

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
COUNTRY CLUB
HOBBS, NEW MEXICO
April 19-20, 1972
EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil
Conservation Commission on its
own motion for the amendment of
the General Rules and Regulations
governing the prorated gas pools
of New Mexico.

Case No. 4691

BEFORE: Alex Armijo
Examiner

A. L. Porter, Jr.
Examiner

TRANSCRIPT OF HEARING

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1 MR. PORTER: We will now take up Case 4691.

2 MR. HATCH: Case 4691 is in the matter of the

3 hearing called by the Oil Conservation Commission on its

4 own motion for the amendment of the General Rules and

5 Regulations governing the prorated gas pools of New Mexico.

6 MR. PORTER: How many witnesses will you have?

7 MR. HATCH: I will have one witness.

8 ELVIS UTZ

9 was called as a witness and after being duly sworn according

10 to law, testified as follows:

11 DIRECT EXAMINATION

12 BY MR. HATCH:

13 Q Would you state your name and position for the record?

14 A Elvis Utz, Engineer with the Oil Conservation

15 Commission.

16 Q As an Engineer for the Oil Conservation Commission,

17 are you directly charged with any duties concerning

18 the prorationing of gas in New Mexico?

19 A Yes, I am.

20 Q How long have you held such a position?

21 A That's a question I can't answer exactly, but it's

22 around sixteen or seventeen years. I have been with

23 the Commission for twenty-three years.

24 Q Are you familiar with the general rules and regulations

25 governing the prorationing of gas pools in New Mexico?

1 A Yes.

2 Q Are you familiar with Case 4691 and what it proposes?

3 A Yes I am.

4 Q I believe the case was advertised for really about
5 three changes to be made in the rules and regulations
6 promulgated by Order R-1670.

7 Will you present to the Commission each proposed
8 change and the reason for your recommendation?

9 A Yes, sir. Basically this entire case is pointed toward
10 the changing of the length of the proration period from
11 six months to one year.

12 In addition to that changing the beginning
13 of the Northwest New Mexico prorationing period from
14 February 1st to January 1st, so the beginning of the
15 prorationing period in both areas will coincide.

16 Q The rules for Southeast New Mexico and Northwest
17 New Mexico were slightly different. Would you take
18 up the rule changes for each, for the Southeast first,
19 and point out to the Commission the changes that you
20 suggest be made?

21 A Yes, I will, but first let me state my reasons for
22 making this suggestion.

23 Q All right.

24 A Number one, in my opinion, the prorationing period
25 will greatly assist in balancing production and it will

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1 also compensate for overproduction which is
2 substantial and assist in balancing the wells.

3 Number two, I believe these twelve month
4 prorationing periods would eliminate some of the
5 unnecessary balancing that we have to do with making
6 wells come into balance in the six month prorationing
7 period.

8 Number three, I believe that this will be more
9 workable and allow prorationing to work inside the
10 rules rather than by exception. I mean the exceptions
11 we granted over the past several years, exceptions
12 to Rule 14 and Rule 15, and of the General Rules
13 of R-1670.

14 These exceptions have been basically to
15 accept the cancelling and redistributing of the
16 underproduction on the six months basis. Actually
17 these exceptions work out to be, when we give clear
18 cut exceptions, they work out to be eighteen month
19 prorationing periods.

20 I have some evidence here which I will give now
21 or later which refer to the fact that these one
22 year prorationings will assist in balancing the wells
23 and also eliminate considerable work.

24 I will call your attention first to the General
25 Rules of Southeast New Mexico as they appear in R-1670.

1 I am proposing to delete this Rule and
2 substitute the following Rule. This Rule is
3 printed in its entirety in Rule 13.

4 Seven A.M., January 1st of each year shall
5 be known as the balancing date and the twelve
6 months following the date shall be known as the
7 gas proration period.

8 Now, if you will turn over one page, I have
9 offered an additional Exhibit, with a circle marked
10 around 13. I do this to show what the old Rule
11 was and the Rule read there somewhat differently
12 than my recommendation.

13 The second Rule I have recommended is to
14 change Rule 21 and I recommend we delete the Rule
15 as follows: C-111 shall be submitted in duplicate,
16 and the original being sent to The Commission at
17 Box 208A, Santa Fe, New Mexico, and the other
18 being sent to Box 1980, Hobbs, New Mexico.

19 On the second page you will note that Rule 21D
20 is also marked with a circle and the only change here
21 is simply the change in address of the Commission.

22 Q That rule change has nothing to do with the twelve
23 month proration period?

24 A No. Rule 13 takes care of that in its entirety.

25 Q Those are all the changes that you are recommending

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1 for Southeast New Mexico?

2 A Correct.

3 Q Would you turn to the part having to do with Northwest
4 New Mexico and point out to the Commission each of
5 the proposed changes there?

6 A Yes.

7 I will start with Rule 9D. The annual
8 allowable test taken each year shall be used to
9 calculate the allowable for the twelve month
10 period beginning -- the only word change would be
11 January 1st.

12 The old Rule, 9D, is also marked with a circle
13 on the page following.

14 Rule 11 would read as follows: Rule 11, a
15 minimum allowable of 1,000 MCF per month per
16 proration unit will be assigned in order to avoid
17 premature damaging of the wells.

18 Q Are there some pools in Northwest New Mexico that
19 have a minimum allowable of 1,000 MCF per month at
20 present?

21 A Yes, all the pools in the Northwest with the exception
22 of the Dakota.

23 This rule I have just suggested, I offer this
24 suggestion in the interest of not only administration
25 work, but also in the interest of the processing

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1 machine. They have a way of not knowing whether
2 two pools are a little different than each other.

3 Q Has there ever been a hearing suggesting a minimum
4 allowable for these two pools where it had been
5 decided?

6 A Yes, regarding 2,500 MCF.

7 Q Do you think the situation has changed?

8 A In my opinion, it has.

9 Q Will you continue with Rule 13?

10 A Rule 13 would be as follows: Seven A.M., January 1st,
11 of each year, will then be the balancing date and
12 the twelve months following the dates shall be known
13 as the gas proration period.

14 You will also note the old reading of that Rule
15 is circled on the first page following this. All this
16 did was to change the proration period from February 1st
17 and August 1st, to January 1st, which would coincide
18 with Southeast New Mexico.

19 Form C-111 referred to herein, shall be submitted
20 the original will be sent to The Commission Office at
21 Box 208A, Santa Fe, New Mexico, and the remaining
22 copies will be sent to Box 1000, Aztec, New Mexico,
23 and Box 1980, Hobbs, New Mexico, respectively.

24 This change has nothing to do with the one
25 year prorationing recommendation, but simply corrects

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1 the address.

2 Q You have two sheets here, one entitled "Overproduction"
3 and one entitled "Underproduction", I think you
4 suggested a moment ago that this one year period
5 would aid the administration of gas prorationing;
6 would you refer to those two parts now and explain to
7 the Commission what they show?

8 A Yes. I will refer to the Exhibit marked "Underproduction"
9 first. You will note that the nine prorated gas pools
10 in Northwest New Mexico are shown on the left-hand
11 column with figures following under each column.

12 The first column was at the beginning of one
13 of our exceptions. As a matter of fact, it was one
14 of our three exceptions we have had in recent years
15 in Northwest New Mexico.

16 In the Southeast at the present time that
17 column shows 11.4 million beginning on 1/31/71 and
18 was made up during the following year and was
19 9.6 million or 84.7 percent.

20 We have a skip in our data which I didn't have
21 time to pick up which doesn't show what the underage
22 was in the middle of the one year period, or six
23 month period. So, I will just have to testify as
24 fact here that it was very substantial. Much of
25 the underage was made up in the last six months of

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1 the period for the one year period. We then
2 begin with 1/31/71, for the other exception of 1.7
3 million which was the remaining underage and which
4 was to be made up. 1.87 of the underage was made
5 up for the following period or 7.7 percent.

6 The last column shows that of the 11.4 gain
7 for the one year period, only 7.6 was cancelled and
8 all the rest was made up.

9 Now, rather than go into this and read all the
10 figures, I will just state the following: The
11 other eight prorated gas pools you will note one
12 figure that balanced in its entirety as far as
13 underproduction is concerned.

14 You will also note under the amount cancelled,
15 the next last column, virtually all of the underage
16 was made up.

17 Q Mr. Utz, is it your opinion that less gas was
18 cancelled due to this one year suspension than if
19 it had gone through a six month balancing period?

20 A It is very definitely my opinion, I'm sure of it.

21 The next sheet is captioned "Overproduction".
22 Anytime you have underproduction in a pool you must
23 have overproduction or you don't meet the market
24 demand. These were exceptions granted in order to
25 balance overproduced wells as well as to make up

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1 underproduction. This Exhibit shows the amount of
2 overproduction that was compensated for. I will
3 take again the base of the Dakota pool and the
4 overproduction was in the amount of 5.3 million.

5 At the end of the first year it made up 5.3,
6 a little less, about 99.9 percent. Only 1/10th
7 of 1 percent was left to be made up, and this was
8 never made up and the well was shut-in 4.1 percent.

9 The other seven pools made up all of their
10 overproduction in the following one year period.

11 Q Mr. Utz, I think you are recommending a one year
12 proration period, but I don't believe you have made
13 any recommendations as to when this would commence.

14 A Well, I thought I had -- you mean the first one?

15 Q The first period, yes.

16 A I recommend that the first balancing period from
17 this time forward be January 1, 1973. This would
18 eliminate the balancing period in the middle of this
19 year in Southeast New Mexico. This would be July 1st.

20 In Northwest New Mexico it would be August 1st,
21 and in effect what it will do is it will give Northwest
22 New Mexico an eleven month prorationing period in
23 order for it to coincide with the Southeast. It will
24 have no effect on Southeast New Mexico in view of
25 the fact that we already have an exception and we

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precluded balancing in the middle of this year.

So the balancing would be done not only in accordance with the exception, but within accordance with this recommendation, if the Commission adopts it.

Q So you would, in fact, be treating 1972 prorationing under that procedure?

A That is correct.

Q What underage -- you say the first balancing period will be January 1, 1973, what underage would be subject to cancellation, at that time?

A The first of 1973, was that your question?

Q I believe the first balancing period would be January 1, 1973?

A That is correct. The entire status as of January 1, 1972, in Southeast New Mexico, and February 1, 1972, in Northwest New Mexico, would be subject to cancellation and redistribution under our suggested rules.

On January 1, 1973, the underage then accrued during this current proration period, the one we are in now, would not be subject to cancellation until the end of 1973.

Q I believe those are all the questions, I have. Do you have anything further you want to add to your testimony?

A I have a suggestion which I will not make as a

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1 recommendation, I will only throw it out as a
2 suggestion to be considered. Had I been a little
3 more serious about the thought I would have made
4 it in the form of a recommendation and that is to
5 put up bi-monthly prorationing schedules, if the
6 Commission adopts the twelve month prorationing
7 period rather than the monthly schedules.

8 In my opinion, it would be just as satisfactory
9 as far as assignments of allowables are concerned
10 and it would preclude a substantial amount of
11 printing and a substantial amount of work on the
12 machines, and it would be just as satisfactory as
13 monthly proration periods -- proration schedules,
14 I'm sorry.

15 MR. PORTER: Does anyone have any questions of
16 the witness?

17 MR. ARNOLD: You are not recommending any
18 changes of the six times rule?

19 THE WITNESS: I am recommending that the six
20 times rule stay as it is.

21 MR. PORTER: Does anyone else have any questions
22 of the witness?

23 (No response)

24 MR. PORTER: If not, the witness may be excused.

25 (Witness excused.)

1 MR. HATCH: The Commission has received a
2 telephone call from Amoco Production Company in favor
3 of the revision of Rule 13 to allow a one year prorationing
4 period.

5 MR. PORTER: Are there any other communications?

6 MR. HATCH: I haven't received any.

7 MR. PORTER: Does anyone else desire to give
8 any testimony in this case?

9 MR. MANNING: E. R. Manning of El Paso Natural
10 Gas. El Paso Natural Gas, in the matter of the hearing
11 called by the Oil Conservation Commission in Case 4691,
12 El Paso Natural Gas concurs with the proposed amendment
13 to the General Rules and Regulations governing prorationing
14 gas pools.

15 El Paso Natural Gas is of the opinion that the
16 amendments to Rule 9D and Rule 13 permitting the establish-
17 ment of one year proration periods beginning January 1st
18 of each year will permit a greater flexibility in the
19 balancing of gas wells as well as eliminating burdensome
20 and unnecessary paperwork.

21 El Paso has no objection to the amendment to
22 Rule 11 to establish a minimum allowable of 1,000 MCF
23 per gas per month for each prorationing unit in the
24 prorated gas pools of Northwest New Mexico.

25 El Paso also believes that it would be appropriate

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1 to remove any reference to C-114 in Rule 21D.

2 Thank you, sir.

3 MR. PORTER: Any other statements?

4 MR. HAGAN: I represent Southern Union Gas

5 Company and Southern Union concurs with the Commission's

6 motion to adopt a one year prorationing.

7 MR. PORTER: Anyone else?

8 (No response.)

9 MR. PORTER: The Commission will take the Case

10 under advisement. As to the suggestion at the end of

11 Mr. Utz' testimony, of course, that would have to be the

12 subject of another hearing, I suppose, or at least given

13 some thought before anything like that was instituted by

14 the Commission.

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1 STATE OF NEW MEXICO)
) ss
 2 COUNTY OF BERNALILLO)

3 I, RICHARD E. McCORMICK, a Certified Shorthand
 4 Reporter, in and for the County of Bernalillo, State of
 5 New Mexico, do hereby certify that the foregoing and
 6 attached Transcript of Hearing before the New Mexico Oil
 7 Conservation Commission was reported by me; and that the
 8 same is a true and correct record of the said proceedings
 9 to the best of my knowledge, skill and ability.

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12 CERTIFIED SHORTHAND REPORTER
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WITNESS:

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ELVIS UTZ

Direct Examination by Mr. Hatch

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