

Case No.

790

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Application, Transcript,  
Small Exhibits, Etc.

**BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO**

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:**

**CASE NO. 790  
Order No. R-553**

**THE APPLICATION OF THE COMMISSION  
UPON ITS OWN MOTION, FOR REVISIONS  
AND AMENDMENTS TO PARAGRAPH 10 OF  
ORDER R-520 AND RULE 17 OF EACH OF THE  
VARIOUS SPECIAL RULES AND REGULATIONS  
FOR GAS POOLS IN SOUTHEAST NEW MEXICO,  
AS EMBRACED IN ORDER R-520.**

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:**

This cause came on for hearing at 9 o'clock a.m. on November 17, 1954 at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 22<sup>nd</sup> day of November, 1954, the Commission, a quorum being present, having considered the records and testimony adduced, and being fully advised in the premises,

**FINDS:**

- (1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this matter and the subject matter thereof.
- (2) That it is in the interests of orderly and efficient administrative procedure, with due regard for the prevention of waste and the protection of correlative rights, to grant administrative exceptions to the "no-flare order" and the various "no-flare rules" embraced in Order R-520, without the necessity of notice and hearing.
- (3) That the practice of considering said applications for exceptions only upon notice and hearing would cause an undue burden upon and inconvenience to both the applicants and this Commission.
- (4) That Paragraph 10 of Order R-520 and Rule 17 of each of the various pool rules and regulations embraced in said Order R-520 should be amended as hereinafter provided.

**IT IS THEREFORE ORDERED:**

- (1) That Paragraph (10) of Order R-520, be and the same is hereby amended to read as follows:

(10) That except when authorized by or pursuant to the following provisions of this paragraph (10), no gas, either dry gas or casinghead gas, shall be flared or vented from any well in any of the following pools at any time after ninety (90) days from January 1, 1955 or ninety (90) days from the date such well is completed, whichever is later:

Eunice-Monument Oil Pool  
South Eunice Oil Pool  
Hardy Oil Pool  
Penrose-Skelly Oil Pool  
Cooper-Jal Oil Pool  
Arrowhead Oil Pool  
Langlie-Mattix Oil Pool  
Rhodes Oil Pool  
Leonard Oil Pool  
South Leonard Oil Pool  
Eaves Oil Pool  
Arrow Gas Pool  
Eunement Gas Pool  
Jalmat Gas Pool

Any operator who desires to obtain an exception to the foregoing provisions of this paragraph (10) shall submit to the Secretary of the Commission, an application for such exception with a sworn statement setting forth the facts and circumstances justifying such exception. The Secretary is hereby authorized to grant such an exception whenever the granting of the exception is reasonably necessary to protect correlative rights, prevent waste, or prevent undue hardship on the applicant under all the facts and circumstances as set forth in the statement. The Secretary shall either (a) grant the exception within 15 days after receipt of the application and statement or (b) thereafter set the application for hearing by the Commission at a regular monthly hearing; provided, however, that no such applicant shall incur any penalty by reason of a delay in setting the application for hearing. Notice of hearing of the application shall be published in the manner provided by law and the Rules of the Commission. If the exception is granted by the Secretary, a list of such exceptions shall be distributed in the Commission's regular mailing list.

All operators who have not heretofore done so shall file Form C-110 in quadruplicate with the Commission, designating thereon the disposition of all dry gas or casinghead gas from each well in each pool listed above. Within 15 days after an oil or gas well within the boundaries of any of the above listed pools is connected to a gas transportation facility, the operator shall file Form C-110 designating the disposition of gas from the well.

The flaring or venting of gas from any well in violation of any provision of this paragraph (10) will result in suspension of any further allowable until further order of the Commission.

No extraction plant processing any gas from any of the above designated pools shall flare or vent such gas unless such flaring or venting is made necessary by mechanical difficulties or unless the gas flared or vented is of no commercial value.

**IT IS FURTHER ORDERED:** That Rule 17 of each of the sets of Rules and Regulations pertaining to the Jalmat Gas Pool, the Eumont Gas Pool, and the Arrow Gas Pool in said Order R-520 be, and the same are hereby, amended to read as follows:

**RULE 17**

No gas, either dry gas or casinghead gas, produced from the (Jalmat, Eumont or Arrow) gas pools shall be flared or vented except as authorized under the provisions of Paragraph (10) of this order.

DONE at Santa Fe, New Mexico, the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*E L Mechem*

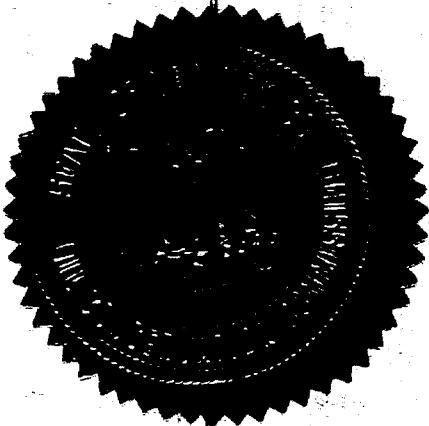
EDWIN L. MECHEM, Chairman

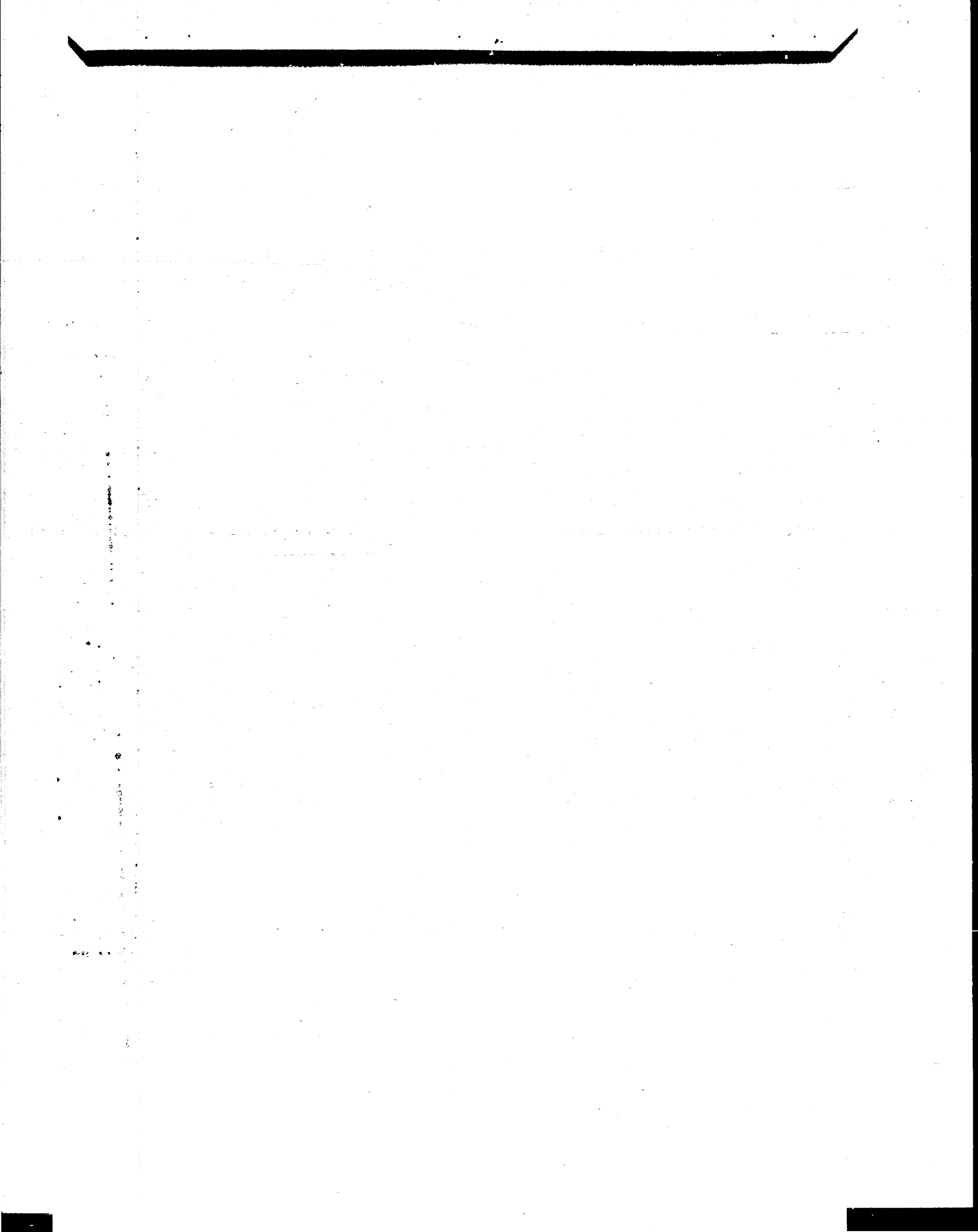
*E S Walker*

E. S. WALKER, Member

*W B Macey*

W. B. MACEY, Member and Secretary





BEFORE THE  
**Oil Conservation Commission**  
SANTA FE, NEW MEXICO  
November 17, 1954

IN THE MATTER OF:

CASE NO. 790 - Regular Hearing

TRANSCRIPT OF PROCEEDINGS

**ADA DEARNLEY AND ASSOCIATES**  
COURT REPORTERS  
ROOMS 105, 106, 107 EL CORTEZ BUILDING  
TELEPHONE 7-9546  
ALBUQUERQUE, NEW MEXICO

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
November 17, 1954

IN THE MATTER OF:

Application of the Oil Conservation  
Commission for an order revising the  
provisions of Order R-520 to permit the  
Secretary to approve administratively  
requests for exception to the 'No-Flare'  
Rule.

Case No. 790

BEFORE:

Honorable Edwin L. Mechem  
Mr. E. S. (Johnny) Walker  
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 790.

MR. KITTS: If it please the Commission, I would like to  
introduce, at this time, the staff proposed amendments to Paragraph  
10 of Order R-520, Rule 17 of the various Special Rules and Regu-  
lations of the gas pools in the southeast, in connection with "No-  
Flare" Order.

MR. MACEY: Does everyone have a copy of this proposal.

MR. HINKLE: That is the mimeographed copy?

MR. MACEY: Is there objection to introduction of this  
exhibit? If not it will be received in evidence. Anyone have  
any comments to make in regard to the proposal?

MR. HINKLE: Clarence Hinkle, representing Amerada Petroleum

Corporation. The Amerada feels that a reasonable rule should be promulgated so as to give any operator, after completion of the gas well, reasonable time to make a connection. I think that this proposed rule of the Commission does that very thing. It allows 90 days within which to make a connection. If the connection can not be made at that time, it permits the operator to make application to the Commission for an administrative order, granting an exception. The Amerada would like to go on record as favoring the adoption of the rule which has been proposed.

MR. MACEY: Anyone else?

MR. KELLAHIN: If the Commission please --

MR. MACEY: (Interrupting) Mr. Kellahin. Go ahead.

MR. KELLAHIN: I just have a question. It occurred to me, under the proposed rule that becomes effective January 1st, what does the Commission have in mind on the cases which are now pending for exceptions?

MR. MACEY: Mr. Kellahin, it was felt that it would be advisable to review the applications in those cases which are pending. If we felt that the case was adequately covered by their present application, we would go ahead and treat that application as a request under the provisions of this proposed rule, and give the operator the administrative relief and dismiss the present cases. If we felt that there were certain instances where we could not give you the administrative relief we would advise you and set the case for hearing in December.

MR. KELLAHIN: We would like to know if we could supplement the applications that have been submitted?

MR. MACEY: Very definitely.



MR. KELLAHIN: Does the Commission propose to go ahead?

MR. MACEY: I didn't follow you.

MR. KELLAHIN: Under the terms of the order it becomes effective January 1st. The Commission proposes to go ahead as if the order were in effect, granting the approval after the date of January 1st, is that correct? What I am getting at, Mr. Macey, we have an order here that becomes effective January 1st. We have applications pending, are you going to act on them before January 1st?

MR. MACEY: Very definitely. We will word the rule so that we will act prior to January 1st on your requests for exceptions.

MR. KELLAHIN: That clarifies it.

MR. MACEY: Mr. Howell?

MR. HOWELL: Ben Howell, representing El Paso Natural Gas Company. We have a suggestion with reference to the sentence in the paragraph next to the bottom of the page which reads: "Extraction Plants processing any gas from any of the above designated pools shall comply with the 'no-flare' provisions of this rule, provided, however, that the restriction may be lifted when mechanical difficulties arise, or when the gas-flare is of no commercial value."

Was the intention that in case of mechanical breakdown, that an application would be made to the Commission to get the restriction lifted, or is it the intention that in those events the flaring is given automatically?

MR. MACEY: I can't answer that yet, Mr. Howell. The intent is to give you a blanket authority to vent gas when you have mechanical breakdowns.

MR. HOWELL: Then I suggest that the phrase "The restrictions may be lifted" be changed to say that "the restrictions shall not apply", because, I believe maybe lifted infers that some action must be taken to lift it.

MR. MACEY: Anyone else?

MR. CAMPBELL: Jack Campbell. I am asking these questions purely for my own information. First, does the Commission have in mind setting out any basic standards as to the facts and circumstances they desire to have, with reference to these applications? By that I mean, is there to be any uniformity? If you are called upon to submit an application it is a little bit difficult to tell from this rule what the Commission has in mind with reference to the facts and circumstances justifying the exception. What would justify it to me might not justify it to someone else or the Commission.

MR. MACEY: Mr. Campbell, I think the basic facts involved are that the gas from a well or a group of wells has been tendered, first of all to a transmission company. If it is uneconomic for the gathering company gasoline plant, or whatever you want to call it, to go out and pick up, the fact, I think that is a factor in support of the exception.

There are probably other factors involved that I don't know of right now. I believe that a letter of explanation probably ought to be sent out with the order in this case, setting out certain things that we would, I wouldn't want to limit it to just exactly what I know of right now, because I would probably overlook something that someone would come up with, and they would start applying for a hearing on it. There are a lot of different factors that may

determine -- warrant an exception. I think that one of the qualifications would be the economics involved.

MR. CAMPBELL: That leads me to my second comment, that is I believe, that the application now pending before the Commission, which I happen to have filed, one that the same standards are going to be called upon for future applications, No-Flare orders should apply to the cases now pending before the Commission. As I recall, there are almost one hundred of these applications.

I think that by some amendment, that the same information be furnished that is required to be furnished under the proposed rule after January, 1955. The other matter is purely a matter of terminology. I am not well qualified with the business of extraction plants. I want to know what is meant, that gas flare is not of sufficient commercial value. Does that mean it is not sufficient BTU to call upon anybody to buy it or can't sell it?

MR. MACEY: It certainly doesn't mean that that they can't sell it. I think it is mainly designed to take care of gas that is of high sulphur content that they certainly wouldn't put into a line. Maybe Mr. Howell can clarify that matter if he wants to. Isn't that your interpretation of it, Mr. Howell?

MR. HOWELL: I don't know that we have any interpretation of it. Of course, insofar as El Paso Natural Gas Company is concerned, why it takes sour as well as sweet gas wherever the facilities are available, but certainly we would consider that where treating facilities are not available and pipeline can't use sour gas, there would be nothing there but to flare it after it had gone through the extraction plant.

MR. MACEY: Anyone else?

MR. MANKIN: After these approvals are given the administrative orders, you at that time should put in C-110, showing that disposition had been approved for flare.

MR. MACEY: That wouldn't be necessary. They will have a copy of the order that approve the exception granted to your well or wells. They won't require the 110.

MR. MANKIN: So, the C-110 is not necessary.

MR. SELINGER: It is only when you do connect that you have to put on the C-110.

MR. KELLAHIN: I have another question, Mr. Macey. Is there any provision going to be made where the gas from a well is committed to a plant by contract instead of flaring it at the plant? They are not taking it and flaring it at the lease. That situation has come up.

MR. MACEY: As I understand it, you mean --

MR. KELLAHIN: (Interrupting) Who is going to be responsible for it?

MR. MACEY: The operator of the well.

MR. KELLAHIN: The operator of the well? His gas is already committed by contract.

MR. MACEY: Are they paying you for it?

MR. KELLAHIN: Yes.

MR. MACEY: It is metered?

MR. KELLAHIN: Yes.

MR. SELINGER: It is still the obligation of the producer.

MR. MACEY: It is the operator's obligation to get the exception. You are going to have to supplement your application with something.

MR. SELINGER: They are generally of a temporary nature until the pipeline can take it.

MR. KELLAHIN: They are of a temporary nature.

MR. MACEY: Is there anyone else?

MR. HOWARD: I think that question will lead to better conservation of casinghead gas in the State of New Mexico.

MR. COUCH: Terrell Couch, on behalf of Ohio Oil Company. I would like to suggest that the proposed amendment include the provisions as the exceptions are granted, they will be periodically printed and circulated along with the docket notice, so that the operators will have notice of any of the exceptions that are granted. They can come in and object later at the hearing if they wanted to.

One other suggestion I might make in connection with the time within which the Commission acts under the proposed rule. I suggest that, at least that at the outset the Commission might find itself with quite a large number of applications to either grant within 15 days or set down for hearing at the next hearing date. That time limit in there might work fine after you get started, but at the outset it might work a problem for the Commission, and, perhaps, some consideration should be given to a longer period of time there for the final exceptions that are granted.

MR. MACEY: In regard to what you just said, it is our intent to go through the applications and screen them. The ones that we don't think we should approve administratively we will advise the operator immediately and the case will come up for December hearing. The rest of them, we will date the approval January 1st because that is the effective date of this rule.

MR. COUCH: I suggest also, again as a matter of mechanics, that in the future when an application comes in, that if this rule is effective as written and you have 15 days thereafter in which to grant the exception or set it for the next regular meeting, that could be the 16th day so that --

MR. MACEY: (Interrupting) Oh, no.

MR. COUCH: The way it is worded now, it is required that it be set for hearing at the next regular hearing date, following 15 days after the application has been received by the Commission. So, that you may not know until the day before, the way the rule is worded. It is just a suggestion in terminology.

MR. MACEY: Why not substitute the words, "shall be set for hearing as soon as possible?" Anyone else?

MR. WALKER: I just want to ask a question, Mr. Macey. I understand by this, this would be a permanent exception, there will be no review in the future. In other words, it is not going to get a temporary period, once you get a hearing it is forever?

MR. MACEY: Mr. Yost brought up that matter this morning. I think the matter ought to be reviewed from time to time by the Commission, if they think it is advisable and circumstances change from one period of time to another. They should probably reserve the right to bring the matter back up again if it warrants it. I think they have that right anyway. I think it probably should be put in every exception that is granted. I will put it this way. It is our intent to give the exception until you hear anything further from us.

MR. STANLEY: At this particular time, Order R-520 requires the filing of C-110 pertaining to disposition of casinghead gas.

I believe that in the future for newly completed wells in this particular area that there should be some provision where it be 30 days, 60 days or 90 days, pertaining to dually completed wells, whereby a Form C-110 could be required, pertaining to the disposition of casinghead gas.

MR. MACEY: What difference is there between a dually completed well and a singly completed well.

MR. STANLEY: It doesn't matter, I don't think there is a provision in the rule if he completed a new well, singly or dually, to file a C-110 for the disposition of casinghead gas. There is no time requirement. There may be a time where it would require a pipeline to take 30 days to that particular well, or may take 60 days, but nevertheless, within a certain period of time we should know to what particular plant that well is going to be connected to.

MR. MACEY: Anyone else?

MR. SELINGER: Isn't that covered in your C-115 now, the present C-115, it indicates what you do with the gas from each lease, whether it is used on the lease or sold to the pipeline or blown to the air. I don't think you have to do anything further. You make a monthly report each month on it.

MR. MACEY: You report monthly the volume of gas and the disposition of that gas?

MR. SELINGER: That is right, whether it is blown to the air or otherwise. It is already required in the monthly report.

MR. MACEY: Anyone else? If not we will take the case under advisement.

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.

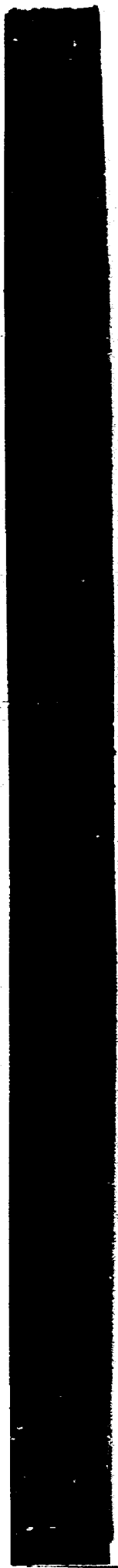
IN WITNESS WHEREOF I have affixed my hand and notarial  
seal this 20th day of November, 1954.

Ada Dearnley  
Notary Public, Court Reporter

My Commission Expires:

June 19, 1955





*Amerada  
proposal*

*Case 790*

PROPOSED AMENDMENTS TO PARAGRAPH 10 OF ORDER 520 AND  
RULE 17 OF THE VARIOUS SPECIAL RULES AND REGULATIONS  
FOR GAS POOLS IN SOUTHEAST NEW MEXICO

(10) That no gas shall be flared or vented from any well in the following pools ninety (90) days from the effective date of this rule or ninety (90) days from the date such well is completed, whichever is later, unless specifically authorized by the Commission:

Eunice-Monument Oil Pool  
South Eunice Oil Pool  
Hardy Oil Pool  
Penrose-Skelly Oil Pool  
Cooper-Jal Oil Pool  
Arrowhead Oil Pool  
Langlie-Mattix Oil Pool  
Rhodes Oil Pool  
Leonard Oil Pool  
South Leonard Oil Pool  
Eaves Oil Pool  
Arrow Gas Pool  
Eumont Gas Pool  
Jalmat Gas Pool

This rule shall become effective January 1, 1955. Any operator desiring to obtain an exception to this rule shall submit a sworn statement setting forth the facts and circumstances justifying such exception. Unless the Commission, acting through its Secretary, grants such exception within 15 days after receipt of the operator's sworn statement, the matter shall be set for hearing at the next regular meeting of the Commission. Within 10 days after a beneficial use is found for gas produced from a well granted an exception under this rule or a well completed after the effective date of this rule, the operator shall file form C-110 designating the disposition of gas from the well.

Failure to comply with the provisions of this rule within the prescribed time limits will result in the suspension of any further allowable. Extraction plants processing any gas from any of the above designated pools shall comply with the "no-flare" provisions of this rule, provided however, that the restriction may be lifted when mechanical difficulties arise or when the gas flared is of no commercial value.

Rule 17. No gas, either dry gas or casinghead gas, produced from the \_\_\_\_\_ Pool shall be flared or vented unless specifically authorized by the Commission.

GENERAL OFFICES  
120 BROADWAY NEW YORK

MAIN OFFICE QCC

**AMERADA PETROLEUM CORPORATION**

BEACON BUILDING

P.O. BOX 2040

**TULSA 2, OKLA.**

October 28, 1954

Mr. William B. Macey  
Director, Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Dear Bill:

In line with our off-the-record conversation at the hearing in Hobbs last month, we are sending you suggested amendments of Paragraph 10 of Order 520 and Rule 17 of the various special rules and regulations for each of the gas pools. We think these amendments might be better proposed on the Commission's own motion, but if you prefer you may treat this as Amerada's application for the following amendments:

"(10) That no gas shall be flared or vented from any well in the following pools ninety (90) days from the effective date of this rule or ninety (90) days from the date such well is completed, whichever is later, unless specifically authorized by the Commission:

Eunice-Monument Oil Pool  
South Eunice Oil Pool  
Hardy Oil Pool  
Penrose-Skelly Oil Pool  
Cooper-Jal Oil Pool  
Arrowhead Oil Pool  
Langlie-Mattix Oil Pool  
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This rule shall become effective January 1, 1955. Any operator desiring to obtain an exception to this rule shall submit a sworn statement setting forth the facts and circumstances justifying such exception. Unless the Commission, acting through its Secretary, grants such exception within 15 days after receipt of the operator's sworn statement, the matter shall be set for hearing at the next regular meeting of the Commission. Within 10 days after a beneficial use is

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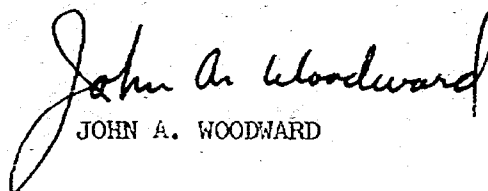
Failure to comply with the provisions of this rule within the prescribed time limits will result in the suspension of any further allowable. Extraction plants processing any gas from any of the above designated pools shall comply with the 'no-flare' provisions of this rule, provided however, that the restriction may be lifted when mechanical difficulties arise or when the gas flared is of no commercial value."

"Rule 17. No gas, either dry gas or casinghead gas, produced from the \_\_\_\_\_ Pool shall be flared or vented unless specifically authorized by the Commission."

Our thought in permitting flaring or venting of gas for ninety (90) days after a well is completed is that the operator in every instance should be afforded some reasonable time to seek a pipeline connection. If he gets a connection during this time, there is no reason to burden the Commission with unnecessary applications. Only where gas from an oil well is produced in insignificant quantities or some exceptional difficulty is encountered in marketing production from a new well or the well is located on an isolated lease to which it is not economically feasible to run a pipeline - only in these cases, we feel, should the Commission be burdened with requests for exceptions to the no-flare rule. We are not particularly stuck on ninety (90) days as a reasonable grace period for seeking a pipeline connection if some other period of time is found more reasonable.

Bob and I are looking forward to seeing you next month and send our best regards.

Very truly yours,

  
JOHN A. WOODWARD

JAW:MT