

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 24, 1962

EXAMINER HEARING

IN THE MATTER OF:

Application of El Paso Natural Gas Company
for an exception to Order No. R-333-E.
Applicant, in the above-styled cause, seeks
the establishment of an administrative pro-
cedure whereby all operators, for good cause
shown, may obtain an exception to Order No.
R-333-E to permit the extension of the termi-
nal date for the 1961 deliverability test
period from December 15, 1961, to March 1, 1962,
and the continued calculation and assignment of
allowables to wells so excepted on the basis of
currently effective deliverability tests with
retroactive adjustment of allowables to February
1, 1962, being made upon the timely filing of the
new deliverability test.

CASE
2482

BEFORE:

ELVIS UTZ, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 2482.

MR. MORRIS: Application of El Paso Natural Gas Company
for an exception to Order No. R-333-E.

MR. WHITWORTH: Garrett Whitworth and Oliver Seth for
El Paso Natural Gas Company, and I am also appearing for Southern
Union Production Company. I have one witness, Mr. Hickson, who
has already been sworn.

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MR. UTZ: Are there any other Appearances?

MR. VERITY: George L. Verity appearing for Delhi Taylor Oil Corporation.

MR. UTZ: Are there any other Appearances?

MR. MALONE: Charles F. Malone of the firm of Atwood & Malone, Roswell, for Pan-American Petroleum Corporation.

MR. UTZ: Are there any other Appearances?

GERALD HICKSON,

recalled as a witness herein, having been previously sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WHITWORTH:

A For the record in this case, Mr. Hickson, would you please state your full name and by whom you are employed and in what capacity?

A Gerald Hickson, Proration Engineer, El Paso Natural Gas Company.

Q You have previously been qualified as an expert before this Commission, haven't you, Mr. Hickson?

A Yes, sir.

Q And those qualifications have been made a matter of record?

A They have.

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



MR. UTZ: They are.

Q (By Mr. Whitworth) Mr. Hickson, what is the nature of El Paso's Application in Case 24827

A Well, El Paso Natural Gas is requesting the Commission to grant it exceptions to Sub-section 2 of Order No. R-333-E to permit the extension of terminal date for the 1961 deliverability test period from December 15, 1961 to March 1, 1962 with the figure of those tests to be timely figured in accordance with the Rules set out at this time and also retroactive consignments of allowables to February 1, 1962.

Q You are familiar with Order No. R-333-E, are you not?

A Yes, sir.

Q And what pertinent portions of that order is applicable here?

A A portion we are asking exception to pertains to the time set out for taking deliverability tests in San Juan Basin, which is February 1 through December 15, and we are asking that to be extended.

Q Do you have an Exhibit showing the wells that are involved in this case?

A Yes, sir, we have an Exhibit showing El Paso Natural Gas Company's 29 wells which are delinquent under 1961 deliverability tests.

(Exhibit 1 marked for identification.)

Q And is that El Paso's Exhibit No. 1?

A Yes, sir.

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Q Would you explain how this Exhibit works for the Examiner?

A We have listed the wells locations, pool and formations and some numbers that are opposite the wells which correspond to reasons why there was a failure to complete deliverability tests during 1961. Those reasons being 1 to 10.

Q And the reasons pertaining to each particular well are listed opposite that well on the first page of your exhibit, is that right?

A Yes, sir, they are.

Q I notice on some of the wells there is more than one number, what does that indicate?

A Each number represents a rescheduling test, for example, Rosa 34, B36-32-6 was scheduled for tests five times.

Q Mr. Hickson, would you state the reasons, generally, why these wells were not tested during the required period of time?

A We went through our list of wells to determine the reasons why the wells weren't tested, and we came up with ten major factors. One freezing conditions, location freezing, line freezing, line blow-outs, main line blow-outs, and impassable roads was caused in the latter part of the year by severe weather conditions and retests required by the Commission. Some of the tests we received back from the Commission in the latter part of December and we did not have time to reschedule them. Location equipment failure, such as separator sticking or intermedier problems and just a poor test which is not representative of the well's capability. Failure to turn well on



at appropriate time, and failure to turn well off at appropriate time, which are two others that is an ever present error that wells also have in the field due to the large number of wells that we test. Approximately 5,000 wells that are tested in the San Juan Basin and it is an ever present problem just to notifying the switcher and especially when a re-test is scheduled for the next week after a test fails and also wells loading up with fluids and failure to obtain shut in pressures.

Q Do you have a particular well, not owned by El Paso, that is included in El Paso's request?

A Yes, sir, we have one well, which belongs to Mrs. Louise Locke. She lives in Durango, Colorado, she owns one well, Locke-Taylor driller on No. 1. This well was not tested on its first scheduling, and was not rescheduled for a test. Her husband died during the year and she was not aware of the testing procedure for deliverability tests. It is a hardship case really because this is, the source of income from this well is probably one of her few incomes, but the largest portion of it.

Q Do you have any suggestion or recommendation to the Commission to afford other operators an opportunity to relief similar to that being requested by El Paso at this time?

A Yes, sir, I requested to the Commission to leave this record open or leave the case open until the first of February, all the appearances to be made in this case.

Q And what is the position of El Paso Natural Gas Company



with respect to administrative approval?

A The Commission can handle this case by administrative procedure we have no objection to --

Q If relief is granted as requested by El Paso in this case, is it your opinion that these deliverability tests could be completed by March 1, 1962?

A Yes, sir I think -- I'd say that as I think most of them will, it is hard to say that we can get them all tested, some of them have been tested, some are on test at the present time. If we lose a well at this time, well it would be pretty hard to get in one more chance to schedule it and get it in during February.

Q What has El Paso done with respect with to notification of other operators who have wells tied to our system?

A We have called the other operators which are connected to our system and notified all of them of this hearing and explained to them what we had proposed, what we were proposing here.

Q Isn't it true that our notification pertained only to those operators who had wells that hadn't been tested --

A That is correct.

Q -- that needed the relief?

A Yes.

Q Do you have anything additional that you would like to add to your testimony?

A No, sir.

Q Was El Paso's Exhibit prepared by you, Mr. Hickson?

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A Yes, sir.

MR. WHITWORTH: We ask that El Paso's Exhibit 1 be admitted.

MR. UTZ: Without objection El Paso's Exhibit No. 1 will be admitted into the record.

(Whereupon El Paso's Exhibit No.
1 admitted in evidence.)

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Hickson, if the case is left open for requests for this exception until say the first part of February, do you see any need for approval procedure?

A I don't think we need to.

MR. UTZ: Are there any other questions?

CROSS EXAMINATION

BY MR. VERITY:

Q Mr. Hickson, I didn't understand for sure with regard to your Exhibit, I didn't have a copy of it, the ten wells that you mentioned are El Paso wells or do they belong to various operators in the Pool?

A We have 29 wells on this Exhibit and all 29 are operated by El Paso Natural Gas Company. The ten that you are referring to are the ten major reasons which we have indicated which caused the delay.

Q Now, in addition to your 29 wells, there are other wells



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similarly situated and connected to your pipe line?

A That is correct.

Q And it is also true, isn't it, that there are wells similarly situated that have not been able to be tested on to Southern Union's pipe line?

A That is my understanding.

Q Now, I believe one of the prime difficulties and problems in regard to completing these tests has been the severity of the weather in particular?

A Yes, sir, in the latter part of the year.

Q And by that you mean you have not been able to get in to the location and have enough time after the schedule time, and it has failed?

A That is right.

Q Isn't this condition likely to occur through the month of February?

A Well, we have tested a number of wells that we failed to get tests on in November and December, we have got tests in January and February, just re-testing, trying to put them back on a line, the problem could still exist.

Q In other words, if we just extend the matter to the end of February, aren't we likely to have a repetition of the same problem that we have now with regard to some of these wells?

A With regard to some of them, yes, I think if you set it up for March 1st, you may have a few left and if you set it up until April 1st, you will have maybe a number less than that. That could go



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on all year, I think.

Q Wouldn't it be wise, at this juncture, that we recommend that this period be extended through March to get out of the severity of weather, and cut down the likelihood of a number of wells that are still not going to have a proper test if we just move it up until the end of February?

A Well, I had discussed this with our field people and they felt they could get the biggest portion or all of them in by the first of March. I have no objection to carrying it on until the first of April.

Q Well, this would be provided no freeze-up and the well had connections in line? A That is right.

Q So, the most innocent people might be the ones that would be caught by the March first deadline and there wouldn't be anything that El Paso could do or Southern Union could do to prevent freeze-up and inclement weather from preventing these things. I am not real sure that I understand your recommendations, do you feel that the Commission should enter a general exception for the wells in San Juan and Rio Arriba Counties, Gas Wells, giving them exception to Order R-333-E so that any well that had been unable to obtain proper deliverability tests could file it under this exception?

A Well, sir, I think there has to be some reason for the delay in getting these tests in, I think there has to be a good cause for obtaining this general exception. If we just grant everybody the right to retast their wells then next year we might have



a larger number than we have this year, if that was the case.

Q Well, isn't it the other alternative setting each and every well down for a separate hearing?

A We have 29 on our Exhibit.

MR. VERITY: That is all.

MR. UTZ: Mr. Verity, are you representing Southern Union Production?

MR. VERITY: No, sir, Delhi Taylor.

MR. UTZ: You have three wells?

MR. VERITY: We have three wells. Do you want those locations?

MR. UTZ: No, sir, I have the locations of the wells here. Do you know whether or not these wells are on test at this time or not?

MR. VERITY: ^{from 2-4-} ~~There~~ are not on test at this time. We have been advised by Southern Union that they would schedule them for tests as soon as authorized to do so and so far as we know, we might very well be able to complete the tests by March 1, but it is entirely possible that in the absence of having someone camp immediately under each well with a blow torch, that we might very well have a repetition of the same thing at the end of February. This is the reason that Delhi Taylor felt it would be economical instead of being March 1, would be April 1, it would give us a month of weather which we can hope will not be as severe as the last month has.

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MR. UTZ: Do you know whether or not Delhi has previously scheduled these wells for tests?

MR. VERITY: Yes, sir, they have.

MR. UTZ: The tests were broken because of some of these ten reasons?

MR. VERITY: I think that is correct.

CROSS EXAMINATION

BY MR. MORRIS:

Q Referring to Exhibit No. 1, and your ten points for failure to complete deliverability tests, some of these reasons are going to be reasons that might occur at the present time not necessarily due to inclement weather, is that correct?

A That is correct.

Q Now, if the Commission is going to consider granting an exception to its Rules, it might be advisable to limit the exceptions to cases where the weather that was experienced in the San Juan Basin, was extremely severe and not to just all reasons that might be suggested for not having the tests run, for instance, referring to your reason No. 9, failure to obtain shut in pressure, would that be in any way due to the severity of the weather?

A Well, I think it could be. Now, in this case, I am not exactly sure, I know that was the only reason that we were given. The failure to obtain the shut in could be due to impassable roads, but in some cases that might be the first test that was scheduled. It might have been caused, like I say, from failure to get the shut in



pressure, maybe reschedule it again and then weather conditions existed.

Q It comes to my mind that this is a situation somewhat annul~~gus~~ to granting a request for back allowable, dealing daily with oil wells we sometimes grant back allowables due to under pre-
cedented or unusual circumstances, but we don't just grant back allowables across the board to everybody that asks for it, for maybe some reasons that could have been avoided. If the Commission is going to have any standards to go by in granting an extension of time for this deliverability test, it occurs to me that perhaps we should limit or combine your ten reasons here into one reason, that being the severity of the weather. How does that seem to you, Mr. Hickson?

A You mean just if we had weather conditions which prevented the completion of a test, that would be the reason and no other reason would be accepted?

Q Something along that line, in other words, the operator under some administrative procedure that the Commission might establish would show first that he had a deliverability test scheduled for a period of severe weather. No. 2 that the severity of the weather prevented the completion of the institution or the completion of the deliverability test in order to avail himself of any relief, otherwise we might as well open the door and say for whatever reason the deliverability test was not taken, we are just going to give a blanket exception.

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MR. VERITY: I wonder if I might answer the question?

MR. MORRIS: I'm just opening the matter for discussion, or if you care to answer it, otherwise, but it seems to me if we are going to set administrative procedure whereby operators other than El Paso are going to avail themselves of it, we are going to need to set up some standard.

MR. VERITY: Well, possibly I should have tried to broaden it any broader than those in attendance of this hearing. I thought that something might be gained by it. But I believe that your suggestion that it can be curtailed strictly to severe weather conditions does not give proper cognizance to the fact that we have an area with 5,000 wells that must be scheduled and tested by two pipe lines and the complications of the mechanics and the administration of this make it so that it is inherent in the system that we have a deliverability test in order to arrive at allowables, that there are going to be an amount of people that are caught without a test at the end of the year. That is going to be through any fault of theirs, and irrestrictive of how careful El Paso and Southern Union may be, this is still going to occur. It seems to me that there should be some way that these people would have relief.

MR. MORRIS: This would be a re-occurring problem and would happen every year, would it not?

MR. VERITY: Well, maybe we should leave it up for each order, for I was not referring to an order or suggesting that you ~~promulgate an order at this time that would operate in the future,~~

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but only one that would take care of the situation that we know to exist at this time and not past March 1.

Q (By Mr. Morris) Mr. Hickson, Order No. R-333-E, provides for a testing schedule to be established at the beginning of the test period and to be supervised by the purchaser of the gas, and according to the Order, the operator is to work in cooperation with the purchaser and they are to get together and fix a test schedule taking these deliverability tests and then submit to the Commission that schedule. Now, do you have a copy of the schedule that was submitted to the Commission for the current test period?

A Not with me, I am sure we could get it.

Q Could that either be supplied -- do you know whether that schedule was furnished to the Commission?

A Yes, I think a complete list of the schedule for 1961 was.

Q Then, the Commission, if it has it in its files, can take an administrative notice of that test schedule. And when, for any reason, a test is not satisfactory and a retest has to be scheduled, is that information submitted to the Commission?

A A retest has to be -- you mean a re-schedule?

Q Yes.

A Well, when it is re-scheduled, we send out a new schedule and if the operator notifies the purchasers and tells us that the test was broken, we don't know until they notify us, until after the first scheduling.

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Q What I am trying to determine is whether the Commission can look at its records, as to any particular well, and tell whether that well was scheduled during a period of bad weather?

A Yes, sir, you have a copy of every well that was scheduled.

MR. UTZ: How do we know what the weather was?

A I have that with me from the first of October to date.

Q (By Mr. Morris) Of the weather?

A Of the actual temperature.

MR. MORRIS: I don't believe I have any further questions. I would like to make a brief statement after El Paso's case is completed.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Hickson, could you say whether or not all these 29 wells that you have requested exception for here, were scheduled for testing during November and December and January?

A November, December and January? Q Yes.

A Yes, sir, I would say that all these wells were tested during -- I mean were set and scheduled for.

Q The tests failed during that period?

A Let me check here for a minute. I will take that back, I want to withdraw that statement, if I may, because we did have seven cases where the wells were tested earlier in the year and the Commission requested a retest and the request was not received in our office until in December, so all the wells don't qualify.



MR. ARNOLD: Actually we notified El Paso that it wouldn't be necessary to ask exception on those seven wells, but we had to go ahead and get them included. On those wells I think they would automatically get an extension.

MR. UTZ: Are there any other questions of the witness?

MR. WHITWORTH: I have some redirect when cross is through.

MR. UTZ: You may proceed.

REDIRECT EXAMINATION

BY MR. WHITWORTH:

Q In submitting this application, it is El Paso's intention that good cause should be shown in order to get an extension for taking deliverability tests, is that true?

A That is correct, we are asking for exception to an order.

Q Do you consider that the ten reasons that you have given here are good causes?

A Yes, sir, I feel like these ten reasons are valid reasons.

Q Do you recognize that a re-occurring cause can nevertheless be a good cause also --

A That is correct.

Q -- even though it happened several different times?

A Yes, sir.

Q El Paso, in effect, in this Application, has made an application for each well that is involved, isn't that true?

A Yes, sir.

Q And consolidated those wells into one Application?



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A That is correct.

Q I notice you failed to mention in your reasons of good causes, high demand and failure to obtain shut in pressures was mentioned as possibly not being a good cause, would high demand have any connection with that?

A Yes, sir, that would. During the period of high demand, it is possible that some of these wells were unable to shut in at an appropriate time to take a shut in pressure and that was the case on two of our wells where we use that as a reason. We had a high demand during the middle of December and the wells could not be shut in.

Q And it is your position and El Paso's position, that there are many good causes other than inclement weather conditions?

A That is correct, and I am not -- these ten reasons that we have listed are ten reasons that we found to be prevalent in our wells and we are not saying that these are the only ten valid reasons for granting an exception.

Q In consolidating these wells in one application, El Paso has done that in the interest of conserving time, is that true?

A That is correct.

Q El Paso would not have an objection to taking each of these wells individually and showing a good cause why the deliverability tests should be extended?

A No, sir, if the Commission wishes.

Q And reiterating what you previously stated, the reasons



that you have stated concerning the extension of time as to each well, is considered a good cause by El Paso?

A That is correct.

MR. WHITWORTH: That is all I have.

RECROSS EXAMINATION

BY MR. ARNOLD:

Q On March 31, that you are speaking of, are you thinking of that as a figure filing date or as a testing date?

A You mean, you are referring to March --

Q March 1.

A That would be the completion of the test.

Q And you would have some period longer than that to file the test?

A Yes, sir, some period that is provided for twenty-five days on a normal '61 deliverability, although it probably could be cut to say 15 days, if it would help the Commission in getting the retroactive allowable calculated.

Q I was thinking maybe the best way to write the order might be to make the filing date April 1 and not specify the testing period and that way we could give the operators a little bit longer to conduct tests as Mr. Verity was suggesting.

A Are you asking what my opinion was on that? I don't think we'd have any objection to making the filing of the test on April 1st, it would just be an extension of 15 days to the Commission and would yet give the operator an additional month.

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UTZ: Do you think the operator would have any ob-

June first?

jection

No, I think --

(By Mr. Arnold) Well, as he said the way the Order is written, as it appears, you would normally have till April first to submit the test. Actually we can't do anything with these until we get them anyway and there is very little difference on one in March and one in April. It is actually when we get it, that it is critical.

MR. MORRIS: I have another question of the witness.

MR. UTZ: Mr. Morris.

RECROSS EXAMINATION

BY MR. MORRIS:

Q During the summer months of the year, are there many deliverability tests run, percentage wise?

A I would say that there is a percent run in the summer, I can't give you the exact percent.

Q Is the demand high enough during the summer months for gas, that all gas wells are subject to deliverability tests, to have those tests run upon them in the summer if diligent effort were applied that way?

A I don't think that would be possible. We start during our high demand period as soon as possible for the year's test, and we don't finish rescheduling all the wells the first time until some time in August or September.

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Q So it would be impossible for the Commission to revise its period for taking deliverability tests and limit that period to the favorable months of the year?

A I think that would put quite a burden on the --

Q Just thinking out loud.

MR. MORRIS: No further questions.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Hickson, the 29 wells which you requested here, consists of all of the delinquent tests that you have?

A That El Paso Natural Gas Company operates, that is correct.

Q So, therefore, you are contending that all of the tests that you didn't give are for the different reasons?

A Yes, sir.

Q El Paso didn't "goof"?

A Well, I wouldn't say we didn't "goof", but I will say we tried to correct it with re-scheduling.

MR. UTZ: Are there any other questions of the witness? The witness may be excused.

(Witness excused.)

MR. UTZ: Are there any other statements?

MR. WHITWORTH: Did I offer El Paso's Exhibit 1?

MR. UTZ: I don't believe you did. Without exception, El Paso's Exhibit 1 will be entered into the record.



(Whereupon El Paso's Exhibit
No. 1 admitted in evidence.)

MR. SETH: We would like to call a witness for Southern
Union Production Company.

MR. UTZ: You may proceed, Mr. Seth.

MR. SETH: We have one witness.

MR. MORRIS: Will you stand and raise your right hand,
please? (Witness complies.) Do you solemnly swear that the
testimony you are about to give will be the truth, the whole truth,
and nothing but the truth, so help you God?

MR. MUENWINK: I do.

called as a witness herein, having been first duly sworn on oath,
was examined and testified as follows:

DIRECT EXAMINATION

BY MR. SETH:

Q Would you state your name, please?

A My name is Len. Muenwink

Q Will you spell your name?

A M-U-E-N-W-I-N-K

Q By whom are you employed?

A Southern Union Production Company.

Q Does your Company have certain wells that operate for
which deliverability tests were not submitted?

A Yes, Southern Union Production Company has five wells

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which tests were not submitted before the deadline.

Q Would you describe each one briefly and the reason why the tests were not run?

A On two particular wells, one is the Basin Dakota well.

Q Give us the description of the well or the name or Federal Unit?

A No. 1 is located in Section 20, Township 31 North, Range 21 West.

MR. UTZ: Are all these wells Southern Union wells?

A Yes, Southern Union Production Company wells.

MR. UTZ: You may go ahead.

A It is located in the Basin Dakota field. It was put on test in early December and the production equipment froze up and the well froze up and the well could not be re-scheduled. However, it is on test now. Another well is the ~~Lobo~~ ^{Lobo} No. 1, located in Section 14, Township 25 North, Range 3 West in Rio Arriba in the Tapacita, Pictured Cliff Pool. That test was broken December 13, 1961. Due to freezing in the production equipment, the well could not be re-scheduled in time. It is also now in test. Then, we also have a -- this is more than an oddball well. I will go through this one. This one didn't have to do with weather but I will explain the situation on it. Jicarilla Federal No. 1, formerly Williams Petroleum Company, Federal Jicarilla No. 1, located in Section 11, Township 23 North, Range 4 West, Rio Arriba. Ballard Pictured Cliff Pool, Williams Petroleum Company was formerly shut in

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by the State by the previous operator's failure to file production reports for 1960 and '61. Then the new Production Company's operator filed the change of operating production reports upon the release of this well by the Commission and the test will be filed. Another well is the Southern Union Production Company Per Cent 1, a well located Section 86, 29 North, Range 10 West in San Juan County and Aztec Pictured Cliff Pool.

Q The well was scheduled for test by pipeline however Southern Union did not get test result, Southern Union was listed as operator and never did quite get together on the scheduling until it was too late. The other one is the Jicarilla, Southern Union 1, located in Section 11, Township 33 North, in Range 4 West. Also in Rio Arriba and Ballard Pictured Cliffs. The test was scheduled on that well, also, once again. We did not get the test results on the well at the time of the scheduling and we did not get the well scheduling in time for the deadline.

MR. UTZ: Do you have a copy of that list?

A I have a copy. It is a scribbled on copy. I can get a copy.

MR. UTZ: Give us one later.

Q (By Mr. Seth) Are there any other wells, or does that constitute the five?

A That constitutes the total Southern Union Production has delinquent tests on.

Q ~~Is there anything further you want to mention about the~~



wells?

A No, I don't believe so.

CROSS EXAMINATION

BY ME. UTZ:

Q I have listed three wells which are delinquent to Southern Union. I wonder if you would give me the lease name, other than you listed there?

A The Jicarilla 1 is located in Section 11, 23 North, 4 West, Rio Arriba County, Ballard Pictured Cliff. The other well, Mr. Utz, is probably listed under Williams Petroleum Company, that is the well which we took over as operator recently. Williams Petroleum Company, Jicarilla Federal No. 1.

Q Williams Petroleum is the operator?

A We are now the operator. We took over the operation from Williams Petroleum Company and it is located in Section 11, Township 23 North, Range 4 West, Rio Arriba County, Ballard Field.

Q What was the lease name?

A Jicarilla Federal No. 1.

Q What unit was it in?

A I don't have the unit location on here, Mr. Utz.

MR. UTZ: Are there any other questions of the witness?

The witness may be excused.

(Witness excused.)

MR. MALONE: Pan American has one witness and one Exhibit.

MR. UTZ: You may proceed.

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MR. MALONE: Pan American concurs, in the Application of El Paso, as being our understanding that the Application is not for a blanket extension without good cause but instead for an extension as to any well owned by any operator where good cause is shown. We wish to present evidence at this time concerning the approximate four per cent of the wells which are operated by Pan American in the San Juan Basin on which deliverability tests were not completed. Pan American is operating 335 wells, 16 of which were not tested in accordance with the rules or about four per cent.

MR. MORRIS: Will you stand and raise your right hand, please? (Witness complies.) Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

MR. EATON: I do.

GEORGE W. EATON

called as a witness herein, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MALONE:

Q Would you please state your name and occupation?

A George W. Eaton, Senior Petroleum Engineer for Pan American Petroleum Corporation, Farmington, New Mexico.

Q Have you heretofore testified before this Commission on Petroleum Engineering matters?

A Yes, sir, I have.



A Exhibit No. 1 identifies the 16 wells which did not have deliverability tests completed by the deadline date for 1961 December tests. You will notice that Exhibit No. 1 is further subdivided into four different groups. The reason for that is this, that wells falling into those individual groups are in the same, more or less the same general classification, for reasons why deliverability tests were not found timely. Also shown on Exhibit 1 is the location of the wells involved. The first 14 wells are in the Basin-Dakota Pool. The well under group 3 is in the Blanco Mesa Verde Pool and the well in group 4 is in the south Blanco Pictured Cliff Pool.

Q And is each of these four classes of wells identified by the name of the purchaser who purchases gas?

A Yes, sir, that's correct.

Q Am I correct in my previous statement to the Commission that Pan American operates 335 wells subject to the deliverability testing rules and that the 16 listed on Exhibit 1 are the only ones which the tests were not timely filed?

A Yes, sir, that is true.

Q And that would be approximately four percent of the wells operated by your Company?

A Yes, sir, that is approximately four percent of the wells operated by Pan American which required a deliverability test.

Q Yes, now, then going back to the Exhibit again and taking Class No. 1 under Paragraph No. 1, would you state briefly,

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the cause for the lack of filing of the completed tests?

A Yes, sir, those four wells in Group 1 are Basin-Dakota Pool wells which were completed during the year 1961. They were not connected to the El Paso system until late in the year, but they were connected early enough so that^a deliverability test was required. They were first scheduled for deliverability tests during the month of November. Three of those four wells has since been re-scheduled five times and one has been re-scheduled three times. The tests have all failed due to the freezing malfunction of equipment, that is so said with the weather condition during November and December. Now, all four of them also are on tests now and the last test should be completed on February 8, 1962.

Q Barring further inclement weather?

A Yes.

Q What about paragraph No. 2, containing ten wells?

A The ten wells in Group 2 are Basin-Dakota Pool wells connected to the Southern Union Gas system. All of these ten wells, incidentally, are located in the Angel's Peak area of the Basin-Dakota Pool. Now, these ten wells do not have tests completed on them for the simple reason that they were never scheduled for tests. About September 1, 1961 our people who are responsible for keeping up with deliverability testing programs, made a check and noticed that there were 34 wells connected to the Southern Union system that did not have tests scheduled or run at that time. This matter was called to the attention of the purchaser and he



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did the best he could, I am sure, but he was able to run testing and scheduled tests and run tests on only 11 Basin-Dakota Pool wells and 13 Fultcher KUTZ Pictured Cliff Pool wells leaving these ten wells which were neither scheduled nor run during the 1961 deliverability testing period. You will recall that the Fultcher KUTZ Pictured Cliff Pool and the old Angel Peak area of the Basin-Dakota are in the same geographic area, so all wells are in the same general area of the San Juan Basin. I mentioned previously the end of the test period caught these ten wells before they could be arranged for scheduling by the purchasing Company, Now, as in the case of the Group 1 wells, all ten of these wells are now on test and the last one is due to end its shut period on February 5, 1962.

Q Is that February 5 or 10?

A This particular group here should finish on the 5th.

Q 5th. Now, you have testified that on or about the first of September of last year, Pan American did call to the attention of Southern Union that these tests had not been made on 34 wells and that, therefore, tests were completed on 24 of the 34 and these ten wells would remain after September 1. Did Pan American make any further effort to see that Southern Union initiated scheduling of tests on the remaining ten wells?

A Yes, sir they did that approximately in two week intervals, thereafter, Pan American called the matter to the attention of the Purchasing Company.



Q Is it not true that the Rule involved in this hearing states that test scheduling will be initiated by the purchaser?

A Yes, but naturally the schedule of the test has to be in cooperation with the operator, but the operator simply can't initiate the schedule on his own. It would create chaos if Pan American decided they wanted to test all wells in the month of August, the purchasers.

Q No purchaser would be able to take that amount of production, would they?

A No, sir.

Q So, that as a practical matter, the operator, who in this case was Pan American, is at least to an extent at the beck and call of the purchaser in complying with this rule?

A Yes, sir, that is true.

Q Is it the feeling of Pan American that it should not be penalized by adding allowable cancelled for the failure of it's purchaser to comply with the rule?

A That is Pan American's position, yes, sir, that the operator should not be penalized by having allowable cancelled when the effect of having allowables cancelled was due to the inability of the purchaser to schedule a test. At each time that Pan American contacted the purchaser regarding the delinquent tests in this Angel Peak area, Pan American was always given the reply that they were doing the best they could to line up in getting schedules due to the low demand that they had in their system. That it was just

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impossible for them to schedule any great number of tests that would be flowed for three continuous weeks at any one given time and before they could get around to it, there were many periods before they could take new tests. The end of the testing period laid on these ten tests.

Q Would you go now to Paragraph 3 and describe that well?

A Yes, sir. The well in Group 3 is Blanco Mesa Verde Pool. It is connected to the El Paso Natural Gas System. Now, this State Gas Unit J which is the well in question, actually did have a 1961 deliverability test fouled. This test was conducted early in the year of 1961. The well was subsequently worked over with a resulting substantial increase in deliverability as based on the initial test filed immediately after it was worked over. The well was not reconnected to the El Paso system after the workover until October 17, 1961 and was scheduled for deliverability test commencing November 23, 1961 in sufficient time to have it completed. Unfortunately, the clock stopped on the meter during the flow test period, in other words, the well had gone through a conditioning period, and during this flow period, the test was almost completed when the clock stopped on the meter and the clock may have stopped due to the cold weather. In any way, the clock stopped.

Q Is that well now on test as the others are?

A Yes, sir, it is now on test and that test should be completed February 10, 1962.

Q Paragraph 4?



A The well in Group 4 is a South Blanco Pictured Cliff Pool well connected to the El Paso system. It is a very weak well as evidenced by the reason that it's initial 1961 deliverability test failed. It was scheduled for tests commencing April 30, 1961 but no gas was produced during the flow test period so it was then re-scheduled to commence November 9, 1961 and the flow chard on that test got lost in the mail somewhere. It is now on test and should complete its shut in period time.

Q January 25?

A January 25.

Q Is there anything further to be said in connection with the Exhibit?

A No, sir, I don't believe so.

Q All right. It is your testimony here that all of the wells shown on the Exhibits are now on tests, is that correct?

A Yes, sir, that is true.

Q And that the completion date, barring further freeze up of equipment or other weather problems would be about February 10, is that correct?

A Yes, sir.

Q Do you have anything further to add to your testimony or -- let me ask one more question. Would the correlative rights of Pan American be in any way affective by adherence of the Commission to rules so that allowables were cancelled?

A Yes, sir, these wells are all in pools in the San Juan



Basin and if they are not assigned allowables along with every other well then there would be some question of violation of correlative rights.

Q Do you have anything further to add?

A No, sir, I don't believe so.

MR. UTZ: Do you wish to offer your Exhibits?

MR. WHITWORTH: We do, please, sir.

MR. UTZ: The Exhibits will be accepted into the record.

(Whereupon, Southern Union Production's Exhibits admitted into the record.)

CROSS EXAMINATION

BY MR. UTZ:

Q In regard to your ten wells under Item 2, had you contacted Southern Union earlier in the year, do you think there would have been a good possibility of having these wells tested?

A I really don't know the answer to that question, Mr. Utz but I really kind of doubt it for this reason, during the summer months their demand is extremely low and a number of those wells and others like them in this Angel Peak area that we have are connected to the Southern Union system and only produce a few hours a month, not even a full day. They just produce a few hours a month, so I don't know. It could have been possible that some of the tests could have been run during the summer months but not very many. I might say this, one requirement that Pan American puts on



these purchasers that may be a little unusual, is that we require them to produce every well every month, so if it weren't for that requirement then a chance that some of these wells that only produce a few hours a month wouldn't be produced at all.

Q Suppose if we change our clock, it wouldn't stop?

A I am not a clock maker, I don't know why the clock stopped.

MR. UTZ: Are there any other questions of the witness?
The witness may be excused.

(Witness excused.)

MR. UTZ: Are there any other statements?

MR. MORRIS: Yes, sir. If the Examiner please, perhaps I am alone in my thinking but I find the situation we are speaking of today analogous to the situation we found in Southeast New Mexico last year, where back oil allowable was authorized because severe weather prevented the running of allowables. Now, in this situation, back allowable was authorized by a showing in writing by the various operators affected and without the necessity of each operator coming into a hearing and explaining his particular situation. Now, in this hearing, El Paso is not, as I understand it, requesting that the Commission establish an administrative procedure which would be applicable to all wells, but it would seem to me that El Paso has stated that they would not propose such a procedure. It seems to me that any order entered in this case should provide for all wells affected in this circum-



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stance regardless of who the purchaser is and regardless of who the operator is. It would be my recommendation that serious consideration be given to the establishment of an administrative procedure whereby all operators could avail themselves without the necessity of coming to the hearing. Some of the operators have only one or two wells that are involved and they should be entitled to an exception without the necessity of coming to the hearing to get it. I would suggest that the Commission establish an administrative procedure and allow an exception to the filing of the deliverability tests until some date to be determined, some later date, for good cause shown including severe weather, including a widows unfamiliarity with the Commission's requirement, including the stoppage of a clock or a well that might have caught fire or some chart that was lost in the mail, whatever would appear to the Commission to be good cause would be some undefinable standard, but something that would be suitable to the situation that we find ourselves in in the Northwestern part of the state.

MR. UTZ: Are there any other statements?

MR. MORRIS: Mr. Examiner, I have two letters which have been directed to my attention concerning wells for which extensions of the filing of the deliverability tests are requested. I would like to make these two letters part of the record in this case and in the event an administrative procedure is established, the letters would probably be considered for request for relief. One letter is from Geoelectric Inc., Aztec, New Mexico to Mr. Arnold.



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It reads as follows: Request is hereby made for extension of filing, 1961, New Mexico, deliverability tests on the Kingwood Oil Company's in No. 1 in Section 13, Township 27 North, Range 10 West. This well was originally scheduled at its regular time conditioning period, November 22 to December 6, through December 6, December 14 shut in, December 14, December 22. On December the 11th, this well caught fire and that reason it was unable to be tested. Signed Kingwood Oil Company.

I have another letter from Thomas F. Fugan with reference to this cause. Pioneer Production Corporation wishes to join El Paso Natural Gas in requesting an exception to Order R-333-E that the terminal date for the 1961 deliverability be extended to March, 1962. Pioneer Production Corporation has one well on which the 1961 deliverability test is delinquent, Walker No. 1 is located in the Northwest quarter Section 3, Township 29 North, Range 12 West, San Juan County. The 1961 deliverability test was first scheduled in the area 37D, their period to end 12/13/61, but the well froze off due to severe weather conditions. The well was rescheduled and the test completed in the area 41D, their period to end 1/14/62. The test will be filed 1/26/62.

I ask that these two letters be made a part of the record.

MR. UTZ: Without objection that will be made a part of the record.

(Whereupon, letters entered into evidence.)



Are there any other statements? The case will be taken under advisement.

(Whereupon this hearing was concluded at 4:00 o'clock P.M.)

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STATE OF NEW MEXICO)
)
 COUNTY OF BERNALILLO)

SS

I, KATHERINE PETERSON, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill, and ability.

Katherine Peterson
 COURT REPORTER

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I do hereby certify that the foregoing is a complete and correct transcript of the proceedings in the Examination of the New Mexico Oil Conservation Commission held on Jan. 24, 1962, heard by me on Jan. 24, 1962.

Philip C. [Signature], Examiner
 New Mexico Oil Conservation Commission

