STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

6 June 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Penroc Oil Corporation for a Hardship gas well classification, Eddy County, New Mexico.	CASE 8211

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division:	W. Perry Pearce Attorney at Law Legal Counsel to the Division State Land Office Bldg. Santa Fe, New Mexico 87501
For the Applicant:	

MR. STAMETS: Call next Case 8211.

MR. PEARCE: That case is on the application of Penroc Oil Corporation for a hardship gas well classification, Eddy County, New Mexico.

Mr. Examiner, applicant has requested continuance of that matter until June the 20th, 1984.

MR. STAMETS: The case will be so continued.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____, heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
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STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

20 June 1984

EXAMINER HEARING

IN THE MATTER OF

Application of Penroc Oil Corporation for Hardship Gas Well Classification, Eddy County, New Mexico.	CASE 8211

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division:	W. Perry Pearce Attorney at Law Legal Counsel to the Division State Land Office Bldg. Santa Fe, New Mexico 87501
For the Applicant:	W. Thomas Kellahin Attorney at Law KELLAHIN & KELLAHIN P. O. Box 2265 Santa Fe, New Mexico 87501

I N D E X

E X H I B I T S

MR. STOGNER: We will now call Case 8211.

MR. PEARCE: This case is on the application of Penroc Oil Corporation for hardship gas well classification, Eddy County, New Mexico.

MR. KELLAHIN: If the Examiner please, I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of the applicant and I have one witness to be sworn.

MR. PEARCE: Are there other appearances in this matter?

Would you rise, please, sir?

(Witness sworn.)

STERLING TALLEY,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Talley, for the record would you please state your name and occupation?

A My name is Sterling Talley, T-A-L-L-E-Y. I'm President of Penroc Oil Corporation of Midland, Texas.

Q Mr. Talley, have you previously testified

before the Oil Conservation Division on other occasions?

A Yes, I have on several occasions with the latest occasion being in April of this year.

Q And pursuant to your testimony before the Division has you testified as an expert in any particular field of oil and gas operations?

A Yes, I have.

Q And what capacity is that, Mr. Talley?

A Geological and also engineering.

Q On behalf of your company have you filed with the Oil Conservation Division the application for Case 8211 for a hardship gas well classification for your Angel Ranch Well No. 1?

A Yes, I have.

Q And pursuant to that application have you prepared certain exhibits and made a study of the facts and information surrounding this application?

A Yes.

MR. KELLAHIN: We tender Mr. Talley as an expert witness.

MR. STOGNER: Mr. Talley is so qualified.

MR. KELLAHIN: Mr. Examiner, if you'll note from the hardship application filed by Mr. Talley, the minimum rate requested was 350 Mcf a day. That was in error. We have subsequently filed a letter with you dated May 24th requesting that the minimum rate be 450 Mcf a

day.

MR. STOGNER: That correction will be so noted.

Q Mr. Talley, let me take some of your proposed exhibits out of order, sir, and specifically direct your attention to Attachment Number Three, which is the map.

A Okay.

Q And if you'll look to the map, Mr. Talley, identify for us the proration and spacing unit on which the subject well is located.

A Yes. The Angel Ranch No. 1 Well, drilled by Penroc, is located in the north half of Section 33, Township 19 South, Range 28 East, and that proration unit is outlined in an orange color and the location of the well being 660 from the north and 1980 from the east is so designated by a circle color.

Q All right, sir, this well produces from what gas pool?

A It produces in the Winchester Morrow Gas Pool.

Q And the well was completed when?

A The well was completed 12-15-76 in those Upper Morrow sands through a series of perforations 10,912 to 10,956 feet. Total depth of this well was 11,248; plugged back total depth, 10,972 feet.

The initial potential of the well in 1976 was calculated absolute open flow 3,242,000 cubic feet per

day plus 24 barrels of condensate and 48 barrels of water.

Shut in tubing pressure 2662 pounds.

A gas connection to El Paso sales line was 1-24-77.

Q All right, this well has always been connected to El Paso's system?

A Yes, it has.

Q All right, sir. Let's turn now, Mr. Talley, to the production decline plot that is Attachment Number One.

Is Attachment Number One a decline curve that you prepared, Mr. Talley?

A Yes, it is.

Q All right, sir. Generally describe for us before we go into specifics about the well, generally describe for us what you have represented on Attachment Number One.

A Okay. On this production decline curve we've plotted from the date of first sales in January, 1977, through May of 1984, and included above the curve are the annual produced volumes of gas.

You'll note that the well performance was good until approximately the middle of 1979 at which time a decline of pressure, coupled with water volume, caused difficulty in maintaining flow.

It became necessary to install a compressor in November of 1979 to keep the well on the line.

Q All right, let's stop for a moment and concentrate on that portion of the decline curve in 1979. In the month of November you have labeled the curve to show compressor installed.

Describe for us in some detail, Mr. Talley, what has actually occurred with the well that caused you to install the compressor?

A Well, as I just mentioned, the pressure decline and the increase in volume of water would not allow the well to produce of its own volition into the sales line with its back pressure, and it was necessary at that time then to compress the gas to keep the water moving and keep the gas going into the sales line.

Q Do you recall in '79 what the approximate volumes of water being produced were?

A In 1979 it was making ten to fifteen barrels per day.

Q In your opinion was the installation of a compressor at that point necessary in order to continue the life of this well?

A Oh, yes, it was, very definitely.

Q All right, sir, in '79 you installed a compressor and what happened then?

A Well, you'll note that the plateau of the curve stayed fairly steady until about the middle of 1980 and then there was a general decline and the well became more erratic. Pressure continued to decline and water con-

tinued to increase somewhat on a daily basis.

And then in 1982 we were asked to begin to curtail production in the well.

Q Who made that request, Mr. Talley?

A Well, the purchaser, El Paso.

Q All right, sir, in early '82, then, at El Paso's request you attempted to curtail production and what did you actually do?

A Well, we tried to slow the compressor back on rpms. We tried to cut back on the choke size to decrease the amount of gas that was being delivered.

Q All right, to what average daily volume rate did you reduce the well during this period?

A Well, during that period you'll see that on of -- of about 25-million cubic feet per month down to a low of about 12, a little over 12-million during the time we were trying to cut the well back, and then we found at that point there was a critical point where the well would no longer -- would no longer flow, what with the water and the pressure that we encountered and even the compressor wouldn't keep it going.

Q In terms of Mcf a day, Mr. Talley, what is that critical flow rate?

A Well, right today we find that if the well isn't maintained between 400 and 450,000, it will die.

Q All right, during 1982 you attempted to curtail the production from the well at the request of the

purchaser and in August, I'm sorry, in September of '82 what happened to the well?

A Well, in August the well was actually shut in by El Paso for nine days and then all of September and 24 days in 19 -- or in October of 1982.

And the well was --

Q All right, you've got nine days in August, all of September, and 24 days in October.

A Right.

Q All right. Then El Paso allowed you to put the well back on production and it would not flow unless you swabbed the well.

A That is correct.

Q All right, sir. Tell us about swabbing the well. How long did it take you to get it back --

A Well, in this particular case --

Q -- on production?

A -- the well had to be swabbed for two full days to get it to start to produce again.

Q Once you restored production again in the well, Mr. Talley, were you able to maintain the previous flow rates that you had maintained prior to the well being shut in?

A No, you'll note that from November of 1982 on the decline curve through May of 1982, we averaged only 422 Mcf a day.

Then in June of 1983 the Angel Ranch

loaded and ceased to produce. This time it was swabbed for four days before kicking off again.

Then that period of June '83 through March of '83 -- of '84 showed a daily average gas production of 357 Mcf.

Q All right, sir, let's go to the pumper reports on the daily production, the recent production. I think that's Exhibit Number Five, is it?

A Attachment Five, yes.

Q Attachment Five, let's go to that tabulation, Mr. Talley, and have you describe for us your efforts to arrive at a minimum flow rate for the well.

A Well, ever since early 1982 when we had been requested to try to cut back on production, we have done so. The latest attempt, I asked the contract pumper to cut back and see what we could come up with as a critical point in May, and if you'll note, at May the 19th we --

Q That's not the first page of that tabulation.

A No, it's about the third page.

Q All right, turn now to the third page, then, and you're looking at the date May 19th?

A Yes, it would be on your left there.

Q All right, sir. What happened on May 19th?

A Well, it slowed the compressor down, as -- as far as it would go and still be somewhat efficient and

you'll note that on the 20th the well went from 387 Mcf a day to 246. Then on the 21st to 182 and on the 22nd it was down to 120,000, at which time the well was just practically dying of its own accord and so we had to open it back up.

And you'll note then on the 23rd we were making 465,000.

Q All right. During that three or four day interval, Mr. Talley, there was zero fluids produced from the well.

A That is true.

Q That's an indication to you of what, Mr. Talley?

A Well, now when I say zero fluids we're talking about no condensate production and the water production fell off dramatically. In other words, it just dropped off because we weren't able to keep the water moving.

Q The producing rate is so low at that point that the liquids are not produced out of the well --

A That's right.

Q -- and it loads up and the well will die.

A That's right.

Q After increasing the rate of flow in May 24th, I believe it was, you produced four barrels of water on that day and had --

A No, that's -- that's condensate.

Q I'm sorry, condensate production at 465 Mcf a day and subsequently you produced the well at what

average rate, Mr. Talley?

A Oh, it's running a little over 400,000 a day.

Q Can you describe in relation to Mcf a day the amount of water that you've seen produced in the past from the well as to what that water production is now?

A Well, in May of 1980 we were making about 5 barrels per day and making about a million cubic feet of gas a day.

We now are making 25 barrels plus a day and only about 400 to 450,000 cubic feet a day.

So what we're saying is that the water has increased over five times and the gas has decreased by over 50 or 60 percent.

Q All right, sir, let's go to the wellbore schematic of the well. I think it's Attachment Number Two.

A Let me make one other point on the decline curve.

I think it's very evident that you'll notice the plateaus on that decline curve, during that period of the summer of 1982 when the well was shut in completely, you'll note that the plateaus have not every come back to what it was previous to that, which to me is a very good indication of wellbore damage, formation damage.

Q What's your concern about the well being further -- well, what's your concern if the well loads up again and fails to produce and you have to swab it back.

A Yes, that would be the case and then after that I think we'd see another plateau even lower on a decline curve where we're going to be damaging the well even more.

Q All right, let's go to the wellbore schematic, Mr. Talley, and have you describe for us the perforated interval in the Morrow in which this well is completed.

A Well, you'll see from the schematic it's a typical wellbore setup where you have three strings of casing, in our case 4-1/2 run at 11,248. We have 2-3/8ths tubing with a packer at 10,770 feet and the perforated Morrow interval is 10,912 to 10,956, and that is in a solid sand. It's not a series of thin sands intervalized.

Q The perforated interval, then, is one Morrow sand stringer and in your opinion would you be able to recomplete it to isolate the water flow out of that sand stringer?

A No, it's a homogeneous body.

Q All right, sir. Let me ask you, Mr. Talley, if you in your opinion would recommend any other type of mechanical operations on the well that might alleviate this well's exposure or sensitivities to loading up with fluids.

A No, I would not change the setup that we have at this time because I think under the prudency of a good operator you'd be asking for more well formation damage if you tried to go in that let this well be killed and do

any other type of mechanical changing at this time.

Q You have installed a compressor, Mr. Talley, and you are operating the compressor and the choke size on the well to the optimum efficiency that will allow this well to produce at the minimum rate of between 425 and 450 Mcf a day.

A Yes.

Q And in your opinion is that the minimum efficient rate at which to produce this well?

A Yes, it is.

Q Is this well in a prorated gas pool?

A It's nonprorated.

Q All right, sir, Exhibit Number Six, would you describe what the correspondence is that represents Exhibit Number Six.

A Is that our letters?

Q These are the notice letters, I believe.

A Yeah, Exhibit Six is a series of letters that we wrote when we applied for the 90-day emergency hardship application to the offset operators, notifying them of the fact that we had applied for hardship application.

Q Have you received any objection from any of the offset operators to your application for hardship gas well classification?

A No, we have not.

Q And you're currently operating the well under a 90-day emergency classification?

A Yes, sir, we are.

Q And when does that period expire, Mr. Talley?

A About August the 1st.

Q In your opinion will approval of this application, Mr. Talley, be in the best interests of conservation, the prevention of waste, and the protection of correlative rights?

A It would.

MR. KELLAHIN: If the Examiner please, we move the introduction of Exhibits One through Six.

MR. STOGNER: Exhibits One through Six will be admitted into evidence.

CROSS EXAMINATION

BY MR. STOGNER:

Q Mr. Talley, you said that this well is being produced under the 90-day emergency clause issued by our Artesia District Office?

A Yes, sir.

Q Is that subject to the restricted flow put on by El Paso way back in '82 or is that producing at full capacity?

A It's subject to the restricted flow, yes.

Q Since El Paso asked this well to be restricted in 19 -- early 1982, I will assume that to be

around February or March, something like that?

A Right.

Q Has the flow been restricted since that time?

A We have kept the well on a reduced -- we have -- we have flowed the well under the conditions which would allow us to move the water and keep the well flowing. In other words, minimum restriction, yes. We just can't produce it any less unless the well dies.

I might also point out that we have to introduce soap sticks into this well two to three times a week.

Q How many soap sticks?

A Two to three times a week.

Q What would happen if you increased that to four or five times a week?

A Well, it would keep the water more buoyant, yeah, but that's what we find that we have to do to keep the well going. That's the bare minimum that we find.

Q So if you increase the soap sticks you could possibly produce at 450 or a lower rate and --

A I don't think so. I think we're doing at this point all that can be done. Now we can introduce soap sticks every day. I don't think it will help over what we're doing right now.

Q Have you tried that?

A Yes, we have. We have tried at least

four times a week and five times a week but not seven days a week, no.

Q And it has not been successful?

A It doesn't help any more than the three times, two to three times a week.

MR. KELLAHIN: How long have you been using soap sticks in this well?

A Oh, my goodness, two years, I guess.

Q Before El Paso asked you to restrict the flow rate was this well producing at its capacity?

A No.

Q Am I safe to assume that this well never produced at its capacity?

A No. I don't believe in producing a well at its capacity. That's not ever been my type of operation.

Q Well, what, on your type of operation, what restricted you at the very beginning back in '78 and '79?

A To preserve bottom hole pressure.

Q Did you have some sort of formula that you used or a rule of thumb?

A We normally try to produce a well, particularly in its infancy like that one was, to where we find a spot that it will level out and not be producing more than about two-thirds to one-half capacity.

And we have found that that increases the life of wells considerably; gains more reserves.

Q Have you done any calculations concerning the tension size of the tubing in the hole?

A No, I have not.

Q Do you think that could be possible or would help?

A I don't think it woudl help; not in this case.

Q Why not?

A Because we find that on 9-1-83 when El Paso conducted its annual shut-in tubing pressure test that the shut-in tubing pressure psia was 1363.2 and we found that in December when the sales line froze and we had an opportunity to take another shut-in, it was down to 1014.2 and the pressure was declining too rapidly.

Q Now you stated in your testimony earlier that your company adjusted the choke and what was the results of those?

A When you lower the choke size then you decrease the water amount and when you decrease the water amount it tends to die.

Q What is the optimum choke size that you're operating on now?

A 3/4 inch.

Q Are there any -- let's refer back to your map, are there any other Winchester Morrow producers in the immediate area, say within a mile?

A Yes, sir.

Q And which ones are they?

A Let me find my map.

Okay, in the south half of 28, in the southeast of the southwest, Cities Service has a well which I might point out has probably been the best well in that reservoir that's been drilled.

This particular sand is a lenticular, shoestring type sand. It doesn't vary much more than a mile to a mile and a half wide across it, and it goes northwest/southeast.

Now Dorchester, in the west half of 34 had a well in that sand, as did a well in the east half of 34, and then on down into -- well, you asked for a mile so forget beyond that.

Q Back to the east half of 34 I show two gas wells down in the south.

A Okay, the one in the northwest of the southeast has been plugged and abandoned.

A replacement well, I don't know whether you'd call it a replacement well or not, but drilled another well to the same Morrow, which is the No. 4 in the southwest of the southeast.

Q Okay, I have that one.

A Okay. That No. 3 Well to the north that was plugged out was always a very weak well. They move to the south and made another weak well in the Morrow and a pretty strong Wolfcamp well for awhile.

Then you'll notice in the south half of 33, Penroc drilled this ARCO Federal, which missed that Morrow sand completely and made an Atoka well.

Then to the west Southland Royalty has, I guess it's actually -- yeah, Southland Royalty has a couple of Morrow wells.

Q The one in the north half and the other one in the --

A South half, right.

Q These wells that you just described as being Morrow producers, are they in the same sand stringer as your Angel Ranch No. 1?

A To my knowledge only two of them are. That would be the Cities Service Well and the Dorchester well in the east.

I don't think that either one of those Southland Royalty wells are. I think they're in a series of thinner sands.

Q Okay, let's call our attention to those two wells that you've testified about in Section 28 and 34, or mentioned, I should say.

Do you know if they're having the same watering problem?

A No, I do not.

Q Are they selling to El Paso, also, do you know?

A I have no idea.

Q So you wouldn't know if they were also restricted or not.

A I don't know.

Q When the production, or when this well came back on production again, October of 1982, it stayed fairly stable for about seven months.

You also testified that, as we can see by the production rates, it did not come back up to the total that it was previously in late '81 or early '82 and you felt that there was some reservoir damage applicable to that.

A Yes.

Q If this was on restricted flow, how can you make that determination?

A Well, because of what -- what happened there in 1982 early when we started a restricted flow, you can see what happened to the curve.

Prior to that we were still under our own restrictive flow, as I pointed out, even in 1981.

But when we started cutting the well back for El Paso there in early '82 I think the well would have stayed a much higher plateau had that not have happened.

Q But this well hasn't produced un-restricted or to Penroc's rule of thumb of being two-thirds of capacity, is that right?

A I don't understand your question.

Q Well, after you came back on production in October of '82, your flow was restricted.

A Right.

Q Could it have produced at a higher capacity than what --

A Yes, that's what I was trying to say, maybe in my own inept way.

Q But could it have come back up to the plateau, say, of 1980 or '81?

A Oh, I doubt that. No.

Q What kind of damage? Could you describe the damage that you believe occurred?

A No, I have no idea what the damage might have been, I mean other than the fact that we experienced --

Q Damage --

A We experienced greater water after that than we did before and we experienced less pressure. In other words, it won't come back to the same pressure than it did before, which I would imagine would be a function of the fact that the Morrow is notoriously sensitive. Any time you shut these wells down, why, they don't like to respond the same way.

Q Where actually is this water coming from?

A From the Morrow.

Q Have you narrowed it down to the -- to what perforations or --

A As I pointed out, this is one homogeneous sand body. It's not -- there aren't little intervals, so there's no way to break it down.

Q Let's go back to your Attachment Number Five. In the column marked Liquid Production, this is condensate and not water, is that right?

A That's correct.

Q How come water production was not included in this graph?

A We just don't report water on this -- on this pumper report.

Q Do you have that information?

A Oh, yes. Not with me, no.

Q Could you supply that information?

A Oh, yeah, not with me. Not with me, but --

Q Could you supply that information subsequent to this hearing?

A You mean daily water reports?

Q Corresponding with the tests that was run during this period?

A Oh, yeah.

Q If you could, I would appreciate that.

Could there be any other mechanical means to keep this well operating below a rate of 350 or 450 Mcf? Is there any mechanical means possible?

A Not to my knowledge.

Q Could pumps be installed to lift the water out?

A A pump?

Q Yes, sir.

A What kind of pump?

Q Oh, jack pump or a submersible pump, is that possible?

A I don't think so. I mean it's possible to install it. I don't think it's going to achieve what you're driving at, at all.

Q When you were asked to cut back in 1982 by El Paso, did you correspond with them about your water problem?

A Oh, yes. Yes, we've had several telephone calls and letters of communication with El Paso.

Q And what was their response to your commmunications?

A Well, they let us keep the well on as long as they could, and you'll notice that that August, September, October '82 period when they were in such dire straits as far as taking gas, they just absolutely had to cut it off, and then you will notice that they, by correspondence and explaining the problem and that sort of thing since then, they have allowed us to keep this well on.

MR. STOGNER: I have no further questions of this witness.

MR. PEARCE: Excuse me, one quick one, Mr. Examiner, if I may.

CROSS EXAMINATION

BY MR. PEARCE:

Q Mr. Talley, what happened in June of '83 to cause that well to load, do you know?

I mean --

A Well, it's also very sensitive to changes in line pressure, which in other words, I mean -- I can't explain it.

Q You just did. That was my question.

A This is a touchy well. I tell you, I don't understand it sometimes myself.

MR. STOGNER: Are there any other questions of Mr. Talley?

If not, he may be excused.

MR. BURCHELL: May I ask one question?

MR. PEARCE: Sure.

MR. STOGNER: Sure.

QUESTIONS BY PAUL BURCHELL:

Q I'm Paul Burchell with El Paso Natural Gas Company.

Mr. Talley, I'm just trying to -- have you made any P/z cum plots of this particular well?

A Any what?

Q P/z cum plots, pressure (not clearly audible)?

A You mean just the cumulative production itself?

Q Yeah, versus pressure (not clearly audible.)

A Oh, no, huh-uh.

Q Do you -- you do feel, though, that if you had such plots it would show ultimate gas recoveries would be less?

A Oh, yes, very definitely.

Q Thank you.

MR. STOGNER: Is there anything further in Case Number 8211 this morning?

MR. BURCHELL: El Paso would like to make a statement at this point if it's possible.

MR. STOGNER: Mr. Kellahin, are you going to make a closing statement?

MR. KELLAHIN: Well, let's see what Mr. Burchell says first.

MR. STOGNER: Okay, Mr. Burchell.

For those who don't know, for the record would you state your name and your --

MR. BURCHELL: Yes. My name is Paul W. Burchell, a staff engineer for The El Paso Natural Gas Company in their Production Control Department.

I reside in El Paso, Texas.

I'm without counsel and Mr.

Kellahin, is that --

MR. KELLAHIN: Please say what you have, Paul.

MR. BURCHELL: It's just a statement that El Paso Natural Gas would like to make in this particular case.

These hardship hearings are coming on rapidly and I'm sure the Division will start seeing many more of these cases.

The total volume of hardship gas for El Paso Natural Gas has almost gotten out of hand and we're glad to see that the Division has taken the initiative to conduct these hearings and determine what wells are really hardship and what wells are not.

El Paso Natural Gas recognizes the need and the importance of qualifying certain wells as hardship cases and permitting them never to be shut-in for the sole purpose of preventing waste.

Should the Division determine the particular well in this case to be a hardship well, El Paso is willing and able to code and schedule this well and continue to produce it in such a manner that it will never be shut in; however, El Paso would like it understood by the operator and by the Division that hardship well gas impedes the flexibility of pipeline operations and all other wells producing into the pipeline system must be appropriately curtailed to make up this well's additional gas production

in those days of low demand, market demand, that is.

That's all the statement I have, Mr. Examiner.

MR. STOGNER: Mr. Burchell, if I might --

MR. BURCHELL: Yes.

MR. STOGNER: -- and I think I will, when you say the production should be, or the lack of production should be made up, are saying by that particular producer or by the -- all the producers in the field, or what?

MR. BURCHELL: I would like to qualify that to you, Mr. Examiner.

This is a misconception that's been made, I think, here in New Mexico and in Texas and Oklahoma, that it's only the offset operators in that common source of supply that's affected by one well producing 100 percent of the time and the other wells being shut in.

This is not necessarily the case.

Over a particular year's production all wells on the pipeline system will be curtailed proportionately, and the take of gas from these wells will be ratable for all those other wells.

In other words, in one particular year we may take from on our system 60 or 70 percent of the gas from every operator regardless of whether he's in

the same pool, an offset operator, common source of supply, prorated, nonprorated, marginal, nonmarginal, all wells will be -- gas will be taken ratably, and when a particular distressed well, or an emergency well, blowout situation, or a hardship well is allowed to produce 100 percent of the time, that extra gas that goes into the system is proportionately -- has to be made up or backed off all of the other wells.

I hope that answers your question.

MR. STOGNER: That does.

Is that all you have to say?

MR. BURCHELL: Yes, that's all I have to say.

MR. STOGNER: Thank you, Mr. Burchell.

Mr. Kellahin?

MR. KELLAHIN: Mr. Examiner, in response to Mr. Burchell's statement, I think the Commission rules and procedures, at least as set forth in Order 7453 on the hardship well classifications do address the concerns of people that are in the same pipeline system and does not simply limit it to the effect on offset operators.

The Commission has allowed in the past in these cases effected parties, in other words operators in the same system, to ask for minimum flow tests, to enter and participate and object to the classification.

Unlike a number of those other applications no one has opposed this one.

You may recall, and I think the file will reflect that Penroc Oil Corporation for this well, I believe, was one of the very first to inquire of the Commission about hardship well classification back in September of '83, before there were ever any hardship rules in place.

I think you can see that unlike many of the applicants that have applications filed, Mr. Talley has sufficient historical documentation that he in fact has diligently attempted to establish a minimum flow rate.

You can see from the pumper's reports in May of '84 that they have coordinated the compressor rate and the choke on the well to come up to minimum rates and they continue to restrict the well at such point you see it loading up on May 19th, and so on.

So there is in fact a minimum flow rate on this well. You can see that once it produces less than the 385 Mcf a day, it starts loading up with fluids and it kills the well.

This operator, unlike other operators, is not simply speculating on what will happen with the general category of sensitive Morrow wells. He knows what happens with this well. He can see that when it was shut in he had to swab it to get it back.

You can see that it doesn't return to the same plateau as it did before. You can see that he's undertaken action to install a compressor and do some

constructive thing to minimize the flow rates on his well.

He now, I believe, has provided you with abundant justification to grant an exception for this well and we request that you do so.

MR. STOGNER: Thank you, Mr. Kellahin.

Is there anything further in Case Number 8211 this morning?

If not, the record will be held open pending subsequent information.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 8211, heard by me on August 30 1984.

Examiner
Oil Conservation Division