

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
January 23, 1963

EXAMINER HEARING

----- )  
IN THE MATTER OF: )

Application of BCO, Inc. for a no-flare )  
exception, Rio Arriba County, New Mexico. )  
Applicant, in the above-styled cause, seeks )  
an exception to the no-flare provisions of ) Case 2738  
Order No. R-2267 for its Campos Well No. 1-10 )  
located in Unit J of Section 10, Township 23 )  
North, Range 7 West, Lybrook-Gallop Pool, Rio )  
Arriba County, New Mexico. )  
----- )

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: The hearing will come to order. Case 2738

MR. DURRETT: Application of BCO, Inc. for a no-flare  
exception, Rio Arriba County, New Mexico.

MR. BIGBEE: The applicant is ready. If I may proceed  
I would like to call Lewis Jameson as my first witness.

MR. UTZ: Will you have more than one witness, Mr.  
Bigbee?

MR. BIGBEE: I may have to testify myself.

(Witness sworn.)

MR. UTZ: Are there other appearances?

MR. SPERLING: Jim Sperling, appearing on behalf of

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Val R. Reese and Associates.

MR. BIRD: Harold Bird, appearing on behalf of applicant.

MR. UTZ: Are there other appearances? You may proceed Mr. Bigbee.

L E W I S C. J A M E S O N,

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

DIRECT EXAMINATION

BY MR. BIGBEE:

Q Will you state your name, please?

A Lewis C. Jameson.

Q What is your occupation?

A I am a geologist employed by Val R. Reese and Associates, in Albuquerque, New Mexico.

Q How long have you been so employed?

A Since the company was formed in 1957.

Q Are you the same Mr. Jameson that wrote a letter to the Oil Conservation Commission, dated December 18, 1962?

A Yes, I am.

Q Which had the general purpose of stating your objection in the event an exception to flare order should be applied for?

A Yes, that is correct.

Q Now, Mr. Jameson, I notice in that letter of December 18, 1962 that you state in part: "Our compression charges are based



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on a flat rate charge for hooking a well up, which covers installation of lines and metering facilities; a monthly rental charge of \$235.00 per well and two cents per MCF compression charge from two-stage compression; rental for a single stage", which I'll omit. Then, after referring to the single stage, you then continue: "In both cases rental charge drops after the wells have been connected 36 months."

A That's correct.

Q Where is there any contract or agreement providing for the dropping of the \$235.00 per month after a three-year period?

A A letter was sent to the participant, and in all the wells in which Val R. Reese and Associates, Inc. drilled in conjunction with the various individuals, explaining the revision of the compression charges as explained in that letter that you quote from.

Q Isn't it true that after that time an additional agreement was entered into by and between the Val R. Reese and Associates, Inc. and myself with the contemplation that it was for the best of BCO, Inc.?

A Yes.

Q Dated April 24th?

A There was an additional agreement.

Q Yes. And all this agreement said was to the affect that "Compression charges shall remain according to the present schedule", correct?

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A I'll take your word for the terminology used in the letter. The present schedule, my interpretation of that would be the present schedule being 36 months of charges and then a reversion to simply two cents per MCF in the case of two-stage compression.

Q Isn't it true that that agreement further provided that upon purchase, by myself, acting for BCO, and with a Bill of Sale going to BCO that BCO would compress from the Kinney Compressors wells that neither Harry L. Bigbee nor BCO had any interest in that is the Kinney-Love and Blakely.

A Our compressor on our Kinney Lease was sold to you with the provision that you would compress the gas from these wells, at your desire, since we could not afford to sell you the compressor at that price and still build the lines some, oh, two miles or so, to the west to where we had additional compressor facilities.

MR. BIGBEE: So there will be no question in the record, other than your interpretation, what these are, I will ask the reporter to mark for identification a letter dated April 24, 1962, and a second one of April 25th, 1962, as exhibits.

(Whereupon, Applicant's Exhibits Nos. 1 and 2 were marked for identification.)

Q I'll hand you what has been marked Exhibits 1 and 2 in this cause, and ask you if those are the two letter agreements we referred to relating to the charges on the 1-10 Campos Well as well as other matters?





A The letter marked for Exhibit Number 1 is a letter addressed to Mr. Harry Bigbee, signed by Val R. Reese, who was then president of our company, attested by the company secretary, at that time, Mr. James E. Sperling.

Q Who actually drew the instrument, had it presented for signature and mailed it to me?

A You say, who did?

Q He, Mr. Sperling did?

A Yes, I believe that's probably correct.

Q Isn't the second exhibit, 2, pertaining to the same matter and maybe in the nature of a clarification?

A Yes, this was your letter of April the 25th, clarifying several points which you had pertaining to the previous letter.

Q And the letters refer to the compression charges to the general affect that it will be the charges previously in effect, and also provide, generally, that BCO, using my name, will compress the gas from the Love, Kinney and Blakely, right?

A I don't remember the exact wording. However, I can say that was one of the stipulations, since we could not sell you any compressor and other facilities for \$20,000.00 and still buy the necessary pipe and build the line to where we had compressor facilities which we owned.

Q Now, under that language, that merely said, without time limitation that BCO, or myself, would compress from the Love, Kinney and Blakely. Your company has taken the position that since

Q And similarly, you had no contemplation, or if you did you didn't express it any differently as to time, as to the period

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no definite time schedule was stated that you could discontinue at any time you wanted to, isn't that correct?

A We made the agreement with you to compress this gas because we could not at that time, comply with the Commission's no-flare provision in this pool, which is, for the Commission's behalf, the Escrito-Gallup Oil Pool and not the Lybrook-Gallup Oil Pool before the Commission today. In order to comply with the no-flare provision and keep us from having to buy, at that time, the additional three-inch line that would be necessary to transport this gas down to our Kinney compressor... That Kinney compressor is located in 23 of 24, 7. We did agree that you should start compressing our gas at the same charge that we were making.

Q Now, would you please answer my question?

MR. BIGBEE: Would you read the question to him? Thank you for the explanation which I did not ask for, as to why you entered the agreement.

(Question read by the Reporter.)

A Well, I believe to answer your question --

Q I think you can answer it yes or no and then explain it if you wish.

A Yes. We had no intention whatsoever of entering into an agreement for compression of gas forever. No one can recommend for that matter how long the wells will even produce.

Q And similarly, you had no contemplation, or if you did you didn't express it any differently as to time, as to the period

of time in which the charges would remain in effect?

A Our --

Q Answer the question.

A -- letter of agreement should have gone into a great deal more detail to satisfy this question which you have. Our agreement to compress the gas for the various individuals was the same with you as with all the other individuals that we compress gas for, and we will stand by that agreement, and certainly expect to.

Q You stand by that agreement, but you will flagrantly violate and discontinue on the other, when the same language is used, when compressing through the Kinney compressor, right?

A Well, I don't agree that the interpretation of the letter of agreement which Mr. Sperling wrote means that the gas has to be compressed forever on those three wells.

Q By the same token, you would have to contend to be consistent that there was no agreement as to the charges, except subject to change at will? I hand you the letter, Paragraph 2, since neither the Kinney, Love or Blakely is the paragraph that calls for those three wells to be connected to the compressor, although not named by name, isn't that correct? It pertains to that compressor.

A Yes, that is correct.

Q So there's nothing that you can point to in this letter

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that shows that the compression charges were to remain in effect without change any different than the provision you have construed that would permit you to discontinue your three wells at will, and merely notify BCO, isn't that correct?

A This letter was not intended to be a catch-all agreement between our company and your organization on all of the wells. No, it is not all conclusive.

Q Will you now answer my question rather than your interpretation.

(Whereupon, question was read by the reporter.)

A That's right. It's not in the letter and it wasn't needed.

Q At this time the Val R. Reese Company is in no financial condition to assure what it can do 30 days or six months from now, isn't that correct?

A We do have bank notes that our production is dedicated to.

Q And those notes are in default?

A Yes.

Q And all of your income from the wells that BCO operates where the Reese Company has an interest varying from 30 to 40 percent together, were those, where it is a strict royalty interest, is assigned and sent directly to the First National Bank, Fort Worth, right?

A That is correct.

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MR. BIGBEE: I believe at this time I would move the introduction in evidence of Exhibits 1 and 2, with leave to withdraw the same and substitute verifax copies.

MR. UTZ: Is there any objection to the introduction of Exhibits 1 and 2?

MR. SPERLING: No.

MR. UTZ: They will be entered into the record in this case.

(Whereupon, Applicant's Exhibits 1 & 2 were admitted in evidence.)

Q (By Mr. Bigbee) Mr. Jameson, I'm going to hand you an exhibit that was apparently prepared for a different case, and ask you if you can identify what I have handed you and tell me who prepared it, whether you participated in the preparation?

A This is my Exhibit Number 2 of Case 2575, which was the application of Val R. Reese and Associates for field rules in the Lybrook-Gallup Oil Pool.

MR. BIGBEE: I ask that it be marked for identification as an exhibit in this cause.

(Whereupon, Applicant's Exhibit No. 3 was marked for identification.)

MR. BIGBEE: I move the introduction in evidence of Applicant's Exhibit Number 3.

MR. UTZ: Without objection it will be entered into the record.

(Whereupon, Applicant's Exhibit No. 3 was admitted in evidence.)



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Q Mr. Jameson, isn't it a fact by comparing the logs that you have compared here of three wells in the Lybrook-Gallup Pool, that is the 1-10 Campos, the 1-9 Benn and the 2-4 Campos, that by far the best log of those three is the 1-10 Campos?

A I don't believe that the evaluation of the logging industry has evolved to the point where you can look at one log and say that that is the best. I believe that other things come into consideration, for instance sonic logs, and these are induction electrical logs. The induction curve is influenced by various factors, and you cannot look at two log tracings such as these, and make the estimate that you are requesting.

Q Isn't it a fact that you and your company made representations that you could, and induced me to invest about \$800,000.00 in drilling of wells, based upon interpretations you made of these logs, which were the logs your company obtained, as being the type of logs that should have been obtained in connection with the drilling?

A Let me assure you that we were not using simply one tool of the industry. We were using everything at the geologist's command.

Q Haven't you, yourself, and in the presence of Mr. Reese numerous times represented to me that the showings on these logs and the experience that you had demonstrated, the reasonable conclusions which you then proceeded to set forth could be obtained?

A Possibly I can help you by saying that the 1-10 Campos log does show to be a good log, and in saying that I'm not using simply this exhibit before me. I'm using other tools that geologists command.

Q Haven't you represented to me that it was the best log in the area, including the Vandenburg, which is not on this exhibit?

A It is a better log, and it is probably a slightly better well than the Vandenburg. It produces a little more gas than the Vandenburg and I believe it probably produces more oil than the Vandenburg.

Q Isn't it a fact that your company had all four of these wells drilled under your supervision, you, in the sole discretion, hiring the contractors, the logging, the completion methods of both the two Campos Wells, the Benn Well and the Vandenburg Well?

A Yes, the wells were drilled under the supervision of Val R. Reese and Associates, Inc., not just my supervision. The drilling contracts were let and the wells were completed while Val R. Reese and Associates was operating the wells.

Q Isn't it a fact that the highest production obtained from the Vandenburg Well was in April, 1960, of some 1,476 barrels. To assist you in your recollection, I'll hand you a report that your company charged me for the preparation .

A Let me contradict you. You were not charged for this report. This report was prepared at the sole expense of Val R.

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Reese and Associates, Inc. stockholders, not well participants, and was for the sale of Val R. Reese and Associates properties to outside interests.

Q I think that company is for sale right now, isn't it?

A The properties are, yes, sir.

Q Yes, and is it your position that if you sell these properties the purchaser must undertake the obligation to compress the gas at 1-10 Campos as long as I wanted it connected, at the price you stated to the Oil Commission, and that you cannot sell it except burdened by that obligation?

A I believe that would be for other than me to say.

Q You know, in the preparation of the exhibit for the sale you didn't mention any such commitment, although it could have been prepared before.

A This brochure was prepared at that time when not just the Val R. Reese and Associates properties were to be looked at by a prospective purchaser, but the individual well participants also.

Q Yes. Now look at April, 1960 and tell me, if from reviewing the history of production, down through the year '62, if the highest production ever obtained was 1,476 barrels.

A Yes, that's correct.

MR. BIGBEE: I might mark this exhibit for identification here.

(Whereupon, Applicant's Exhibit No. 4 was marked for identification.)

Q I will hand you what has been marked Applicant's Exhibit Number 4 and ask you to examine the column of oil production from the 1-11 Vandenburg. Tell me if the figures there are not exactly as taken from your record?

A I didn't look at each individual number, but --

Q Will you accept them as substantially correct?

A Yes, I accept them. You have added 1962 to these figures, and I am sure you got this information from information that we had furnished to you.

Q Yes.

A And I am sure it's valid information.

Q The same is true on all the other wells in production there. Will you check it so I won't have to put on another witness?

A It would be rather difficult to check all the figures. However, if you got it from the information we furnished you, I'm sure it would be correct.

Q The testimony will be, if I have to put on a separate witness rather than taking you through your own records, that this was all taken from your records, and also those of BCO - Form --What's the number?

A The C-115 that's filed with the Commission monthly.

Q And a copy furnished to you?

A Yes, that's correct.

Q It does not include the last months, of November and

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December, on your wells, which I believe you have since furnished by telephone to BCO?

A Yes, that is correct.

MR. BIGBEE: I move the introduction in evidence of Applicant's Exhibit Number 4.

MR. UTZ: Without objection it will be entered into the record.

(Whereupon, Applicant's Exhibit No. 4 was admitted in evidence.)

MR. BIGBEE: I will hand one to the Commission and one to the witness.

Q (By Mr. Bigbee) Mr. Jameson, sort of summarizing the 1960 production of the Vandenburg, we find that it hit a high of 1,476 during its third full month of production?

A Yes.

Q And then it held about the same the next month and by the end of the year was down to about a thousand barrels and continued at about a thousand barrels through July of '61?

A Yes, that's correct.

Q And then it dropped generally in the eight and nine hundred bracket, and continued on the low side of that, of some 700 barrels to the present time.

A Yes, that is correct.

Q Let's look at the 1-10 Campos Well. Its high production was 2,708 barrels, nearly twice as much as the Vandenburg Well,

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correct?

A Yes.

Q And then it held 2,000 the month after that, and varied between 1,180 and some 1,600 barrels through November, '61.

A Yes, most of the fluctuation is due to various down times.

Q I'll see what it's due to. Now, in November of 1961 the production from the 1-10 Campos dropped from 1,207 barrels to 520, didn't it?

A Yes.

Q Having questioned about this, you can check your other records. That was just by coincidence the same month that you connected it to the same compressor gas line that you connected up the Benn Well, too, isn't it?

A Yes, that's probably correct.

Q Right here (indicating).

A Here's the Benn Gas.

Q During that month you connected, about the 7th or 9th of the month, I believe your records show, the Benn Well to your Vandenburg compressor and compressed and sold some 13,754 MCF, and likewise connected the Campos 2-4 Well and compressed and sold some 2,676 MCF, right?

A Yes, that is correct.

Q And the production of the 1-10 Campos goes to 520 barrels, less than 50 percent, doesn't it?

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A Yes, it does that. The days produced show to be 29. However, I do not have any information showing me that those are full producing days, nor do I have any information before me showing the condition of the well. It could have easily been that the pump was cut out; it could be that there was a paraffin accumulation; there could be numerous things.

Q You reported to myself, as an investor, when you were an operator that it operated 29 full days. Will you please refer to your records?

A You have it included on your exhibit here, and I'm sure that that is right. They don't necessarily mean 24 hours.

Q All right, but according to your records the month before it operated 31 days, two days more and produced 1,207 barrels.

A Yes, that is correct.

Q Now, let's see what happened to our 2-4 Campos when you connected it. Did the production go from 645 barrels down to 514 barrels the very first month you connected it to your Vandenburg compressor?

A The months that you are referring to in October of '61, the production was 645 barrels, and in November, 514; however, I would like to point out that the same number of days, let me check. No, I'm in error, the production in September from the 2-4 Campos was only 424 barrels, however it produced 23 days that month.

Q I have your records here where you represented to me the number of days, which is all we've got.

A Yes.

Q So, in other words, the very lowest production, based upon the number of days that had been obtained on the 2-4 Campos arose the very first month that you put it on your compressors?

A Before I would be satisfied that that wasn't a mere coincidence, I would check the pressures that were being held against this well in the previous month this well was, the gas from this well was being compressed. We did not have our compressor located in Section 11 of 23, 7 at that time, and the gas was being transmitted through a two-inch line, and a three-inch line, to Section 32 of 24, 7. The pressure against the well prior to installing the Vandenburg was probably in excess of the pressure against the well after connection of the 1-9 Benn Well.

Q You are referring to the 2-4 Campos?

A I'm referring to the 1-10 Campos.

Q I was asking you about the 2-4 Campos. Are you telling me that you compressed gas from the 2-4 Campos prior to November, 1961 and didn't report it to this Commission or to me?

A I'm sorry, I was talking about the 1-10 Campos.

Q We find that 2-4 just happened to drop, by coincidence that you don't understand, the first month it was connected to your compressor, didn't it?

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A Yes, it did. The 2-4 is in an entirely situation, as I explained to the Commission in the Case 2575, I believe it was, where the field rules for the Lybrook-Gallup were proposed. The 2-4 is in a more remote location from the compressor facilities, and it is, or at the time it was connected was approximately a mile further from the compressor than the 1-9 Benn Well and the 1-9 Benn Well came into the same line.

Q Now, I would like to help you a little bit on your suggestion as to why these drastic drops occurred. Isn't it true that an oil well such as we are talking about, and what you are familiar with, when it first encounters a pressure requires quite a time to build up, and then after it builds up against that pressure, the production will increase. And look at both the next months, to see if that isn't exactly what happened. Looking at the month of December, the 1-10 Campos goes back to 868, still 350 barrels below what it was; and the 2-4 Campos, after pressuring up against this line, comes back to 601 barrels, just a little under what it had been doing?

A Yes, that is true. There is one day more production shown on the 1-10 Campos, and two days additional production shown on the 2-4 Campos.

Q Let's just trace those wells and see what happened. In the month of January you produced in the Benn Well and sold some 27,000 MCF, using round figures.

A Yes.

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Q This is merely sold, in addition there would be some gas flared and some deducted for compressor use?

A Yes, that is true.

Q Yes. That's true of all the gas shown on this exhibit?

A Yes.

Q Once again we find, after a temporary spurt against this pressure in January, in January the production is again half of what it was in October in the 1-10, and the 2-4 is down to some 473 barrels in a 31 day month, for both.

A You say it's a 31 day month for both?

Q 31 for the 1-10 --

A 31 for the 1-10 and 24 for 2-4.

Q Now, the next month there was some 28,000 MCF on the Benn and we get just a little bit of increase on the 1-10, up to 722 barrels, still some 500 under what it did when you connected, and the 2-4 Campos dropped down to 411. Correct?

A Yes, that is correct.

Q Now, the 2-4 Campos at this time has lost some 25 percent from its high production of a little over some 666 barrels, hasn't it?

A Yes. That's in the space of what, about six months? I believe that the production information throughout Escrito will show the same type drop, and there has been an abrupt drop such as you show in your 1-10 Campos production, experienced in every well in the Escrito Pool. I refer to the Escrito Pool because we

do have more history on it, and it is the pool which we expect will eventually be in some communication with this pool.

Q So, at this time you were being paid, receiving a fee for operating this well, weren't you?

A Yes.

Q Based upon your best knowledge, at this time, it dropped down to 411 barrels by March, 2-4 Campos, just normal reduction that one would expect from this type of Gallup formation?

A Partly. I will be the first to say that if you release any pressure that you are holding against any oil well, the production will increase. You did discontinue this well after you took over the operations, and it did increase its oil production, and it has continued to hold that increase more than I would probably have expected it to. However, I do not think that is a basis for the granting of a flare exception, an exception to a no-flare order on a pool in the State of New Mexico.

Q That's for the Commission to decide. And you anticipated where I was going; and in your anticipatory answer I believe you implied the reduction in the 2-4 Campos from November, '61 consistent through March of '62 was due to pressure, at least to a large extent?

A A portion of the drop was, yes, when that pressure was released and the gas was vented to the atmosphere the well again produced the 644 barrels, which is about what it had been doing initially. The only way to account for that is that it is drain-

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ing a rather large area, because one year later there is not another well in the Escrito-Gallup or Lybrook-Gallup that has such a production characteristic.

Q Actually, your 1-11 Vandenburg, which is the only one in this area, shows a quite similar production curve, doesn't it, and decline curve?

A Well, I would say that that's a little different situation in that the Vandenburg was the discovery well. I say it was the discovery well, actually it's not considered by the Commission as being the dsiccovery well. It was the discovery well of the Reese and Associates portion of the pool. At that time there was no other drainage over a several mile radius to influence it, and its productive curve is, as I would expect, on an isolated well in an area such as the Lybrook Pool.

Q But let's see if there isn't one other factor, Val R. Reese Company installed the Vandenburg compressor, didn't it?

A Yes, it was installed after that discussion with you and your agreement that we should try to conserve the gas in the area.

Q Yes, but there was no discussion as to where your engineering, which was left entirely to you, for the best interest of the Vandenburg and the two Campos wells should be located, was there?

A It wasn't up to the Val R. Reese and Associates engineering, it was a simple matter of the purchaser having a point to



which gas had to be delivered. The normal procedure is to put your compressor fairly close to the delivery point to the purchaser.

Q Now, this 1-10 Campos is just a short distance behind Lybrook, I know.

A That's true.

Q And the Southern Union Gas line runs in front of Lybrook Inn on the other side of the highway a very short distance, doesn't it?

A That's true. I will present an exhibit to show the compressor gathering system.

Q So for those reasons, you found it best to put your compressor right next to the Vandenburg where it wouldn't have to combat any line pressure from other wells, didn't you?

A Yes, sir. And then continued to transport the Vandenburg gas some five miles to the north, because we didn't have enough capacity to handle it in that location.

A So your Vandenburg has been allowed to produce by virtue of the fact that you found that the most convenient place to put a compressor without any line back pressure, hasn't it?

A Since we had enough capacity in our Vandenburg compressor to compress all of the gas in the area, the Vandenburg gas has been compressed at the Vandenburg compressor. Prior to that time it had just more pressure against it for a much longer period of time than, for instance, your 2-4 Campos Well.

Q ~~You just collected money from me and never connected the~~

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2-4 Campos, isn't that right, for about six months?

A No, sir, that is certainly incorrect.

Q I think the checks will so speak.

A Excuse me. I would like to clarify that point. When we installed this compressor facility the wells which were to compress through the compressor facility were initially to own their portion of the entire facilities. In other words, if a cost of \$10,000.00 had occurred, it was divided amongst the number of wells that were connected to that facility. This was assessed against the wells for a period of several months. It became evident that it was not a good method of handling compressor systems, so we revised our compressor charges to a method suggested by the accounting firm of Peat, Marwick and Mitchell in Albuquerque, whereby all charges would be expense items and the compressor charge would be a monthly rental fee which would drop after 36 months, and a two cent per MCF charge was, for two-stage compression, to cover the cost of maintaining the compressor facilities, buying necessary oil filters and anti-freeze. The charges which you are referring to were refunded to you. I have the amount and the date.

Q I can get it approximately.

A And at that time the compression charges were completely revised so that there was no charge, regardless of how much money we spent during that particular month for any month during which compression was not made on any of the wells.

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Q Isn't it a fact there was never an agreement, Val R. Reese and Associates just sent a notice and said this is what it is?

A Yes, that's true.

Q And you came up to the office with Mr. Reese and I complained and wrote letters, and you said, "That's still the way it's going to be?"

A We offered you the rather intriguing challenge to come up with a better proposal.

MR. SPERLING: Mr. Examiner, I hate to interrupt Mr. Bigbee, but I would suggest this is not the proper form for a dispute between operators and owner. I understood the call of the hearing to be a consideration for an exception to the flare.

MR. BIGBEE: They have injected the question that they want this revenue for the Vandenburg compressor, and I would like to show the only reason for their objection is to try to take all the gas revenue and hold back the oil production.

MR. UTZ: Mr. Bigbee, while it's true that Mr. Jameson did raise the question of rentals and so forth in his objection to your no-flare request, the call of the case is for a no-flare order on your 1-10 Campos.

MR. BIGBEE: With that ruling their protest of the ruling would be disregarded. I don't care to question on that matter. I assumed they had put it in their letter on the pressure rentals, and were injecting that as a base notwithstanding the

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oil. As long as it will not be considered a base and be under understood, I won't need to cross examine.

MR. UTZ: I would appreciate it if you would confine your cross examination to the no-flare order.

MR. BIGBEE: All right.

Q (By Mr. Bigbee) Let's look at the no-flare order on the Vandenburg Well and compare it to October '61, and compare it to ten months later, which is the last figure you had presented us at the preparation of this exhibit. It appears that the Vandenburg Well had decreased about 20 percent.

A This was from October, 1961 when the production was 5,389 MCF.

Q No, I mean the oil production, 925 barrels.

A Excuse me. Yes, that would be correct.

Q Down to 737?

A Yes.

Q Now, during the same time the Campos 1-10, which doesn't happen to be located where there's no line pressure for compression, reduced its production from October, '61, of 1,207 to 626 barrels in October, '62, or about 50%, didn't it?

A Yes, that is correct, and again I would like to point out that in October of 1961, the Vandenburg Well was being compressed, gas from the Vandenburg Well was being compressed at the Sperling compressor approximately five miles to the north. There was approximately two miles of two-inch line and approxi-

mately three miles of three-inch line.

Q But your October production was within 23 barrels of the high production you had had for six months?

A Yes, we were producing against a restricted pressure.

Q That's right. So the representative month of October, 588 is just about the average of what you had been doing during that period?

A I didn't follow you there, Mr. Bigbee.

Q Excuse me, I have the wrong column. I'm sorry, too. The representative period, of 731 barrels, of October '62 was just pretty close to the average of what it had been for the last several months.

MR. UTZ: That's the September figure that you quoted.

MR. BIGBEE: Yes, it should be, October, 737.

MR. UTZ: 737?

MR. BIGBEE: Yes.

A Yes, that is correct.

Q (By Mr. Bigbee) And during many of those preceding months it had no back pressure at all, being gas compressed right through the Vandenburg compressor situated right there.

A I believe I have that in my records if it's needed. When the change was made in our compressor system, the United States Geological Survey was notified. The revised plats were sent to them, and there was quite a lot of correspondence about it, so we can get the date if it will help matters any.

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Q I want you to answer this question for the Commission.

Taking the 1-10 Campos even through December of '62, which is shown here being a little higher than the month before, and a little less than the month before that, still being about 50 percent of what it was in October, if it isn't a fact that one of the primary reasons that there was a 50 percent decline in the 1-10 Campos against only a 20 percent decline in the 1-11 Vandenburg is on account of the pressure differential between those wells and is further shown by the fact that you have a 50 percent increase in the 2-4 Campos production as soon as you take it off the same line?

A Again let me say that there was much more pressure against the 2-4 Campos than has ever been against the 1-10 Campos. There was an increase in the 2-4 Campos when its restriction was removed. By restriction I mean the extra pressure of the gas line. However, I would like to point out to the Commission, since Mr. Bigbee has brought up the financial position of Val R. Reese and Associates, Inc., that Val R. Reese and Associates, Inc. owns 40 percent interest in the 1-10 Campos Well and six percent interest in the 1-11 Vandenburg Well, and if we were so involved in making the various shufflings that Mr. Bigbee is indicating, I assure you that it would have to have gone the other way for our financial position.

Q Now, let's look at July, just on the Benn and 1-10; the Benn, gas, the 1-10, oil.

MR. UTZ: July of which year?

MR. BIGBEE: 1962.

Q (By Mr. Bigbee) At that time there were 23,000 MCF marketed through the Benn, correct?

A Yes.

Q And at that time the production on the 1-10 is 696 barrels?

A Yes.

Q The next month the gas on the Benn drops and the oil in the 1-10 Campos goes up, right?

A Yes. Again, you don't know the exact number of hours that either were produced in either month. Your reports are not accurate except to within a day. And neither do you know how much time the Benn Well was shut in, due to the compressor being dead. In other words, for the Commission's benefit, at any time when the compressor is down for long enough for us to run to the Benn and turn it off it's done, since we have no desire to flare gas from the Benn. However, the oil wells would continue producing until such time as the compressor went back in operation after being serviced, or repaired, whatever the case might be. In other words, Mr. Bigbee, I don't think that the slight increase shown, which you refer to, is significant, nor do I think the following month from those --

Q Would you please not anticipate my questions. I'm going to take you through the months. Isn't it a fact, in

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September when the gas from the Benn Well again goes up, there's a substantial decrease in the Campos Well?

A The oil production does show as being increased.

Q And without asking you in detail, your answer would be generally, you don't know if that was the reason, or part of it, or whether it was something else, isn't that correct?

A Well, in September the Benn production increased 18,000 the previous month to 21,000. The oil dropped from 729 barrels on the Campos in August to 523. However, there were three days during the month of September, in other words, there were 27 days during which the 1-10 Campos put some oil into the tanks. You do not know whether they were full days or not.

Q Actually, to show what you are doing is killing off the 1-10 Campos deliberately for your own purpose of taking revenue that the banks don't take. The October gas and the August gas from the 1-10 is about right. By that time, even under the same pressure you have a hundred barrel drop.

A To first contradict your insinuation, we have sent the bank money in excess of production out of monthly income not obtained from the compressor system.

Q I gather, without taking you through these figures, it's your general testimony that you are trying to establish that in your opinion, notwithstanding the production history, that the production from the 1-10 is not appreciably effected so far as oil is concerned, by being on your compressor line?

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A I'm sure that it is effected to some extent by your removing the 2-4 Campos from the line, as I stated before, you did have some increase. However, so is our Love Well over in the Escrito being restricted by the Commission's no-flare order. However, I do not expect to ask for a flare order on the Love Well; neither do I expect to ask for a flare order from the 1-10 Campos well, which is producing the largest gas volume of any oil well in the Lybrook-Gallup Pool.

Q The reason for that on your Love is that your company takes every penny of gas that goes through its compressor, and it wouldn't save a dime in maintenance or capital expense if you obtained a flare order, isn't that right?

A No. The Love Well is compressed through a single stage compressor and the compression charges are rather low. It's \$95.00 per month, as pointed out in my letter to the Commission, for the rental and one cent per MCF for the maintenance on the compressor, and is much lower than, for instance, Standard of Texas is compressing gas from the 426 Well located in Section 26 of 24 North, 7 West, in which the company owns a 50 percent working interest, which is undedicated to the bank which you referred to.

Q Isn't it a fact, that based upon your experience, if this Commission would even allow the 1-10 to be opened for 30 days to determine the effect on the production, that you would expect that production to go, in a 30-day period, to the eight

to nine hundred barrel range?

A No, sir, that certainly is not correct. For instance, ten days during the month of December was all that the 1-9 Benn Well produced, and this is rather significant because your well produced only a slight increase during the month of December, and, in fact, was less than the previous production in October, and I believe that your increase in December was due to your hot-oiling of the well, which removed all the paraffin; and I understand you are continuing to hot-oil twice a month to keep that paraffin out. This was not being done in previous production. In other words, I do not believe that during the 20 days that the Benn Well was off production you had any increase.

Q Well, I'd just like to know this, Since you are one of those that induced me to put a million dollars, more or less, out here, told me what the wells would do and gave me numerous projections that they didn't meet within 50 percent of it, would you put your position on the line and consent to a 30-day test and see what the well would do, and let's see what kind of expert you are?

A Mr. Bigbee, such a test is ridiculous, since when you reduce the pressure, which, for the Commission's benefit again, is 80 pounds against Mr. Bigbee's well, when you do not produce the Benn Well for 20 days and do not get an increase, such a test is completely uncalled for, and I do not think any operator would request such a test.

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Q Just a second. You said 80 pounds; isn't it a fact, like in December, your compressor wasn't running a lot of the time?

A I have got --

Q Well, isn't it a fact, without giving me the date?

A Yes, it's a fact. We had line freeze, like everybody else, including El Paso and Southern Union.

Q Isn't it a fact when you have your compressor down that the pressures go up substantially in the line because you have no way of venting them at the well, and when it's down and not frozen your minimum pressure is 150 pounds?

A I have before me the gas chart for December 14th through 18th; on the second day the static seems to have been reading about four, which squared is 16, add a zero, 160 divided by two is 80 pounds.

Q Then have you looked at the metering devices at the well that show that the pressure never goes below 110 pounds, and between then and 150?

A Mr. Bigbee, the metering devices at the well do not show that. I have got them with me here. Your explanation on that is completely in error.

Q Then your testimony is that there's only 80 pounds pressure; taking it off would not effect production substantially, would it?

A That's true. I believe that's already shown in December.

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Q And therefore, a 30-day test, if it did go up to some 800 barrels would show that your testimony was completely in error, wouldn't it?

A Not necessarily. If you reduce to atmospheric, it will have a surge of production, and we incurred just such a thing in the Love, which I previously referred to as a good example where the line pressure was reduced from 140 pounds to 70 pounds by the changing of compressor systems, and for one month the production nearly doubled. However, it didn't maintain that level.

Q If you made that test 60 days then and the production was still above 800 barrels at the end of 60 days, making a somewhat comparable affect to what was supported by the Campos well over a long period of months, then that would show that your testimony was in error, wouldn't it, on the longer test required?

A Yes, it could conceivably. However, I don't believe that the prime consideration before the Commission here today is how much oil you can make out of your well. Instead, it's to prevent waste and protect correlative rights of the various operators in the field.

Q Isn't it just as important to protect the waste against oil as against the gas, and if the method of operating is being conducted that will cause waste, make the well marginal you leave a lot of oil neglected too, wouldn't it?

A That's certainly true. However, the 1-10 Campos Well

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is far from marginal As I said before, it's the second largest gas producer, and the largest oil well, the largest gas producer for the oil wells in the pool.

Q Now, actually you know that if it was taken off of this pressure it would be the largest oil well in the pool, too, don't you?

A I don't doubt that it already is.

Q Although you just happened to be getting between seven and eight hundred barrels from the Vandenburg, which isn't as good a well, and has been produced over a year longer, as compared to some five to maybe six to seven hundred barrels on the 1-10, which is a better well, is that right?

A Yes, sir, and I have seen your pump dead numerous times when I was running it.

Q I have seen all of yours, too.

A I'm sure you have.

Q And I have seen them when you were running them, too, as well as every other well in the field. That will be all.

MR. UTZ: Any other questions of the witness? The witness may be excused.

(Witness excused.)

MR. SPERLING: I will call Mr. Jameson after Mr. Bigbee has finished his case.

MR. UTZ: Do you have another witness?

MR. BIGBEE: It is not necessary. He identified his

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his records. I believe I moved for introduction of the exhibit which I put in front of you, which I believe is Exhibit 4. If I didn't may the record show that it's in the second time, or at least in.

MR. UTZ: I believe it was admitted, however Exhibit 4 will be admitted.

(Whereupon Val R. Reese & Associates, Exhibits A, B & C were marked for identification.)

MR. DURRETT: Let the record show that Mr. Sperling has called Mr. Jameson as his witness, and that Mr. Jameson is still under oath.

MR. UTZ: I would also like to advise attorneys for both parties that we'll have to close this hearing at almost five o'clock.

MR. SPERLING: If it's the Examiner's suggestion that in view of the shortness of time, we may as well postpone my examination of this witness until tomorrow.

MR. UTZ: Unless you wish to put on your direct.

MR. SPERLING: We will offer the exhibits marked A, B and C.

MR. UTZ: Exhibits A, B and C, Val Reese and Associates, in this case will be admitted to the record.

(Whereupon Val R. Reese & Associates Exhibits A, B and C were admitted in evidence.)

MR. MCGRATH: P. T. McGrath... We are not going to permit

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this gas to be flared, regardless of what you decide. This is a Federal lease and there's too much gas abandoned when you, if you vent this to the air the atmospheric pressure reduces the solution and you are going to lose oil. So, if they can make some agreement to produce the well and sell the gas with no other pressure, other than what the compressor will take, we will go along with it, but we are not going to permit it, as far as I am concerned. Now they have a right of appeal.

MR. BIGBEE: If that's correct, Your Honor, I will withdraw my application. I'm not going to appeal from Mr. McGrath, and I will purchase a compressor; and I am not going to stay on their compressor, that's for sure, for one thing.

MR. SPERLING: Fine.

MR. BIGBEE: If Mr. McGrath feels that is the way it's going to be --

MR. UTZ: You would feel that way, even for a 30-day period?

MR. MCGRATH: Yes, don't you?

MR. UTZ: Well, I don't know.

MR. BIGBEE: Will you go along with a 30-day test and see what it was?

MR. MCGRATH: We want you to sell the gas, can't you do that with the compressor?

MR. BIGBEE: Not the way they run it.

MR. MCGRATH: If you come out there --

MR. SPERLING: On the basis of Mr. McGrath's suggestion and direction, I don't think that it is necessary that we present any testimony.

MR. BIGBEE: We'll say this, I think Mr. McGrath may be overlooking that we have, I believe, a heated pressure separator here; that we never run it at under 35 pounds proper running of the well.

MR. MCGRATH: The only thing I object to, even 35 pounds your gas-oil ratio will increase.

MR. BIGBEE: We can run that at the pressure --

MR. MCGRATH: So you could sell the gas and not vent it. You can shut -- If it's necessary we will shut the Benn Well in and give you a chance to produce it, but sell your gas, and not pull your solution gas out of your oil.

MR. BIGBEE: The question that I want to find out, Mr. McGrath, is, if we may be a little informal, I want to know if this well is operated to obtain the maximum amount of oil and gas, I don't care when, and I don't think whether it's fast or slow, I don't care whether it's fast or slow, but I want to know whether it's being operated as it should, and I don't think it is.

MR. MCGRATH: You are the operator.

MR. BIGBEE: Because you have got us tied into an unfeasible condition and are forcing it down our throat.

MR. JAMESON: I believe my testimony shows only 80 pounds of pressure against your line.



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MR. MCGRATH: Another thing I don't question is, you don't question you took the 2-4 off, you didn't discuss or tell us anything about it. We granted Val Reese and Associates permission to sell this gas to comingle it, and you just take it off and you put a compressor at the 2-4 and then you can eliminate a lot of this, because you can compress the gas, and then the other compressor, put a single stage pressure there.

MR. JAMESON: The pressure against the 2-4, when it was connected was about 280 pounds, but it would certainly go through a single stage compression and then to the compressor.

MR. MCGRATH: Then you can sell the gas from the 2-4.

MR. BIGBEE: But that is going to build up pressure on the 1-10 which is on the same line.

MR. MCGRATH: It will give your end up pressure on the other compressor at a higher pressure.

MR. BIGBEE: But if you use a single phase compressor at the 2-4, that's going to put a pressure beyond the single phase on the Benn and 1-10.

MR. MCGRATH: I don't want to lengthen this hearing. I just want to make this suggestion, if it will shorten it any.

MR. UTZ: Of course, the balance of the hearing is up to you, however I don't think you have made any formal proposal as to what your intentions are, after a 30-day period.

MR. BIGBEE: Here is what my intentions were. My intentions were to try to operate this well under different condi-

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tions, and see what it will do; that if I could see that it would operate properly at particular pressures and produce more, that I intend to, as I advised the Commission, purchase, and we have already gotten a proposal on a compressor that will work, and install a compressor to compress both the gas of the 1-10 Campos and the 2-4 Campos, as we mentioned when we filed this application. Now, our question is whether we should stay on this compressor basis or whether, in order to properly operate, we have to obtain a second compressor and put both of these wells on it, which I don't like the 2-4 flaring any more than Mr. McGrath does.

MR. MCGRATH: I didn't know it until today.

MR. BIGBEE: I thought you did. I'm sorry, I thought it had been mentioned to you. And that's as I told the Commission, and their compressor is so that we can't handle the 2-4. We feel like we should be able to compress it. We don't know what the well would do under proper circumstances, and we believe that production history shows that the production is being hurt, over and above what it would be if you had a compressor set up like they do at their Vandenburg Well. Now, that is what we're up against, and basically it is, to a large extent, in applying for this flare order, as we mentioned at the time, was to find out if the additional investment of a second compressor was essential to properly operate the two wells. That is our problem. We think that they're hurting our well with their compressor.

MR. UTZ: If you install your own compressor then you



would pick up the gas from the 2-4?

MR. BIGBEE: Yes, we certainly would.

MR. UTZ: Would that have any bearing on your decision in the matter?

MR. MCGRATH: I don't think that 30 days is going to prove anything. It's going to take longer than that, and there's going to be too much gas wasted, and it is waste.

MR. BIGBEE: But isn't there oil wasted when it's held back like this?

MR. MCGRATH: No, sir. That oil is there, and it's recoverable, though it takes a little bit longer, and also --

MR. BIGBEE: The history of the Gallup field is that once you start losing your basic pressure that's being pulled out by the 1-10, Benn and the Vandemburgh, on both sides, that all of a sudden your primary production is sort of shot. In other words you could drill a well in two years where the 1-10 is and never obtain very much production without secondary methods. That is the problem, that is your problem, you are draining the pressure by the Benn Well.

MR. MCGRATH: Our primary job is conservation of our natural resources, and to me you are not doing this, and also you are going to reduce your solution gas because you'll let more gas out of there.

MR. BIGBEE: That depends on the pressure you hold on the wellhead. And that we are in a position to do, as you know, from

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our equipment to hold it at any pressure you suggest, or is agreeable to you.

MR. MCGRATH: All right, then why not just put it through their compressor and sell it?

MR. BIGBEE: Because they have a completely different type of pressure than what they're going to testify to.

MR. JAMESON: Mr. Bigbee, the gas is metered and the meters are calibrated, and you can read pressures from the meters.

MR. BIGBEE: All I know about your meters, they haven't worked for the last ten days at all and we have been putting gas in there, and if Mr. McGrath was out there he would see that the 1-10 meter was not working, had not worked for quite a number of days; you are taking all our gas and not metering it and not obtaining a meter, and all you need is a quart of menthenol in it to make it work.

MR. JAMESON: You are putting ten gallons of menthenol in the line?

MR. BIGBEE: Not in the line, in the meter.

MR. JAMESON: You are not supposed to.

MR. BIGBEE: You had a frozen up meter taking up --

MR. MCGRATH: The differential pin was working? You didn't check the static?

MR. JAMESON: There has been a freeze and the differential pin, for a period of time was frozen and off scale. During that time the integrator from Squire in Dallas will give average

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flow to the well, the same as we hope to get on our 1-30 Sperling which has been frozen for a long period of time.

MR. UTZ: Mr. Bigbee, what is your desire?

MR. BIGBEE: Could I talk to Mr. McGrath a minute?

MR. MCGRATH: Off the record.

(Whereupon, an off the record discussion was held.)

MR. BIGBEE: Mr. McGrath, if I understand the short conversation, you would go along with testing this in order that plans can be made for the most economical method and best method, and proper method of producing, by shutting in the Benn Well for a period of time, and testing it by the Vandenburg compressor through that line with nothing else on that line. As I understand, the Vandenburg Well is now on that line, but it has a different inlet to where that would not effect any back pressure, and I believe that under the rules that they would not lose any revenue from their Benn Well by pressure.

MR. MCGRATH: They could make it up, they have a six month period to make that up if they lose allowable for a month. If the well will make it, it will make it up.

MR. UTZ: The allowable is in the Lybrook.

MR. BIGBEE: It's 160 acres.

MR. UTZ: You have six months balancing period in the Lybrook.

MR. BIGBEE: Your well is capable --

MR. JAMESON: The allowable is 127 MCF, it's not a 160,

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it's an odd-ball section.

MR. MCGRATH: That would be agreeable; that way we are not losing anything, no one is, and they're not jeopardizing the reservoir.

MR. BIGBEE: We would be willing to go along on that test and from that test we could determine whether the second compressor should be obtained. We'll cooperate with Mr. McGrath and Mr. Jameson in keeping accurate records of when the compressor is running and when it isn't.

MR. UTZ: This agreement is not up to me as an Examiner or the Commission as a Commission. This agreement is up to you people here, so that you can make up your mind whether you can continue with the hearing or not.

MR. BIGBEE: If there can be a test for a reasonable representative period of time with only the 1-10 Campos on it, I'll withdraw the application.

MR. SPERLING: We don't have any authority to stipulate that the Benn Well can be shut in.

MR. MCGRATH: We do.

MR. SPERLING: Well, I assume we can protect our allowable.

MR. MCGRATH: But you can make it up if it will make it at all.

MR. UTZ: You are aware of the rules on the Lybrook where you have six months balancing period on your GOR allowable?

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MR. JAMESON: We could probably make it up, however the well capacity has decreased. We were at the time these rules were put into effect, barely able to operate the well, due to freezing at the wellhead. We put a restricted choke on it at the surface and we were getting some freezing, and we were receiving the allowable, however that situation has decreased and it's not near as easy to exceed the allowable as it has been in the past. I do believe we could make the allowable up within a six-month period.

MR. UTZ: I might advise you that we are now in the process of balancing those pools, while I don't know for sure yet, it may be that your well is also overproduced.

MR. JAMESON: It may have been slightly overproduced, and I'm sure was, as of November, however, it was shut in, as I testified, 20 days during December and it should be back to about the line then.

MR. UTZ: What is your desire, Mr. Bigbee?

MR. BIGBEE: We'd leave the well on voluntarily for the month of January and February and begin the test in March. Mr. McGrath suggested a better test could be obtained in warmer weather is the reason I made that statement. Is that agreeable?

MR. JAMESON: Like we say, we don't really have the authority to say for the working interest people we'll shut the well in.

MR. BIGBEE: I move that the Commission order an appropriate

test and continue this hearing until additional information can be obtained, pursuant to a test to be prescribed by the Commission.

MR. DURRETT: Would you clarify that again?

MR. BIGBEE: What I, in effect, did was to make the motion that the Commission at this time continue the hearing, subject to it being called up at a later time to be designated by the Commission, and in that connection to have an order entered by the Commission requiring the appropriate testing of the well, in order that specific information on the issues can be produced, by virtue of a test to be ordered and prescribed by the Commission.

MR. DURRETT: It's an administrative order that you are requesting, Mr. Bigbee.

MR. BIGBEE: That's right.

MR. DURRETT: That can possibly be done, and if so, it wouldn't be done now. It would have to be upon application for an administrative order, and issued by the Secretary-Director. The Examiner, as such, could not issue that order right now, and it's not within the call of this hearing. We don't feel --

MR. BIGBEE: Is there objection to my motion?

MR. SPERLING: I don't think, as Mr. Durrett points out, it's not within the call of the hearing. You have people who would be entitled to be heard on such a matter.

MR. DURRETT: We could continue the case, if there's no objection to continuing the no-flare case, but the case has

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not been docketed and advertised, and actually there is no jurisdiction to enter any order for anybody to shut in any well. Now, if an application was made through administrative approval it can be handled through those channels.

MR. BIGBEE: What I'll do then is proceed with my hearing and try to work out the test, and we are going to obtain our own compressor.

MR. UTZ: The Examiner will rule that the case is dismissed as requested by the applicant. The hearing is adjourned.

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STATE OF NEW MEXICO )  
 ) ss  
COUNTY OF BERNALILLO )

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing 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.

IN WITNESS WHEREOF I have affixed my hand and notarial seal  
this 7th day of March, 1963.

Jela Searnley  
Notary Public - Court Reporter

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. 2738 heard by me on Jan. 23, 1963.

*[Signature]*, Examiner  
New Mexico Oil Conservation Commission