45,705 MCF overproduction.

MR. PAYNE: Your allowable would have been 33,724?

MR. VERITY: That's right. Now, since that time, you see, we have made up a lot of overproduction.

MR. PAYNE: That's what I'm getting at. You want the



3,470 overproduction to be wiped out, but you also want to return the well to an underproduced status of some -- Well, the way I see it, it should not be over 8,000 MCF underproduced, rather than 33,724.

A Could I just add one thing, Mr. Payne? I have the February schedule, gas schedule, and at that time you were carrying our well overproduced through December at 36,913. We were overproduced, but that was because no allowable had been assigned for this well for the period of November 1958 through August. It was actually through July of 1959, so what we are trying to do is get an allowable assigned for that period of time of November 1958 through July of 1959 so that we can apply the production during that period against the allowable and not show us overproduced some 36,931 MCF, but maybe only some 4,000 MCF.

MR. VERITY: Do you have a February allowable schedule?

A Yes, sir, that's what I have.

MR. VERITY: What does this show this well to be overproduced?

A Through December, which is the last information the Commission has. In other words, the latest sales information the Commission has is for the month of December, shows the well was overproduced some 36,931 at the end of December.

MR. VERITY: And of that figure we want, we think we should have 33,724 MCF cancelled because that --

MR. PAYNE: What would be the status of this well if the 122-A had been filed on time?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



MR. VERITY: At this time it would be 3,400 as of February 1st. It would be 3,407 MCF overproduced.

MR. PAYNE: Then you want 3,000 --

MR. VERITY: No, we don't. Actually they've got us charged with overproduction of 34,000 -- 3,407 MCF plus 33,724 MCF. In other words, the 3,407 overproduction is what we say we should have at this time, but you've got us charged with that plus 33,724, so went the 33,724 portion of that cancelled.

MR. NUTTER: Are you also asking that the 3,000 some odd be cancelled?

MR. VERITY: No, we are not.

MR. PAYNE: What you are asking for is that the well, the status of the well be 3,407 MCF overproduced as of February 1, 1960?

MR. VERITY: Right.

Q (Mr. Nutter) To get to something a little more basic here, Mr. Gove, it is your allegation, I believe, that prior to the promulgation of Order 333 C and D, the figure on Form C-122 would have been adequate?

A That's the way I interpret one order there, Mr. Nutter. There is one order, it's an older order. As I say, we were unaware of these pool orders, and after we received this from Mr. Arnold I contacted Mr. Utz and he sent me the batch of orders that were applicable to San Juan gas production and going through them I discovered in one of the orders that it was possible to obtain an



allowable in Order R-565, which apparently is an older order and it has since then been superseded by others, but it was dated December 23, 1954. In that order it says, "An assumed deliverability equal to fifteen percent of volume of gas produced in the initial potential test will be used."

MR. VERITY: Your general rules provide for filing Form C-122, and that's what they filed not knowing that there was a special rule that had been promulgated for gas in San Juan, Rio Arriba and McKinley Counties.

MR. NUTTER: Now, when was this special rule promulgated that required the filing of Form C-122?

MR. VERITY: It was promulgated considerably before this period.

MR. NUTTER: Before 1958?

MR. VERITY: That's right.

Q (By Mr. Nutter) Now, one other question, Mr. Gove, did the Oil Conservation Commission carry this well in its proration schedule from month to month from August of, or November or December of 1958 at which time you completed your tests until August of 1959 at which time they notified you that that well was overproduced, did they carry this well in the proration schedule?

A They did, yes, sir.

Q Did the show any allowable assigned to the well?

A No, sir.

Q This wasn't merely an error of one time of failing to





file the form, it was an error of producing the well when there was no allowable assigned, is that correct?

A That's ~~cor~~rect we weren't producing the well ourselves, El Paso Natural Gas was taking the gas.

Q Were you getting a copy of the proration schedule?

A Yes, sir.

Q Were you looking up to see if you had any allowable assigned to the well?

A I was looking at it and I was of the opinion that El Paso was going to file these forms and that was going to be wiped out. I knew that there was a lag of time, there was some lag in the time that the well was assigned an allowable and first put on production. I knew that existed, but it certainly isn't as long as we had it, that's true.

Q You were under the impression that perhaps this lag would be nine or ten months even?

A I didn't know; this was my first experience with gas production, and looking through the schedule I did see other excessive production for other wells.

Q One other thought entered my mind, Mr. Grove, if this well had been assigned an allowable, that would have meant that the other allowables in the same pool would have been lower, is that correct, because the pot would have been divided among other wells in the pool?

A That is true.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



Q Therefore you can't take an average allowable that was assigned to a similar well in this pool during this time that you are considering and say this would have been the allowable of the well?

A That's why I say mine was an approximate allowable, the way I arrived at my allowable, I took a proportion after the allowable had been assigned after we became aware of our situation in October, I worked back after we were assigned an allowable I compared our allowable and deliverability with the allowable and deliverability of offsetting wells and I checked several months to see that I had the same proportion. My allowable is based on a proportion. Now, it is an approximate figure, so this 3,407 MCF is not a final figure, I believe it is within a couple of percents though.

Q So you recognize the fact that if the Commission should grant this application, that the actual amount of overproduction or underproduction, or whatever the status of the well may be, might not be the same as the figure that you have come up with?

A I do, Mr. Nutter, yes, sir.

MR. NUTTER: Does anyone have any further questions of Mr. Gove? He may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Verity?

MR. VERITY: That's all we have, Your Honor.

MR. NUTTER: Does anyone have anything they wish to



offer in Case 1893? Take the case under advisement.

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 23<sup>rd</sup> day of February, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Joseph A. Trujillo  
 NOTARY PUBLIC

My Commission Expires:

October 5, 1960

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

