

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
AUGUST 16, 1961

IN THE MATTER OF :

CASE 2215: In the matter of the hearing called by the :
Oil Conservation Commission on its own mo- :
tion to consider the promulgation of an :
order prohibiting the flaring of casinghead :
gas from oil wells in the Cha Cha-Gallup and :
Totah-Gallup Oil Pools, San Juan County, New :
Mexico. :

TRANSCRIPT OF HEARING



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

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Gallup and Totah-Gallup Oil Pools, San Juan :
County, New Mexico. :

BEFORE:

Edwin L. Mechem
E. S. (Johnny) Walker
A. L. Porter

T R A N S C R I P T O F P R O C E E D I N G S

MR. PORTER: We will take up next Case 2215.

MR. MORRIS: If the Commission please, the Staff will
have one witness, Mr. Arnold.

MR. BUELL: If the Commission would like to swear all
witnesses at this time, the operators will have one witness, Mr.
Knight.

(Witnesses sworn)

E. C. ARNOLD,

called as a witness, having been first duly sworn on oath, testi-
fied as follows:



DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Arnold, would you please state your full name and position, for the record, please?

A E. C. Arnold, Supervisor of District 3, Oil Conservation Commission.

Q Mr. Arnold, you've testified in the previous hearings of this case, have you not?

A Yes, sir.

Q Do you have a statement prepared today reporting the gas vented as of August 1st, 1961 from the Cha Cha and Totah Pools in San Juan County, New Mexico?

A Yes.

Q Would you give us that statement, please?

A Prior to the July hearing, it was determined that there was an average of 262 MCF per day, per well, being produced by wells in the Cha Cha-Gallup Pool. As of August 1st, there were 73 wells producing, so I have calculated the volume as of August 1st to be 73 times 262, or 19,126 MCF per day. In the Totah Pool, the average amount of gas per well, per day, was 157 MCF per day. The new ratios were conducted in June and July, and I have calculated a new volume based upon the GOR tests of the 42 wells upon which we had tests. I found that the average in the Totah Pool freeze tests is 221 MCF per day. As of August 1st, there were 50 wells producing in the Totah Pool. Therefore, the total

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gas produced was 50 times 221, or 11,060 MCF per day. This gives a total figure of 30,156 MCF per day from the two Pools. Approximately 1500 MCF per day of this gas is being marketed. Therefore, the total gas vented as of August 1st was 28,686 MCF per day. This is approximately 6,000 MCF per day higher than the amount reported at the July hearing.

MR. MORRIS: If the Commission please, Mr. Arnold is also prepared to give the total oil production during the month of May, 1961, from both Pools, if it would desire that information.

MR. PORTER: I believe that the Commission would like to hear that information. We had it in the record at the last hearing, the figures as of that date.

Q That's, the May, 1961 production in the Cha Cha Pool was 273,248 barrels. This was a per day production of 8,814 barrels. In the Totah Pool, the May production was 175,566. This was a per day production of 5663. Total May production, both pools, was 448,814 barrels, which was a per day production from both Pools of 14,477 barrels.

Q Mr. Arnold, do you have anything further that you would like to state at this time with reference to the case that the Commission is considering at this time?

A No, sir, I don't believe so. I think the operators are prepared to give a progress report. I have visited the field and do know that the pipeline is under construction. I imagine

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they can give a more accurate account of just how much has been done.

MR. MORRIS: That concludes the examination of Mr. Arnold.

MR. PORTER: Does anyone have any questions of Mr. Arnold? He may be excused.

(Witness excused)

MR. BUELL: May it please the Commission, Guy Buell with Pan American Petroleum Corporation. The operators have requested that I put Mr. Knight on the stand to let him review for the Commission the progress he has made since the July regular hearing.

DEAN KNIGHT,

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

DIRECT EXAMINATION

BY MR. BUELL:

Q Mr. Knight, would you state, for the record, please, your full name and place of residence?

A My name is Dean Knight, and I am from Tulsa, Oklahoma.

Q What is your connection with the Knight Manufacturing Company?

A I am president of that organization.

Q Now, the record of the July regular hearing will reflect that you briefly reviewed for the Commission your financial



situation with respect to installing the gathering system in these two pools. I would like to direct your attention, now, Mr. Knight, to what has been marked as Operator's Exhibit 3. What does that Exhibit reflect?

A That is a map of our Cha Cha system, which was the same map that we used last time. However, this red line, we would like to point out -- well, anyway, the red line is what is done. This much pipe is on the ground, or in the ground, welded up, tested, and about ready to operate. In other words, if everything else was done, we would be in very good shape here.

Q Would it be a fair summary, Mr. Knight, to state that the solid red lines on Exhibit 3 are that portion of the Cha Cha system that are virtually complete?

A This is virtually complete, all except the minor job of hooking up the ends of it. In other words, actually hooking into Pan American's tank battery here (indicating) and here, and someone else here, et cetera. This line (indicating) is in the ground up to this point, now (indicating). Now, just the day before yesterday we finally got permission from the Indians to go on their ground, and since that day we have laid this much line complete (indicating). We have cut right away to this point up till last night (indicating). Now, today, the report I get from our field up there, that the right of way is now cut complete to this point (indicating), and that this pipeline has all been strung or is being strung, and will be finished today, and that the

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welded line will be up in the middle of this section (indicating) somewhere before dark tonight. They're making rapid progress.

Q So the record will reflect, when you were speaking of the right of way, that had already been cleared, as reflected on this Exhibit, you were referring to the alternate red and white line, were you not?

A Yes. That is the right of way that was cleared just yesterday. They made that much progress just yesterday in one day, from the time we got the word to go from the Navajos.

Q You were delayed in getting your right of way approval from the Navajos. Was your application misplaced or mislaid, or something?

A Yes. It was slightly misplaced. We sent a bond out and went to the Legal Department, and they put it on their desk, and they wondered what it was supposed to be, and they let it stay there for a week until they found it. We finally dug it out and got it over to the Land Department and immediately got our right of way.

Q That has been cleared away and invaded the Navajo Reservation yesterday?

A Yes, sir. If we had gotten it out of the hands of the Legal Department, we would have had it a week ago.

Q The progress as depicted by the red, is that progress that had occurred up until yesterday afternoon, is that correct?

A Yes. This all happened up until yesterday afternoon.

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Then, I pointed out what had happened today, the rapidity with which we're going. These green dots that are hard to see are the compressor sites that have been cleared, and are ready to start pouring concrete on those for the compressor stations.

Q How many compressors do you now have on the site in Farmington?

A Roughly, ten percent in Farmington, and another ten percent are supposed to be shipped this week, which will make us about twenty percent on location at that time.

Q Has the location been cleared in the field for these compressors?

A Yes, it is cleared.

Q Are they permanent mount or skid mount type?

A The compressors are skid mounted. All that we will do in the field is pour a small concrete pad under each one, and make our piping hook-up, which is about a day's work for three men total.

Q Now, with respect to where we expect to be by quitting time this afternoon, could you pick a spot on that Exhibit 3 so that the record will reflect where you expect to be this afternoon?

A The right of way will be to the toe of the bluff, which is marked 86 plus 50. The top of the bluff, which is marked 91 plus 42. They expect to clear to the top of the bluff.

Q Clearing of right of way by this afternoon?



A Correct. The ditching, then, is supposed to be up in the middle of 36, roughly, at 764 plus zero zero.

Q In other words, by this afternoon you will have ditched some pipe in that area of the Exhibit that was only cleared right of way last night?

A That is correct.

Q With respect to the system in Totah, Mr. Knight, what is the status of your progress there?

A The system in Totah, the right of way has been completed, which I believe was quite rough, but it has all been done, and we have completed about 4,000 feet of ditch. They are to start stringing pipe on that tomorrow or next day, as soon as they have finished this.

Q Assuming no abnormal weather problems are encountered in the immediate future, how long do you think it will be before in all practical effect the Totah system will be virtually complete?

A I can only quote our pipeline contractor there, the Four-Way Company, and he says that it will be less than seven working days to be complete.

Q Of course, there will still be other things to do?

A Oh, many things.

Q But it will still be virtually complete?

A Yes, but that is the main heart of the thing.

Q Has anything occurred in the month's interim that has



changed your target date for one hundred percent completion of October 1?

A No. We're still thinking that we will be on stream in full October 1.

Q Based on the progress you have made to date and have testified to here, you feel that you can meet that target date?

A Yes, I do.

Q It might be well to state, for the record, Mr. Knight, your progress with the Federal Power Commission. Have you made your filing with the Federal Power Commission?

A The Federal Power Commission filing was made three weeks ago. It was carried by hand to Washington, D. C. by our attorney, and supposedly put on top of the stack.

Q Have your people handling that given you an estimate of when they expect approval?

A I talked to Mr. Gibson, our attorney, and he gave me a date of ten days, he thought.

Q In an effort to expedite Federal Power Commission handling of your case, has your attorney made them aware of the hearings this Commission is holding on these two pools?

A Yes. He obtained a copy of the hearings, and had that forwarded to Washington.

Q By a "copy of the hearings," you mean the docket sheet of the Commission?

A Yes, I guess that would be the technical word.

Q He anticipates no trouble in getting the app

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Q He anticipates no trouble in getting the approval?

A No.

Q Assuming that you had Federal Power Commission's approval, -- now, let me direct your attention again back to Exhibit 3. Could you begin taking gas in the very near future from some of those batteries there in the southern area of Cha Cha?

A This is to be our main station right here (indicating). Now, this pipeline within a couple or three days could be made operative from this point here (indicating) where it crosses the Navajo land to this end here (indicating). Answering your question more directly, I would say that if we had Federal Power Commission's approval, that within five to seven days we could be passing some gas, only a minor quantity, but some.

Q But immediately after you get Federal Power Commission's approval, you are going to take gas as quickly as you can?

A Yes.

Q And you will take it by increments along your system?

A Yes.

Q And you will shake it down and get it all in operating order?

A Yes.

Q Do you have anything else you would like to add?

A I think not.

MR. BUELL: That's all we have at this time. May we formally offer Operator's Exhibit 3?

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MR. PORTER: Without objection, the Exhibit will be admitted.

(Whereupon, Operator's Exhibit No. 3 was received in evidence)

MR. PORTER: Does anyone have a question of Mr. Knight?
Mr. Nutter.

CROSS-EXAMINATION

BY MR. NUTTER:

Q Mr. Knight, you stated that ten percent of the compressors are on hand in Farmington, --

A That is correct.

Q -- and ten percent will be shipped next week?

A Actually, I think they will be ready this week. However a couple are over wide and they will leave our office Monday.

Q Are those the compressors that you mentioned last Monday were on hand in Tulsa in your yards?

A Those are completed now, and ready to come out.

Q When is the delivery date for the other eighty percent of the compressors scheduled?

A Day by day. In other words, they are being completed every day or so; we get a truck load of them, and we ship them, or two truck loads.

Q When will the last ten percent come, in the latter part of September so you can be complete by October 1st?

A Yes, that is our date on that.



Q By September the 1st, what would you estimate will be the total percent of this 28,000 MCF of gas that Mr. Arnold mentioned is being produced or vented per day? What percent of that gas will be transported in this pipeline to a gasoline plant by September 1st?

A That's fifteen days from today --

Q Yes. Approximately?

A -- or fourteen. That's rather difficult to answer, Mr. Nutter, because I don't have my Federal Power Commission approval. There are certain things I can't do until I get it. If we do have it, we should be processing around six to seven million feet a day.

Q Then, approximately how much by September the 15th with your delivery schedule for compressors?

A I don't have that figure at hand. I would have to sit down and try to work out my schedule of deliveries, and then see what each one would do. I haven't gone into that calculation at this moment.

Q Now, the total number of compressors you were talking about was Cha Cha as well as Totah?

A That is correct.

Q Now, the twenty percent that you have on hand, now, are for the Cha Cha area here?

A No. They will go into both fields. We are going to try to process gas in both fields simultaneously. More units will go into Cha Cha, of course, because it is larger, but there will be

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gas taken from both fields, which seems to be the only fair way to do it.

Q At the present time you have no schedule of the amount of gas that will be processed at various times, except approximately six million by September 1st, and the full amount by October the 1st?

A That is correct.

MR. NUTTER: Thank you.

MR. PORTER: Anyone else have a question of Mr. Knight?
The witness may be excused.

(Witness excused)

MR. PORTER: Anyone else desire to present testimony here? Mr. Buell, did you have anything further?

MR. BUELL: May it please the Commission, in view of the substantial progress that Mr. Knight has made to date with this gathering system in Cha Cha as well as in Totah, I would like, on behalf of Pan American, to move that the Commission continue this case until the September regular hearing. I feel by then, and as Mr. Knight has testified here today, we, the operator, Mr. Knight, as well as the Commission, will be in a better position then to see the exact progress, the amount of gas we are able to take at that time, and on behalf of Pan American, I would like to move to continue this case until the September regular hearing.

MR. PORTER: Mr. Christy.

MR. CHRISTY: Sim Christy for Humble Oil & Refining

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Company, one of the operators in the pools in question. I might state initially in the July hearing Humble stated that informal reports of progress would be given to the Oil Conservation Commission's Farmington office every ten days to two weeks. Three of these reports were made between July 19th and August 2nd, and today's testimony is offered as the fourth progress report.

We believe that continued progress will be made by the contractor, and we believe that progress has been shown here today. There have been some minor delays, but steady and accelerated progress is being made here at this time, and we anticipate it to continue.

We recognize that the Commission -- the loss of this gas must weigh on the Commission's mind. However, and as Mr. Buell pointed out, in the July hearing, this Commission's duty is to prevent allowable waste, both for oil and for gas, and it should be remembered that we are here dealing with a marginal gas producing area within a major oil producing area. Any consideration as to the economics or as to avoiding allowable waste should be measured against -- the saving of the gas should be measured against the loss of taxable revenue by shutting in this field, which comprises some thirty-five to forty percent of all oil produced in Northwest New Mexico, plus the additional risk of loss of the West Coast market, which was mentioned in the July prorationing hearing. Therefore, Humble would join in Pan American's request, and motion that the case be continued to the September hearing, at which time we believe



that the red line will be substantially further on the Operator's Exhibit 3. Thank you.

MR. PORTER: Mr. Mason.

MR. MASON: John Mason, El Paso Natural Gas Products Company. We wish to join in the motion made by Pan American, and by Humble's statement in support of that motion that the hearing be continued until the September hearing. We, too, feel that at that time the more up-to-date progress report will show the Commission better as to how much gas is being taken at that time, and then we will be able to predict with more reasonable accuracy when the balance of the gas will be taken, and can, from that information, better determine what effect a no-flare order, possibly no-flare order may have upon the oil production and Northwest market situation. We urge that the hearing be continued for another thirty days, until the September hearing.

MR. PORTER: Anyone else have anything to say concerning Mr. Buell's motion? The Commission has decided to continue the case until the regular September hearing, Mr. Buell.

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STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript under by personal supervision, and that the same is a true and correct record, to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 23rd day of August, 1961, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley

 NOTARY PUBLIC

My Commission expires:

June 19, 1963

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