

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
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BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
April 25, 1962

IN THE MATTER OF:

Application of Pan American Petroleum Corporation for an exception to Order No. R-333-E, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-333-E to permit the extension of the terminal date for the 1961 deliverability test period from December 15, 1961, to March 1, 1962, for ten wells located in Townships 27 and 28 North, Ranges 10 and 11 West, San Juan County, New Mexico.

CASE
2539

BEFORE:

Elivs A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 2539.

MR. MORRIS: Application of Pan American Petroleum Corporation for an exception to Order No. R-333-E, San Juan County, New Mexico.

MR. COOTER: Paul Cooter or Atwood, Maline, Roswell, appearing for the applicant.

(Witness sworn)

MR. UTZ: Are there any other appearances in this case? You may proceed.



GEORGE W. EATON, JR., called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. COOTER:

Q State your name for the record.

A George W. Eaton, Junior.

Q By whom are you employed and in what capacity?

A I am employed by Pan American Petroleum Corporation as senior petroleum engineer in Farmington, New Mexico.

Q Have you previously testified before this Commission?

A I have.

MR. COOTER: Are his qualifications acceptable?

MR. UTZ: Yes, sir.

Q (By Mr. Cooter) Mr. Eaton, first may I invite your attention to the Order of the Commission R-2183 relating to the exception to Order R Number 333-E which has been marked for this hearing as Exhibit Number 1. Pursuant to the provisions of that Order, did Pan American Petroleum Corporation submit to the Commission an application for an exception to its Order R-333-E?

A Yes, sir, it did.

Q Did that Order or that application of Pan American cover the ten wells which are the subject matter of this case?

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A Yes, sir, it did.

Q For what reason was the exception sought insofar as it relates to these ten wells?

A In our original administrative application for an extension of time for wells not completing their 1961 deliverability test by the December 15, 1961 terminal date, we applied for administrative relief for a total of 16 wells. Among those 16 wells are the ten wells which are the subject of this hearing today. In regard to those ten wells, I would like to read a portion of that administrative application dated February 16, 1962. In that application the ten wells are listed together with their location. Regarding those wells this statement is made: "These ten wells are completed in the Basin-Dakota Pool and are connected to the Southern Union Gas Company system. All of them are located in the Angels Peak area of the Basin-Dakota Pool and were simply never scheduled for tests by the purchaser." I believe that's sufficient.

Q Was the requested relief as to the ten wells granted or denied?

A With regard to those ten wells the requested relief was denied. With regard to the other six, which were listed in that same application, the exception was granted.

Q Did Pan American thereafter file its application, which is the application I believe in the instant case as it relates to these ten wells?



A Yes, sir. That re-application for administrative approval for the extension of time is dated April 3, 1962.

Q What reasons were made a part of the application for the reason that the requested relief should be granted?

A As a portion of that application a letter from Southern Union Gas Company itemized a number of reasons that may have entered into one or more of the inability to schedule tests on any particular well of this group.

Q What were those reasons that were given by Southern Union?

A I believe that the best way to give those reasons is to read a portion of that letter from Southern Union. In this letter Southern Union states, and I quote, directly, "First of all, the number of wells connected to our lines has increased to the extent that the amount of annual well testing to be accomplished within the time prescribed for the area has become next to impossible. In a fluctuating market such as ours, the various factors of pipe line pressures, pipe line capacity, weather conditions, and market demand have a decided influence on the number of tests that can be handled at that time, and, of course, testing procedures are governed accordingly. The principal difficulty is in prescheduling of testing operations so that all conditions of production facilities and market demand will be compatible at the appointed time. During peak

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load periods, when under appropriate conditions large scale testing might be performed, only token testing can be consummated because most of the wells must be kept in service to satisfy the prevailing high market demand. Also, tests in process at such times often must be interrupted in order to meet the high consumer demand for gas, leaving the test for rescheduling as and when conditions warrant. Conversely, during those periods when consumer demand is low, production requirements are insufficient to accommodate deliveries from the large number of wells still to be tested, thereby giving rise to an additional reschedule and programming to afford as much tests as possible within the limits of market demand and within the remaining time available for completing the tremendous task. The situation has been further strained by the increasing amount of unscheduled testing that arises from new well completions requiring deliverability tests before they can be legally produced. This in effect gives testing priorities to new completions which we are obliged to accommodate within a nominal period after notice of completions and clearance for connections to our line. Thus, by reason of such priorities, together with the other factors we have mentioned, we have not been able to complete some of the annual deliverability tests scheduled for the year 1961. The above explanation particularly applies in connection with those of our wells that did not get tested during the year. Our field



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office reports that an all out effort was made throughout the last few months of the year to accommodate the scheduled and rescheduled tests, but for one or more of the reasons above enumerated and in spite of the determined consideration given to satisfying the test, they could not do so. Therefore, realizing our inability to consummate these tests may result in curtailment of production allowables during the ensuing year, we wish to lend whatever assistance we can to help you get current allowables re-established for the wells. If you desire to use this letter in connection with this cause, please feel free to do so and if further confirmation is needed, we will be happy to oblige."

Q Was a list of the wells attached to that letter?

A Yes, sir, that list of wells is attached.

Q Those are the same ten wells which are the subject matter of this hearing?

A Yes, sir, they are.

Q Was a copy of Southern Union's letter, dated March 28, 1962, attached to your application of April 3?

A Yes, sir, it was.

Q On the ten wells which are enumerated, were the tests thereon completed by March 1?

A Yes, sir, they were all completed by March 1 and were all filed prior to March 1.



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Q Mr. Eaton, pursuant to the Rule R-333-E of the Commission and the practices in the area, whose responsibility as between the operator and the purchaser is it to schedule the tests?

A In the normal course of practice within the area, the purchaser normally assumes the responsibility for the scheduling of deliverability tests. In the normal course of operation, the operator normally assumes the responsibility for conducting those tests once scheduled.

Q In your opinion, what effect would there be or what would the result be if the responsibility of scheduling the tests was placed upon the operator?

A In my opinion utter chaos would result. The operator is not in a position to know when a purchaser is in a position to accept gas into a system. That applies not only to the pool as a whole, but also to the various segments of his system. For that reason, it's almost imperative, in my opinion, that the purchaser continue to schedule those tests.

Q Are these wells in an area of high allowables?

A These wells are located in an area of generally above average allowables for the Basin-Dakota Pool.

Q Did any of the wells, ten wells, the subject matter of this case, have their allowables cancelled on the February 1st balancing date?



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A Yes, sir, there were four of this group which had some allowable cancelled on the February 1st balancing date. Two of those wells had very minor amounts cancelled. One of them was a substantial amount, one of them also not very big.

Q Based on the flow rate during the deliverability test, would the amount of production during the 21-day flow period exceed the amount of the allowable that was cancelled?

A Yes, sir, in each case the flow rate through a 21-day period would have exceeded the amount of allowable that was cancelled.

Q With regard to the four wells that you have just testified about, have they already suffered or sustained a penalty by not having the deliverability test timely run?

A These four wells have already had one penalty assessed against them, as I mentioned, two not very much, but still it was a small penalty.

MR. VERITY: We offer Exhibit 1 and 2 into evidence together, of course, with the application of Pan American in this case.

Q Do you have anything further to add?

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

MR. UTZ: Without objection Exhibits 1 and 2 will be entered into the record of this case. Any questions of the witness?



MR. MORRIS: Yes, sir, I have one question.

MR. UTZ: Mr. Morris.

CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Eaton, you have testified that in the normal course of operations as between purchaser and the operator, the purchaser must bear the responsibility of scheduling the deliverability tests. If the purchaser fails to schedule the deliverability test, would it not become the duty then of the operator, knowing that the test had not been run on the well, to at least point out to the purchaser what the situation was and remind the purchaser to schedule the tests?

A Yes, sir, I think that if the operator realizes that a purchaser appears to be falling behind in the number of tests that he is conducting, that should be pointed out to him.

Q Was that done in this case?

A In this case, it became apparent to Pan American somewhere around September 1st that the purchaser was in fact falling behind. The matter was brought to his attention at that time and periodically, I'm told, at approximately two week intervals thereafter. Now, I believe that the purchaser in this case made an all out honest effort to conduct as many of these tests as he could for the ensuing months following September 1st and prior to the terminal date of December 15.

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My recollection is that he did schedule and the tests were successfully conducted on 34 Pan American wells.

Q So you felt that with respect to ten wells, the subject of this hearing, that Pan American gave adequate notice within time that Southern Union should have been able to schedule and test the wells?

A Yes, sir, I believe so, although I will point out this, too, that you don't call attention to somebody the fact that he's falling behind until he is already behind. If we had known that he would be behind as far as he was on September 1st, if we had known that fact in June, well, perhaps more tests could have been conducted than were actually done. It's a critical point there as to at what point do you call the fact to somebody's attention that he is falling behind. You have really got to be obviously behind before you call it to his attention.

Q And is it the normal course of operation throughout the Basin, not only with Southern Union, but with those connected to El Paso's system, to let the purchaser schedule the test?

A Yes, sir.

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

MR. UTZ: Any other questions?

BY MR. UTZ:

Q Mr. Eaton, were all of these wells completed early

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in 1961 or were some of them late completions?

A No, sir. I'm almost certain that every one of these wells was completed in the year 1959. There may be a 1960 completion among them, I'm fairly certain none were completed in 1961.

Q Is it not true the testing season runs from February 1 through December 15th of each year?

A That is correct.

Q Was any attempt made to test those wells, schedule and test these wells earlier in the season?

A Earlier than --

Q Than 9-1-61?

A No, sir.

Q Do you know whether or not Southern Union tested wells earlier in the season?

A I'm confident that they did, yes, sir.

Q But not yours?

A But not ours, not these then, not that 34 that I spoke of. They tested some Pan American wells earlier in the year, they lacked some.

Q I believe you stated that not all of these wells lost February allowable?

A That is correct, no, sir. All of these wells lost current allowable during the month of February, not all of them



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also had allowable cancelled on the February 1st balancing date. Only four of this group of ten had allowables cancelled because of underproduction on the February balancing date. None of the wells had February current allowable.

Q Do you have a record of those four wells which had underage cancelled?

A Yes, sir, a partial record. Here are the group of wells that had allowable cancelled, together with the amount of allowable that was cancelled. The Fred Feasel G Number 1 had 212 MCF cancelled, a very minor amount. The R. P. Hargrave H Number 1 had 196 MCF cancelled. The Davidson Gas Unit F Number 1 had 9412 MCF cancelled. The Davidson Gas Unit G Number 1 had 69,467 MCF cancelled. As you can see with respect to two of those four wells, cancellation was almost insignificant.

Q So actually the amount of allowable you lost was the current allowable for all ten wells for the month of February?

A Yes, sir. Would you like to have my estimate of the amount involved on those, for those ten wells?

Q If you have it there.

A It has been estimated, not by me I might mention, that the total allowable for these ten wells for the month of February, 1962 would be 180,500 MCF. There's also an estimated value here on this page too.

Q Would it be in the neighborhood of twenty-one or



twenty two thousand?

A The estimate here is 26,750.

Q I believe you testified that none of these ten wells were scheduled for a test attempted during the 1961 testing season?

A That is correct.

Q Now, you, I believe, testified to the effect that there were six other wells on this application that were granted exceptions?

A Yes, sir.

Q Were all of those wells scheduled and tests attempted during the regular testing season 1961?

A Yes, sir, some of them more than once; but all of them had had tests attempted on them during the regular testing period and for some reason or other the test had either failed or a new test needed to be run after repair operation or something like that.

Q But an attempt was made?

A Yes, sir.

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

(Witness excused)

MR. UTZ: Any other statements in this case?

MR. COOTER: May I state just briefly that it is

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the position of Pan American that the denial of the exceptions requested for these ten wells results in a penalty being imposed upon Pan American for which , rightly or wrongly, under the practices in the area and pursuant to the understanding of all the operators and the purchasers in the area in an action solely within the control of the purchaser and not within the control of the operator. The effect is to penalize the operator in this case.

MR. UTZ: Any other statements? The case will be taken under advisement.



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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing was reported by me in Stenotype and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

DATED this 25th day of April, 1962, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley

NOTARY PUBLIC

My Commission Expires:

June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2589, heard by me on Apr. 25, 1962.

Thos. A. J. [Signature], Examiner
New Mexico Oil Conservation Commission

