

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 26, 1963

EXAMINER HEARING

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

Application of Sinclair Oil & Gas Com-)
pany for an exception to Order No.)
R-1670, Lea County, New Mexico. Appli-)
cant, in the above-styled cause, seeks)
an order permitting its Barber Gas Unit)
Well No. 1, located in Unit E of Section)
8, Township 20 South, Range 37 East,)
Eumont Gas Pool, Lea County, New Mexico,)
to produce 600 MCF of gas per month in)
exception to the shut-in provisions of)
Rule 15(A) of Order No. R-1670, said gas)
to be utilized in the oil well gas-lift)
system on applicant's B. J. Barber Lease.)
-----)

Case 2845

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: We will call Case 2845.

MR. DURRETT: Application of Sinclair Oil & Gas Com-
pany for an exception to Order No. R-1670, Lea County, New Mexico.

MR. KELLY: We ask that the record show the same ap-
pearances as in Case 2844 and that the witness is already under
oath.

DOUGLAS W. CUNNINGHAM

called as a witness, having been previously duly sworn, testified

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as follows:

DIRECT EXAMINATION

BY MR. KELLY:

Q Would you state your name, please?

A Douglas W. Cunningham.

Q You are the same person that testified in Case 2844?

A Yes, sir.

Q Would you state what Sinclair seeks by this application?

A Sinclair is seeking an exception to Rule 15(A) of the general rules and regulations for prorating gas pools of Southeastern New Mexico to permit us to produce our Barber Gas Well No. 1 in order to allow us to use the gas produced therefrom to gas-lift our Bertha J. Barber Well No. 18. We're asking for an authority to produce approximately 600 MCF per month for gas-lift purposes.

(Whereupon, Applicant's Exhibit No. 1 was marked for identification.)

Q Would you go on to Exhibit No. 1 and show the Commission the location of the wells and the effect this would have when the well would be able to go back into production?

A Exhibit 1 is a plat of the general area, the location of our Barber Gas Unit and our Bertha J. Barber lease. The

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acreage in the approximate middle of the plat, which is colored red, which is 320 acres big, is our Barber Gas Unit. It's a non-standard gas unit in the Eumont Gas Pool. The dark outline in red which consists of 280 acres is our Bertha J. Barber lease, which has several wells producing from various reservoirs. The Barber Gas Unit Well No. 1 is actually shown as the gas well shown as Well No. 7.

This well originally was numbered 7 and has subsequently been renumbered No. 1 and reclassified in the Eumont Gas Pool. The B. J. Barber Well No. 18 that we're gas-lifting, or that we were gas-lifting with the gas from Barber Gas Unit No. 1 is located in Section 7 there, I believe, in the Unit G.

(Whereupon, Applicant's Exhibit No. 2 was marked for identification.)

A Now, Exhibit 2 is a calculation showing the present status of the Barber Gas Unit Well No. 1. Starting in June of 1962 we show a column of allowable and production and then the status of over or under production, and then a redistribution column. All the figures shown are in MCF, so looking down the columns there we can see that in May the Barber Gas Unit had an allowable of 9,214. But since it had been shut-in as a result of being six times overproduced during April, we had no production in May, that left a status at the end of May of 100,454 MCF of



overproduction. Then in June, 10,678, no production, in the status of 89,776.

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

Q Go on to Exhibit 3.

A Exhibit 3 is a rendition of the data return to production of the Barber Gas Unit Well No. 1, based on 1962 allowables for the applicable months, assuming that the well remains shut-in. So what I have done there is used the July, '62 allowable, the August, '62 allowable, and so forth, for the predictable allowables in '63, showing no production for the well, and going down the status, then, until in January you can see that the well would, at the end of January, be 6,055 MCF under-produced. Therefore, the well would be returned to production in February of 1964.

Q That's just based on the allowable figures from last year, month by month?

A Yes.

MR. NUTTER: This is assuming that the well remains shut-in completely?

A Yes, sir, no production whatsoever.

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



Q Exhibit 4 shows when it would be returned if the application were granted and 600 MCF were allowed?

A Right, based on the same 1962 allowables again, and utilizing 600 MCF per month as the production from the Barber Gas Unit Well No. 1, we can see that as of the end of January, 1964 the well would then be underproduced 1,855 MCF, so that then in February of 1964 the well would be returned to production, so whether or not the 600 MCF is granted like we are asking here, the well will be returned to production in the same month if these allowables are allowed in the ball park.

Q In addition to the fact that there would be no change in the date of production, would there be savings if this application were granted, as far as cost on your oil well?

A Yes. We got to gas-lift our Barber, B. J. Barber Well No. 18 one month, which was in April, and in May and June, we have to periodically swab the well. Now, the well will flow on its own if it's stimulated and agitated, and then flow for four or five days before it stops again. We put this gas-lift installation in at a cost of about \$4,000 as compared to a cost of a pumping unit which would cost between eight and ten thousand dollars. We're paying a swabbing cost of approximately \$500.00 per month.

So if we aren't allowed to produce this 600 MCF per day



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which we would use for gas-lifting the Barber 18, then we'll have to continue the swabbing or lift the equipment out and put in a pumping unit, one or the other. So that over the period in swabbing cost, the 7-month period that the well would be shut-in, we would save about \$3500 if we were allowed to produce this six per month.

Q You have already spent your \$4,000 for the gas-lift?

A Yes.

Q Just for the Commission's information, are you operator of this well?

A No. We have a gas contract with El Paso Natural Gas Company, and under the contract El Paso is allowed to produce the well. We probably weren't keeping up with their gas production as closely as we should have for installing this gas-lift information. However, we have been assured by El Paso that if we get the 600 MCF exception that we are seeking here, that they will never overproduce the wells so badly again that it will have to be shut-in completely. In other words, they will cooperate with us and not overproduce the wells that it will be shut-in for **another** seven-month period. It has in the past suffered an overproduction, but at that time we weren't utilizing any of the gas for gas-lift, so we didn't say very much about it.

Q In your opinion the granting of this application would



be in the best interest of efficient economic development in that it would save a considerable amount of money each month to get your top allowable well back into production, and also it would not affect the return date of production on your gas well?

A Yes, sir, that's right.

Q Were Exhibits 1 through 4 prepared by you or under your supervision?

A Yes, they were.

MR. KELLY: We move the introduction of Sinclair's Exhibits 1 through 4.

MR. NUTTER: Sinclair's Exhibits 1 through 4 will be admitted in evidence.

(Whereupon, Applicant's Exhibits 1 through 4 were offered and admitted in evidence.)

MR. KELLY: I have no further questions.

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

MR. UTZ: Yes, sir.

CROSS EXAMINATION

BY MR. UTZ:

Q Which well was it that was a gas-lift well?

A B. J. Barber No. 18.

Q Is that located in Gof 7 did you say?



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MR. NUTTER: H.

A I may be off in my unit designation.

Q I just can't see any 18 there.

A It's H, and it's directly east of Well No. 14. The figure 18 is not real plain.

MR. NUTTER: It's blurred.

Q (By Mr. Utz) Is there any other gas available in this area that could be used for gas-lift?

A Not to my knowledge, Mr. Utz.

Q Is this a Jalmat gas well?

A The No. 7, I mean the No. 1, the Barber Gas Unit?

Q Yes.

A It's Eumont.

Q Eumont gas well. There are other Eumont gas wells in this area, aren't there?

A I would say so.

Q Is this well shut-in for curtailment overproduction or six times overproduction?

A I believe under a real strict interpretation of that rule it would be shut-in both ways. It did carry overproduction into the period, and since it's shut-in now, it doesn't have a chance to make up the overproduction before the end of the proration period and it was six times overproduced in March.



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Q It certainly is six times overproduced?

A It was 8.8 times in March, as I recall.

Q I notice here in your status was minus 6,202 in June, 1962?

A Yes, sir.

Q If you had curtailment, wouldn't you have to have overproduction at that point and carried overproduction through the six-month's period ending December, 1962 in order to have curtailment?

A I'm not sure I understand your question.

Q Well, the rule states that when a well is shut-in for carrying overproduction through a six-month's period, that it is curtailment overproduction. Since you didn't have overproduction to carry through the last six-month's period in 1962, and I would doubt that you have curtailment shut-in and have it shut in the well completely until such overproduction is carried through, a six-month's period was completely made up. Can you tell me this, when did you receive this notice to shut-in?

A Not to shut-in?

Q Yes.

A It was during April.

Q You can rest assured it's a six times shut-in, in which case, referring to your Exhibit No. 3, assuming your allowables



are correct and the well would become less than six times in November, would it not?

A Yes, sir, but January of 1963 was a proration period under 15(A), was it not?

Q Yes.

A And we did carry 18,000 MCF of production over into January.

Q But you wouldn't be shut-in for curtailment of that until after June of this year?

A Well, as of July 1st we should have been either even or underproduced, should we not? The 18,000 will not have been made up during the proration period, would it?

Q Well, you should be in the future, but that future isn't here yet for your curtailment shut-in.

A But it would occur on July 1st, would it not?

Q That's true.

A So as of July 1st we have to be overproduced because we can't produce the well.

Q You would be shut-in at that time or curtailment?

A But the current shut-in is six times.

Q It is six times, that's what I wanted to clear up.

A Based on what we can see here, then in July we would get the other kind of shut-in.



Q It won't be July, it will be August, because we have to have June production. I believe that's all the questions I have.

BY MR. NUTTER:

Q This Bertha Barber Gas Unit comprises 280 acres of the Bertha Barber lease and 40 acres of a Pan American lease down there?

A Yes, sir.

Q How do you allocate the gas that comes from that unit and is used on the gas-lift as far as that 40-acre tract is concerned?

A The gas that's used in the 18 is measured directly off the Barber Gas Unit No. 1, and when it's sold it's allocated back to the Barber Gas Unit No. 1.

Q The same amount that was used for gas-lift is allocated back to the unit?

A Yes, sir.

Q So that takes care of Pan American?

A Yes, sir. They're given credit for the gas that we're using there.

MR. NUTTER: Any further questions of Mr. Cunningham?

MR. DURRETT: Yes, sir, I have a question or two.

BY MR. DURRETT:



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Q The first question I have is why do you want 600 MCF?

A Well, that has been the figure that the production people have given me as the figure that they would like to have. Now, in April when we gas-lifted the well, we didn't use that much.

Q How much did you use, that's what I'm interested to know?

A I believe that we used 163 MCF was all.

Q You don't think 600 might be asking for a little bit extra then?

A Well, it may be more than we need, but if we don't need that much we won't use that much.

MR. NUTTER: You are going to produce the amount that you need to gas-lift the well up to 600?

A Yes, sir. I guess it's possible that during the seven-month period it could get to where it required 600, personally I doubt it, but we're only going to produce the amount required to produce the top allowable out of Bertha Barber 18.

Q You don't propose to do anything else with this gas other than use it to lift this well with?

A No, sir, we sure don't. We are not going to sell it or anything.

Q Referring to your Exhibits 3 and 4 concerning when the



well would be returned to production, my question now is going to the protection of correlative rights. Considering this question in view of the protection of correlative rights, as a matter of fact, a month after the well is returned to production it has nothing to do with it. It's the status of the well that is really the determining factor, isn't it?

A I'm not really sure, Mr. Durrett, just what it is. I would think that the purpose of the rule was to keep somebody from just getting way out of line on their production and then possibly recompleting the well in some other formation or something.

Q Let me word my question in this manner, if you take your Exhibit No. 3 and you assume the well will remain shut-in, the well will come back on in February?

A Yes, sir.

Q And it will be underproduced 6,055?

A Yes, sir.

Q If you take your Exhibit No. 4 and you say that you assume you are allowed your 600 MCF, the well will come back on in February, which you stated on direct examination was the same month?

A Yes.

Q But it will then just be underproduced 1,855?

A That's right.



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Q Well, the fact that it's coming back on in the same month under each situation didn't really affect anything except it might be a fact. What effect does that have on anything, it's the status that it comes back on with that is important, isn't it?

A Well --

Q Maybe I don't understand your theory. How will the month that it comes back on affect anything or anybody?

A Well, actually it won't, I don't suppose.

Q It's the status that it comes back on with that is important?

A Yes, sir, we will wind up even either way.

Q That's what I was trying to get at.

A I've tried to show whether or not we produce the 600 or we keep the well shut-in, the status as of February will be the same, it will still be underproduced and we'll come back on production again.

Q Is there any other gas in this area, to your knowledge, do any of the other operators have underproduction at this time, that is the status of their well is underproduced that gas could be purchased from?

A I don't know. We asked El Paso if they would give us some gas from their line and make it up from this well out of



production when it went back on production. They wanted to charge us an astronomical amount for the gas we wanted them to give us. In lieu of doing that, we thought we would ask for the exception to this rule.

Q You think it would be an assumption that there would be some wells in the area?

A I'm sure there would be some gas around there that would be available.

Q And possibly they would be underproduced?

A Possibly so. I do not look at the status of anybody else's wells in respect to this case here.

Q Let me preface this case by stating that you are familiar with the rules of distribution of allowable, are you not, in a general way?

A Yes, sir, in a general way.

Q That the underage is redistributed?

A Yes, sir.

Q Well, now, would you comment, let us have your feeling on the theory on the proposition that when underage is cancelled for wells that could have produced for a given situation and redistributed to all of the wells, that any well that was allowed to overproduce during a period of time has, in effect, got someone else's gas, because of the cancellation and because of the



redistribution of the allowable?

A Yes, sir.

Q Would you say that that would be a correct premise?

A Well, I'm not sure that I understand all of what you've said. Actually, I think as long as a well is overproduced, it's never hurt on the redistribution, but if it's underproduced, it may be.

Q Yes, because it will lose that allowable, would that be correct?

A Yes, sir.

Q Then that allowable, I'll say this to be clearer, that allowable could have gone for a purpose that any other well was allowed to overproduce for if it's available to be used, getting down to specifics, if there is a well in the vicinity that has underage that could deliver gas to this well that we're speaking about that you intend to use a lift for, then it's not going to be allowed to use that underage if you are granted your 600 MCF, is it because you'll be using your gas then?

A If it was gas that they could give to us and used to gas-lift our well, that would be right, but we're using our own gas to do it.

Q Yes, because you would be using your gas.

A Yes.

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Q Then when it comes to cancellation and redistribution of the allowable, you will get part of their cancelled and re-distributed allowable, will you not?

A I suppose so.

Q And you don't feel that would be a violation of correlative rights?

A Well, I don't know, if the well would produce the allowable I don't know why they would be underproduced really.

MR. NUTTER: Mr. Kelly.

MR. KELLY: For the record, I would like to object to some of the testimony put in by Mr. Durrett. I feel that we're dealing here in complete speculation as to what the figures are for other wells in the area, and as far as the record indicates and the evidence in the case in January of 1964, there is going to be **an under** allowable for this well regardless of what figures you used, Sinclair can not be penalized for a system devised by the Commission which has a built-in inequity.

We are proposing an economic use for this gas, and I can't see how the Commission can find that our economic use has any violation of some other unknown, possibly not even in existence operators possibly benefit from this underage. It's a factor that the Commission determined, they used this formula to not let a man make up his underallowable, we have underallowable here,



at any rate, I don't think that Sinclair should be penalized because they can find an economic use for this underallowable.

BY MR. NUTTER:

Q Mr. Cunningham, the casinghead gas from this gas-lifted well is sold, is it not?

A Yes.

Q Who is the purchaser of that?

A Warren.

Q El Paso offered to sell you the gas that you needed for your gas-lift system, but they offered it at quotes "an astronomical" unquote, price. Did they offer to buy the gas back from you then at a quotes "astronomical" unquotes price, or did they offer to buy it back at the rate which is designated by the Federal Power Commission?

A I didn't bring El Paso's letter with me. That was handled by our Gas Department, and our Gas Department recommendation was not to pay the price that El Paso asked.

Q Will the El Paso connection, assuming that the Commission would approve this application, will the El Paso connection be closed and remain closed until the well is in balance?

A Yes, sir. There are two different flow lines, one goes to El Paso and the one that goes to the Bertha Barber 18.

Q And the valve on the El Paso will be closed?

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A I would say so. Of course, at the present time El Paso produces the well on their side. They're the ones that got us in trouble in the first place. I'm sure that it would be shut-in in compliance with the order. It always has been before.

MR. NUTTER: Very good. Any further questions of Mr. Cunningham? He may be excused.

(Witness excused.)

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

MR. KELLY: Nothing further.

MR. NUTTER: Does anyone have anything they wish to offer in Case 2845? We will take the case under advisement and take a fifteen-minute recess.

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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, 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.

IN WITNESS WHEREOF I have affixed my hand and notarial seal
this 8th day of July, 1963.

Notary Public-Court Reporter

My commission expires:

June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2845 heard by me on 6/25, 1963.

[Signature]
New Mexico Oil Conservation Commission, Examiner

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