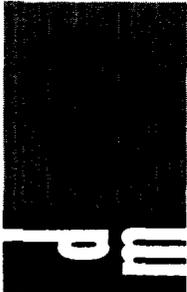


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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 18, 1970

REGULAR HEARING

IN THE MATTER OF:)
)
)

The hearing called by the Oil)
Conservation Commission on its own)
motion to consider the promulgation)
of an order prohibiting the flaring)
or venting of casinghead gas in the)
State of New Mexico on or after)
December 31, 1970, when certain)
conditions exist.)
)

Case No. 4453

BEFORE: A. L. Porter, Secretary-Director
David F. Cargo, Governor
Alex J. Armijo

TRANSCRIPT OF HEARING

MR. PORTER: Take up Case 4453.

Let me say at the outset this matter of gas flaring was called to the attention of the industry in April in Hobbs and since it was brought to our attention that perhaps excessive amounts of gas were being flared, and certain of our Lea County plants in particular, and since that time, we have had Mr. Ramey to keep us up to date in all the allowable hearings.

The oil allowables have been retained at a constant figure of 70 barrels. I believe as a result of our May hearing, we reduced the allowable 5 barrels a day, from 75 to 70. Since that time, the allowables have remained at 70 barrels.

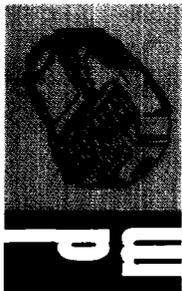
In early October, the Commission announced that there would be a hearing set for the 18th of November to consider a statewide no flare order, so this Case 4453 has been advertised in accordance with the announcement that we made at that time.

Let me ask for appearances before the Commission's witness gives his testimony, please. First, is there anyone else who would like to present testimony in the case? If

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not, I would like to have appearances for statements.

MR. BUELL: For Pan American Petroleum Corporation,
Guy Buell.

MR. WOODRUFF: For El Paso Natural Gas Company,
Norman Woodruff.

MR. DAVIS: For Aztec Oil and Gas Company, Railmann
Davis.

MR. SIMMONS: For Mobil Oil, Bill Simmons.

MR. KASTLER: For Warren Petroleum Corporation,
Bill Kastler.

MR. McCARTER: For Texaco Incorporated, Dale
McCarter.

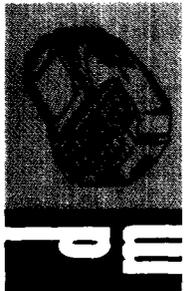
MR. RODGERS: For Phillips Petroleum Company,
W. C. Rodgers.

MR. KELLAHIN: Jason Kellahin appearing for
Temporary Resources Corporation.

MR. LOSEE: A. J. Losee appearing for the Yates
Petroleum Corporation.

MR. PORTER: Mr. Hatch, I believe that concludes
the appearances.

(Witness sworn.)



(Whereupon, Exhibits 1 through 5 were marked for identification.)

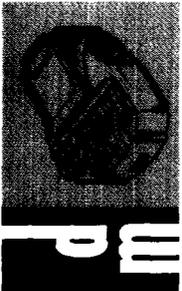
JOE D. RAMEY,

having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HATCH:

- Q Mr. Ramey, would you state your name and position for the record?
- A Joe D. Ramey, supervisor of the Commission's District One.
- Q Are you familiar with Case 4453 and what it proposes?
- A Yes, I am.
- Q As supervisor of District One of the Commission, were you assigned the duty to make an investigation concerning the production and disposition of casing head gas in the State of New Mexico?
- A Yes, that's true.
- Q Have you made such an investigation?
- A I have.
- Q All right. Would you refer to what has been marked as Exhibit No. 1 and explain to the Commission what it shows concerning the flaring of casing head gas in the



State of New Mexico?

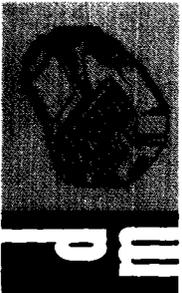
A First, I think I should regress a little bit and say this hearing is called by the Commission to propose a no flare order to prevent the wasteful practice of flaring of casing head gas both at producing leases and at processing plants.

Now, Exhibit 1 is entitled "Flared or Vented Gas Volumes Plants." This exhibit was prepared from Form C111 as submitted by the operators which are submitted to the Commission's Santa Fe office and the appropriate district office and are maintained as part of the records of the offices.

For the southeast I used fourteen plants out of the total of thirty. Primarily, my reason for using these plants is these are the plants which are flaring gas or have had a recent history of flaring gas.

In Northwest New Mexico, I used five plants out of the total of six because I only had five of the reports available. Briefly, the total intake for these fourteen plants in Southeast New Mexico is 24,995,566 MCF. Total vented, 1,634,090 MCF.

Of this vented gas, processed gas, which was vented, 347,399 MCF; non processed vented, 1,286,691 MCF.



Now, approximately 915,000 MCF of the total flared, unprocessed gas, is gas which does not reach any processing facility but is flared in the field at field vents. Another 98,000 MCF was flared on a continuous basis from a gasoline plant directly at the plant.

Now, the total vented gas in the southeast from these fourteen plants was six and a half percent of the intake and the total nonprocessed vented was five percent of the intake. From the five plants in Northwest New Mexico, the total intake, 32,783,365 MCF and total vented which was processed gas was 18,592 MCF. So, it appears that most of our problem is in Southeast New Mexico.

Q Mr. Ramey, did you state what period this is for?

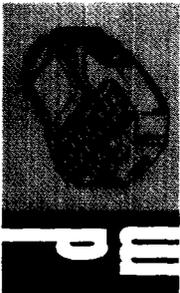
A This is for the month of August only.

Q For the month of August. In your total intake from Southeast New Mexico, something over 23,000 MCF, was that all casing head gas?

A No, there will be some gas well gas which is included in this figure. I think most of your plants in Southeast do handle some volumes of dry gas or gas well gas.

Q What about the 32,000 plus MCF in Northwest New Mexico?

A Well, the majority of this is probably gas well gas.



Most of the gas in the northwest is gas well gas and casing head gas is compressed and is made available to the gasoline plants, but there are no plants in the northwest which handle casing head gasoline. They are primarily set up to handle gas well gas.

Q Again, I think you made it clear that this did not include all of the plants in New Mexico, but only those that have had some history of flaring problems?

A Right. I purposely left out those plants which are under capacity or the plants which handle gas well gas strictly. Their flaring problem isn't -- except for, you know, minor mechanical difficulties, why they don't flare any gas to speak of.

Q Okay. You have also prepared an exhibit you have marked No. 2.

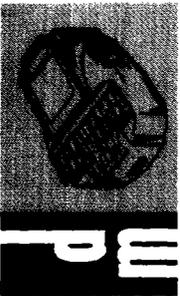
A Yes. Exhibit 2 is entitled "Flared or Vented Gas Volumes from Pools." In preparing this exhibit, I used the statistical report of the New Mexico Oil and Gas Engineering Committee which is compiled and edited by the Oil Conservation Commission.

These are merely a total figure for the month of August. I just thumbed through the book, added up the gas which was reported as vented from the leases, and

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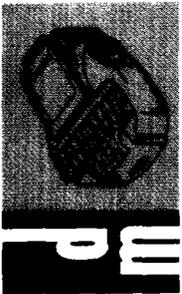
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these are the totals. The total casing head gas production from Southeast New Mexico, 25,620,000 MCF; total flared, 231,300 MCF, less than one percent.

Northwest New Mexico, total casing head gas production, 971,000 MCF; total flared, 42,750 MCF, and this is around four percent. Now, some of this gas from both areas is from new wells. There was a lot of the gas which was carried in the undesignated portion of the report and some of this, I'm sure, will be connected to plants at a later date.

Q There are some flaring immediately after completion before the receiving connection?

A Yes, this is necessary.

Q All right. You have prepared an Exhibit 3.

A Yes. Exhibit 3 is a ten year plot for the period 1961 through what is available through 1970. The bottom curve in red is the normal unit allowable. The middle curve is the average monthly oil production and the top curve is the average monthly gas production.

Now, I just concentrated on Southeast New Mexico because this seemed to be the problem area. From the graph you can tell that the normal unit allowable for the first five year period remained fairly stable between

thirty and forty barrels and from that time it has been on the increase until it reached a high of seventy-five in early 1970, and then since that time has been down to seventy.

Oil production -- well, for the first year, five year period with essentially no increase in normal unit allowable, the oil production increased from close to 8,000,000 barrels a month to approximately eight and three-quarter million. Since that time, with about a seventy-five percent increase in normal unit allowable, why our oil production has only increased a little over a million barrels a month.

For the first ten months of 1970, why we have been averaging right at 9,000,000 barrels a month. It does indicate that we do have a little excess capacity. Gas for the first five years ranged between 23 and 24,000,000, then we had a sharp increase in '66, then it fell off and then again in 1970, we have a fairly sharp increase for the first ten months.

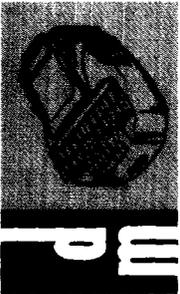
Q Your normal unit allowable shows a drop in 1970. Is that drop reflected in the gas production and the oil production of 1970 on your graph?

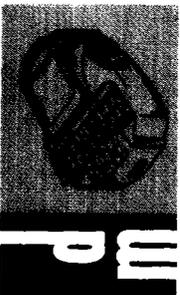
A No. Now, I just used average monthly figure for gas

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and I thought this would best illustrate the gas production. I should point out that the August figure on Exhibit 2, the gas production was 25,620,000 which is one of the higher months of gas production.

This year was the first year where our casing head gas production did go over 25,000,000, so gas production has remained reasonably stable even with the cut in allowable.

Q Do you have any opinion as to the future production of gas, oil and normal unit allowable figures and what they have to do with the proposed no flare order?

A Well, as Mr. Porter stated at the start of the hearing, the allowable was cut in June from 75 to 70 barrels primarily because of the flaring of wet gas. Now, I have been advised by Phillips that they will probably have their problem licked by the first of the year and if that is the case and in view of the demand for New Mexico crude, I think it's probably reasonable to assume that normal unit allowable will increase next year, to what extent, I don't know, but I think with the increase in normal unit allowable and the indication that we do have excess oil production and the reasonably sharp increase in casing head gas production, why I

think it's safe to assume that gas production is going to increase and as the situation stands now, we have nine plants which are in Southeast New Mexico which are operating at or near capacity or have in the past few months.

I think the situation has eased off somewhat by cold weather and the use of more gas on the leases, but with an increase in normal unit allowable and more gas available, why we are liable to find ourselves in the situation where several plants are overloaded and will flare gas unless we do write a no flare order.

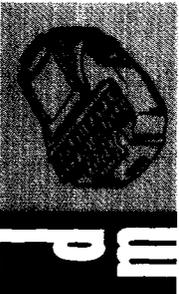
Q All right. Are you familiar with the proposed order concerning the flaring of casing head gas?

A Yes, I am.

Q Would you care to review for the Commission and all the other interested persons here the various provisions of the proposed order?

A This, I have labeled Exhibit 4 and I think everyone present has one of these. It is proposed order to prohibit the flaring or venting of casing head gas when certain conditions exist.

First paragraph, "Except as provided in this order, no casing head gas produced from any well located



in a pool having a gas gathering facility shall be flared or vented on or after December 31, 1970, or thirty days from the date such well is completed, whichever is later."

Now, this paragraph exempts all pools from the order which presently do not have gas gathering facilities. Wells which are located in a pool which has gas gathering facilities and are flaring gas must obtain an exception to the order prior to December 31, 1970.

Now, in the event a well is drilling and completed in the later part of December, the operator will have about thirty days from the completion date before he will be affected by the order. This is an example; say the well is completed December 15, then his effective date will be approximately January 15.

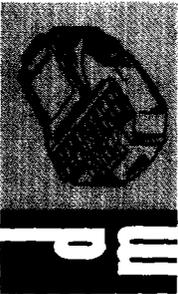
There has been some question as to what constitutes gas gathering facilities. Maybe I can clarify this by using the example of, say, you have a shallow oil pool and deep gas pool and there are gas gathering facilities in the pool for the deep gas. We wouldn't consider that the shallow oil pool would have a gas gathering facility.

Q They don't have any connections in the shallow pool, you are saying?

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A They would have no connections in the shallow pool, just connections in the deep pool.

Q So it really isn't a facility for that pool?

A No, it isn't.

Q All right. What was the reason for exempting pools from the effect of this order if they didn't have gas gathering facilities at the present time?

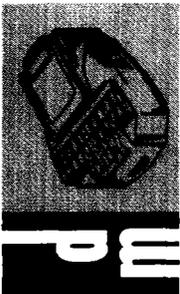
A Well, I think for the most part, the pools which presently do not have gas gathering facilities will never have gas gathering facilities. The volume of gas is so small, if there is any at all, it would never warrant any gas purchaser to lay lines and connect the leases and so we exempted these pools.

There are exceptions. There is a couple that I think of which will be exempted by this first paragraph which should not be and I think we will have to -- unless something is done in these pools, that the Commission will have to call a hearing to get gas connections in these pools.

MR. PORTER: Mr. Ramey, in connection with those pools, they are relatively new pools, aren't they?

THE WITNESS: Yes, they are.

MR. PORTER: The possibility that the quality of



the gas produced in these pools have had something to do with their not having facilities at the present time?

THE WITNESS: Yes. This and other factors that --

Q (By Mr. Hatch) Do you have any other comment to make about paragraph one?

A No.

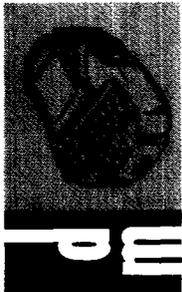
Q Would you continue, then, with the other paragraphs?

A Paragraph two, "Except as provided in this order, no casing head gas produced from any well completed after December 31, 1970, shall be flared or vented after thirty days following completion of the well."

Now, this would cover new wells and this would cover new wells in old pools, primarily is what we are thinking about here. Often on the completion of a new well, even in an old reservoir, there is gas available and we think in this case that we should take a look at these and if the gas is not sufficient, why we can issue an exemption and if it is, why we think that the operator should be required to connect the well.

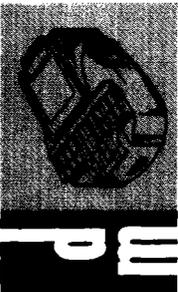
Q Even though older wells in that same pool are exempted by paragraph one?

A Right, that's true. Now, there has been a question raised, several people have commented that thirty days



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might be too restrictive, that they just can't set the wheels in motion and get a connection within thirty days, get a contract signed and lines laid, and such, so the thirty days stipulation may be a little too severe.

The Commission might want to consider making this longer, perhaps sixty days.

MR. PORTER: Mr. Ramey, I believe there are some no flare orders existing where sixty days is allowed.

THE WITNESS: Yes.

GOVERNOR CARGO: How have other states handled it as to the period of time allowed?

THE WITNESS: I don't know what the time is, Governor, but I think they do give them some time. They give them time to flare the gas.

GOVERNOR CARGO: What would be your recommendation as to the time?

THE WITNESS: I think sixty days would be reasonable. Thirty days, I doubt very much that they could -- now, if it's in a pool where there are connections and such, where it might entail just laying a few hundred feet of line, why thirty days might be all right, but in most cases, I doubt if they could get their contracts signed and lines laid in that period.

Q (By Mr. Hatch) Now, in paragraph three, I'm sure you have received many telephone calls concerning that. Would you care to comment on paragraph three?

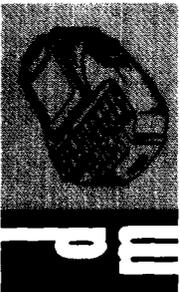
A It reads as follows: "Any operator who desires to obtain an exception to the foregoing provisions, shall file an application in triplicate with the appropriate district office of the Oil Conservation Commission upon a form designated by the Commission. The district supervisors are hereby authorized to grant such exceptions whenever the granting of the exception is reasonably necessary to protect correlative rights, prevent waste or to prevent undue hardship on the applicant. The district supervisor shall either grant the exception within ten days after receipt of the application or refer it to the secretary-director of the Commission who will advertise the matter for public hearing if a hearing is desired by the applicant."

Now, as this states, exceptions will be granted at the district level by the district supervisor. The form which I will go over later will be submitted in triplicate by the operator and upon approval, will be distributed as follows, the original to Santa Fe, duplicate to stay in the appropriate district office and the other duplicate

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returned to the operator.

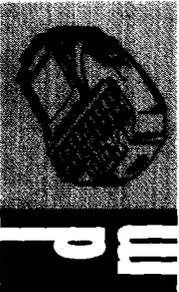
Now, in the case where the district supervisor feels that the well should be connected and no exception granted, why then it will be forwarded to the secretary-director of the Commission and the district supervisor will contact the operator and advise them of his decision and then it will be up to the operator to ask for a hearing to obtain an exception to the no flare order, if the secretary-director agrees with the district supervisor.

MR. PORTER: Mr. Ramey, in connection with this proposed rule, isn't it reasonable to assume at this time that in pools where there are gas gathering facilities that one hundred percent of the wells are connected that it's possible to connect or to provide enough gas or large enough volumes to be sold?

THE WITNESS: Yes, in most cases. Now, there has been instances where an operator, for some reason or other, has not signed a contract and I can think of one instance where this happened where I finally shut the well in. Whether I had any jurisdiction or not to do it, I don't know, but I did shut the well in and there is another case in the southeast at present where there have been two gas purchasers that have been trying for years to buy gas from a certain

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operator and he hasn't chose to sign with either one of them.

MR. PORTER: So you wouldn't be inclined to be very tolerant toward issuing an exception in a case like that?

THE WITNESS: No, I would not.

Q (By Mr. Hatch) What are some of the grounds that must be considered in granting exceptions?

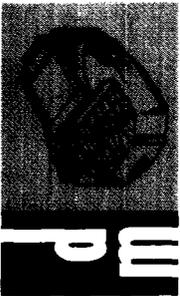
A Well, of course, the volume of the gas, the cost that it -- you know, to connect the gas. Well, I think those are the primary -- the value of the gas.

Q When you speak of volume of the gas, would the distance to the facility have anything to do with the volume of gas?

A Well, yes. Of course, the greater the distance, why the more cost involved in connecting the gas and if -- you know, if the gas company or operator, whichever one lays the line, if they can't expect a reasonable payout or a payout, I don't know what would be a reasonable payout, but if they couldn't expect a payout, why then, I don't think it would be necessary.

I think they would be due an exception.

GOVERNOR CARGO: Do you think that there should be a provision made for review of an exception by the Commission? In other words, where the exception has been granted by your



district supervisor but the Commission may feel that it shouldn't have been granted. Should you provide for some kind of a review procedure within this paragraph?

THE WITNESS: Governor, I think we have handled that on the form which I will go over later.

GOVERNOR CARGO: All right.

THE WITNESS: Briefly, now we are -- say on a new well, say we give them sixty days. All right, they come in prior to the sixty days and say we are going to need another fifteen days --

GOVERNOR CARGO: You are talking about paragraph G or provision G under application?

THE WITNESS: Yes -- so we might approve it for the fifteen days or we might approve it for sixty days and then, at that time we will review it. Some we know we can say until further notice and we would never have to review them because there is not going to be any gas available.

Q (By Mr. Hatch) When we talk about the volume of gas, would that sometimes perhaps have to do with the ability of the operator to have to find a purchaser?

A Yes, that's true. If it's an isolated lease, why he may not have a purchaser available.

Q When you are speaking of payout, would you consider

only the value of the gas or would the value of the oil from the lease also be considered?

A Well, this could be a consideration. Say an operator completed a ten thousand foot Pennsylvanian Well and had a three hundred fifty barrel oil allowable with a ratio of a thousand. Well, he would be flaring 350 MCF of gas a day which I would consider, you know, a considerable volume.

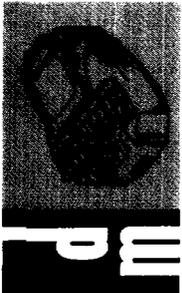
In this case he may not have a purchaser available or a purchaser might tell him, you know, if you will bring the gas over to such and such a place I'll take it and in a case like this, why we could possibly cancel his allowable and if we did this, why certainly the 350 barrels of oil a day would be lost and this could be applied towards paying out his -- having to lay the line along with the value of the gas.

Q Do you have any other comments to make about paragraph three?

A No.

Q Would you continue then?

A Paragraph four, "The flaring or venting by an operator of gas from any well in violation of this paragraph will result in suspension of the allowable of the



affected well or wells."

I have on my notes here no explanation necessary, but when I got to Santa Fe yesterday, why there was a letter which they wanted to know what process we would go through to do this, to cancel the allowable and reinstate the allowable. It would be simply that if we caught a well flaring gas we would issue a supplement to the oil proration schedule canceling their allowable effective a certain date.

MR. PORTER: That would be after you had telephoned the operator to shut the well in?

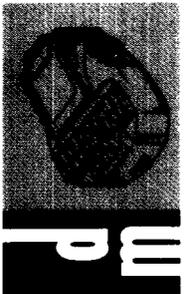
THE WITNESS: Right. And then the reinstatement would come either on the issuance of an exception to the order or when he got a connection and in doing this, we would then issue another supplement to the oil proration assigning him an allowable.

GOVERNOR CARGO: But you wouldn't do this unless they are given a warning, is that right? In other words, you have to catch them to warn them?

THE WITNESS: That's right.

GOVERNOR CARGO: That's interesting.

THE WITNESS: It may be a situation where they are just popping a certain percentage of the gas and we can

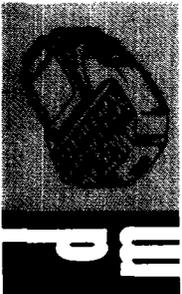


advise them of it and they can say, we will put a little more pressure on our separator and get it down the line, but if it's a well where they haven't applied for an exception and they are flaring gas, why we will call them and say, your allowable has been canceled.

MR. PORTER: I think, Governor, this is one of the reasons why it's being recommended that the exceptions be handled on local level by the field officer because they can make the inspection and expedite these exceptions or shut ins.

THE WITNESS: The last paragraph, no extraction plant processing any gas in the state shall flare or vent such gas unless such flaring or venting is made necessary by mechanical difficulty of a temporary nature or unless the gas flared or vented is of no commercial value.

I think first this no commercial value, we would consider this to be gas which has already gone through the treating plant which nothing can be done with except flare it at this point. In some cases, there may be wells in the field which will have gas which is of a high nitrogen content and it may not be practical for any plant to connect it and I think -- of course, this is dealing with extraction plants but I didn't mention that earlier.



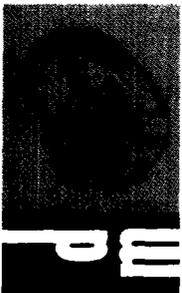
But now as to mechanical difficulty, my idea of a mechanical difficulty of the plant would be a temporary loss of fuel or power to an engine or a compressor and where it would be down for a matter of an hour or maybe two or three hours.

Q (By Mr. Hatch) What would an extended time be?

A Well, there again, I think each shut down will kind of have to stand on its own merit; maybe the volume involved and how long they are going to be shut down. I had one gasoline plant operator tell me that they had to shut down for a period of, I believe it was, eight days because their residue purchaser had to test his line for this time to meet federal standards.

Well, this was a scheduled shut down. The plant was advised that this was going to happen and I think, in a case like this, why the plant operator would have to go to the oil and gas operators connected to his system and tell them to pinch their wells back or shut them in until this -- until this period is over and I think this would be an extended shut down and I don't think the gas should be allowed to be flared during things like this.

There was another instance where an operator was



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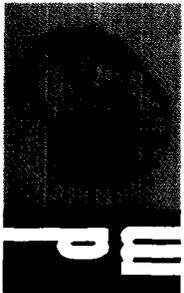
down for several days to plastic coat a line.

Q All right. You have already mentioned a form that has been prepared by the Commission to aid the operators in applying for exceptions. Do you have any comments you would like to make concerning that form?

A I will go over the form and try to clarify it as much as possible. This is labeled Exhibit No. 5. It is entitled "Application for Exception to No Flare Order R-blank," whatever the order might be, if the Commission sees fit to issue such.

This is broken down into parts A through G. Part A is applicant, which would be the oil and gas operator, hereby requests exception to R Order No. so and so for so many days or until the date, for the name of the installation located in; first part would be section, township and range; the second part pool. The name of the installation could be a single well or it could be a lease containing several wells. And the period, I guess they could request anything they want to.

I think down in paragraph G where it says "approved until" would be the limiting factor there. They might request one hundred twenty days, we might grant them sixty or they might request thirty and we might see fit



to grant them sixty, probably not; if they didn't think it would need anymore than thirty, why we probably wouldn't give them anymore.

Part B, based upon an oil allowable of so many barrels per day, the estimated gas volume to be vented is; that would be so many MCF and the value of the gas in dollars per day. I think probably instead of -- in the first line instead of an oil allowable, I think we should say based upon oil production because in many cases the wells aren't making their assigned oil allowable so production would be a more realistic figure. Then the value of the gas, I think the operators are aware of what the gas value is.

Paragraph C, "Name and location of the nearest gas gathering facility." This might be Phillips, Hobbs Gathering system, and the distance, however far it is to the nearest connection. Then estimated cost of gas connection. This is probably something that the operator would have available or could probably get from the gas purchaser.

Paragraph E, "This exception is requested for the following reasons." The reasons could be, we need more time or the reason could be that we want a permanent

exception because the cost of laying the line and the gas volume involved is such that it's not economical to gather and process the gas.

And F says, "I hereby --" which is just a certification by the operator and then G, "approved until" and this would be the time period as set out by the district supervisor and then, of course, his signature and then the no flare order or no flare order exemption number which, I assume, would be labeled for district one, would start out with 1-1, et cetera and district two would start out the same way, 2-1, et cetera, for the three districts.

Up here in paragraph b I left out -- we have an asterisk after estimated volume of gas, which says "may require gas-oil ratio tests."

Q Would this gas be metered if it's flared?

A No; probably not.

Q A moment ago you commented on whether thirty days is sufficient time for an operator of a newly completed well to gather their information and get a connection. I notice the rule calls for approval within ten days by a district supervisor for such application.

Is ten days sufficient for a district supervisor

to make a thorough investigation?

A Yes. It should be unless we have a terrible snow storm or something.

Q Of course, I assume that if you cannot make such an investigation as to make it clear within the ten days, that would be the type that you would want to refer to the Commission for approval?

A Well, I don't think there would be any trouble in the district making an investigation within ten days. I think the only type that should be referred to the secretary-director would be the type where we think there should be a connection.

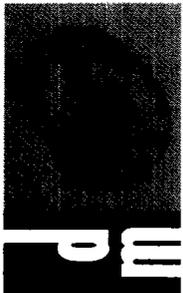
Q Do you have anything further to add to your testimony?

A No. This is all I have.

Q Were Exhibits 1 through 5 prepared by you or someone under your supervision?

A Yes. Exhibit 5, this was a staff recommendation. I think it came out of the Aztec office and Exhibit 4 was a staff recommendation which was discussed by all staff members from all districts. The other three were prepared by me.

MR. HATCH: I would like to introduce Exhibits 1 through 5.



MR. PORTER: If there are no objections, the exhibits will be admitted. Would you like to amend Exhibit 5, Mr. Ramey?

THE WITNESS: Yes. I think it should be oil production, based upon oil production of so many barrels per day.

MR. PORTER: Does anybody have any comments on this suggested revision of the form? It would be based on oil production, so you would strike an allowable and add the word "production," based upon oil production of so many barrels a day. Then, the record will note that the Exhibit 5 has been corrected to that extent.

Mr. Ramey, in connection with this asterisk and the note that it may require gas-oil ratio tests, would you mind discussing why that was put in there?

THE WITNESS: Well, I would think that we would receive an application and they might say 25 MCF per day and upon our investigation, why we go out and think that there's more gas there, why I believe we would require the operator to at least measure the gas, maybe perhaps -- maybe require gas measurement test would be more applicable there.

MR. PORTER: Well, also wasn't this done so that gas-oil ratio tests would not be required on every well upon

which an exception was requested?

THE WITNESS: Right. They could take a gas-oil ratio test for the whole installation.

MR. PORTER: This was due to the fact that the district supervisor in general will be familiar with an area and will know whether or not generally speaking ratios are high enough to require a test?

THE WITNESS: Right.

MR. PORTER: Does anybody have a question of Mr. Ramey concerning any of his recommendations or suggestion?

CROSS EXAMINATION

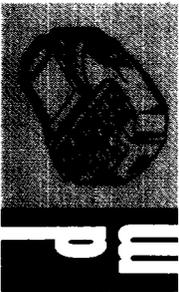
BY MR. LOSEE:

Q Mr. Ramey, let me ask you a question with respect to your recommendation on the time. In response to the Governor's question, did you say the time might well be sixty days rather than thirty days after completion of the well?

A Yes, I think it could be. Most of our present no flare orders have a sixty-day clause in there which allows the venting of gas for sixty days.

Q Do you think in most instances an operator can obtain a contract and lay his line within sixty days?

A In most cases, yes. Now, there will be exceptions, I'm



sure. Of course, it will depend on, you know, how close he is to a facility. If he is twenty miles away from a gas gathering system, why no, I don't think sixty days would be long enough.

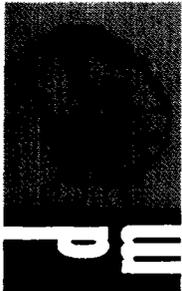
Q But you think if he's in a pool with a facility that may be long enough?

A Yes, I would think so.

Q In your testimony with respect to the first paragraph of the proposed order you said, if I recall it correct, that you knew of two pools that had no facility that you thought might require some action by the Commission to issue a no flare order in them. What are the names of those pools?

A Well, I was thinking primarily of the Sulimar and Double L Queen Pools. I'm sure that I can -- I could go through and find some more. Right off, I think of the Trace Pop Lotis Pool in Lea County which is a reasonably new pool.

Q I think the order implies at least one ground for an exception or fairly automatic exception. Would you say that if there is no gathering facility in the pool in which the well is completed that you would issue an exception in that case?



A Not just on that basis alone, Mr. Losee. If the well was making a considerable volume of gas, why we might issue a sixty-day exception, beyond the sixty days, but I think we would need some further proof.

Q Well, what if it was impossible to obtain a connection for any gathering facility into the pool?

A Well, then, I would think we would have to give an exception.

MR. PORTER: Mr. Losee, as I understand the proposal, pools which do not have gathering facilities are automatically exempt.

Q (By Mr. Losee) Well, now, is that going to be true if the well is completed after December 31, 1970?

A No.

Q You will have to seek an exception to any new well that is completed after December 31, '70?

A Or in the period from December 1 to that time, you are going to have to obtain an exception. This would be for any well, whether it's an old pool or whether it's a new well in a pool that has facilities, you still have to obtain an exception for it if you don't get a connection prior to the date of the order.

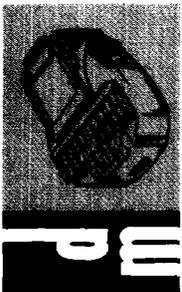
Q And you do think that if it would be impossible for the

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operator on a newly completed well in a pool that doesn't have a facility that that would be something that the district supervisors would grant exceptions for?

A Yes. I think you could probably -- you know, you could probably have a statement from the nearest gas gathering facility that they weren't going to lay a line and then we would probably verify this. There, again, it -- this might boil down that they would take the gas if you would deliver it to a certain point. We may have to take that into consideration.

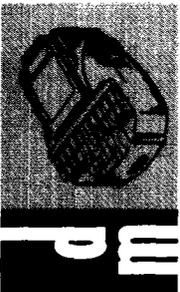
Q Now, let me turn to the pools that do have gathering facilities in them. You have mentioned that there are several plants in Southeast New Mexico that are at capacity at this time and also in your testimony the likelihood that the oil and resulting casing head -- the oil allowable will go up and the resulting casing head production will go up.

What would be your attitude, which is only one as a supervisor, if in such a pool where there was a facility which was at capacity and the allowables were raised and your client -- I mean the particular operator could only dispose of a portion of his casing head gas, even though there was a facility present in the pool,

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they wouldn't take all of his casing head, would they be entitled to an exception?

A No, I don't think so. I think that -- I think that all the wells in the pool should be pinched back a certain percentage.

Q Well, let me, under the same set of circumstances, assume that the gas gathering facility is owned by an operator of some production itself in that pool and they would continue to take all the casing head from their own wells and not from another operator's well.

Does that other operator have any relief under any rateable take statute in New Mexico?

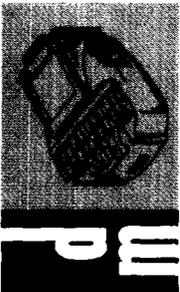
A I don't think rateable take applies to casing head gas. However, I don't think the plant operator would be very honorable in a case like this, but whether honor and money will mix, why I don't know.

Q Well --

A I would think the Commission would have something to fall back on to straighten out this situation.

Q Well, would you --

A I would certainly recommend, you know, that something be done where the wells would be, you know, prorated equally.



Q Well, would you, as a district supervisor, if an operator presented such a request for an exception to flare his, what would your action be?

A First, I would go to the plant operator and hear his story and see if I could convince him to, you know, stop this practice of taking his own and to hell with the other and then if I didn't get any results, I think I would immediately contact the Commission in Santa Fe for advice.

Q Well, what relief would the Commission be in a position to give an operator under those circumstances?

A May I refer to that my attorney?

Q Yes, sir.

MR. PORTER: Mr. Losee, I was just sitting here thinking that I have an idea Mr. Ramey's action would be to refer that question to the Commission.

MR. LOSEE: Well, he referred it to Mr. Hatch and I would really like to know what action the Commission could take under those circumstances.

THE WITNESS: Us engineers, we have legal opinions but whether they are good or not, why --

MR. PORTER: If Mr. Hatch would like to answer that question, he may proceed.

MR. ARMIJO: Mr. Ramey, don't you feel that we have two things over here to contend with, number one is the order then number two is to follow through on rules and regulations where we could send them out to the industry for recommendations also?

THE WITNESS: Yes.

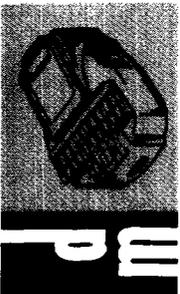
MR. ARMIJO: We could go on and on all day over here as far as individual or unique situations and I feel actually that there are two things over here and I think that the rules and regulations are secondary after the order is issued. Don't you feel that?

MR. LOSEE: Well, I think, Mr. Commissioner, our concern about the existence of the order doesn't -- we are not -- one, we are concerned that it's a good conservation practice but we have an actual situation and I can foresee some others in the absence of any rateable take authority in New Mexico on casing head gas wherein an operator in a pool with a gas facility, where the gas purchaser is also a producer, an extremely unequitable situation could arise and we are raising this question really by way of cross examination so the record will have the, if you please, unequitable situation in it with the request that we submit some revisions to the proposed order which will take care of that

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situation.

MR. HATCH: I think the Commission certainly would appreciate your submitting any proposed wording that may solve this problem. I don't think it's beyond the power of the Commission to consider -- in the case you are speaking of, there may be a need for an adjustment of the allowable in that pool as compared to the statewide allowable; might be a possibility or legal way.

You may wish to comment on that.

MR. LOSEE: Well, of course, it could be solved in that way, the allowable could be reduced for the pool. The Commission could, in the instance where an operator could show that he was being unequitably treated by the purchaser, you could give him an exception and let him flare his gas; not a good conservation practice but surely a protection of correlative rights with respect to his oil production.

I have some language which I will be glad to submit.

GOVERNOR CARGO: Do you have proposed amendments to this with you?

MR. LOSEE: Yes, sir.

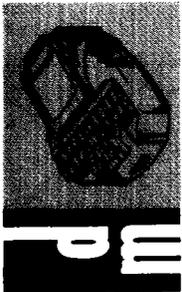
GOVERNOR CARGO: Are you in favor with the general thrust of the order?

MR. LOSEE: Oh, surely.

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MR. PORTER: Mr. Losee, I can appreciate your concern, certainly. I can also appreciate your wanting to get these ideas into the record. I think you should. I think the possibility is pretty remote that something like this would happen, but certainly it could.

I also realize that the Commission has pretty broad powers when it comes to protecting correlative rights and I don't think the Commission would hesitate to use those powers. However, we will appreciate your suggestions as to wording that might improve the rule.

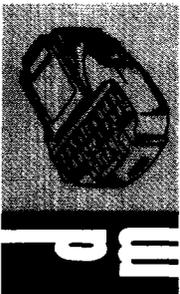
MR. LOSEE: Well, when it comes time for statements, I will be glad to read them into the record.

GOVERNOR CARGO: Do you have those typewritten or prepared?

MR. LOSEE: Not typewritten, they are pencil notes. Probably not readable by anybody but myself.

MR. PORTER: Well, suppose we proceed with the cross examination of Mr. Ramey and then, as you say, when the time comes for statements, if you would like to include this in your statement, that would be fine.

THE WITNESS: I think in answer to your question, Mr. Losee, no, I wouldn't be in favor of giving an individual operator the right to flare gas. I think it's a problem that



should be handled on a field wide basis. That's my opinion.

MR. LOSEE: Well, I think from the cross examination and the comments by the Commission that the record has the problem raised.

MR. PORTER: Does anyone else have a question concerning any of the testimony that Mr. Ramey has given? Would you identify yourself for the record, please?

MR. AZBILL: Luther Azbill, Skelly.

CROSS EXAMINATION

BY MR. AZBILL:

Q You mentioned in your testimony that in the case of a gasoline plant operator being forced to flare gas for an extended period of time, you suggested that it would be his responsibility to notify various operators of that fact, if I understood your testimony proper.

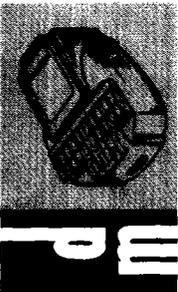
That's placing the gasoline operator in a regulatory position and that's an awful uncomfortable place for us to be and it is our feeling that that position belongs to the Commission and not to the gasoline plant operator.

A Mr. Azbill, of course, I kind of take the stand that if the gasoline plant operator contracts for the gas he ought to be able to handle it and there, again, if he has trouble which is going to necessitate a shut down,

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he could be more aware of where the gas is, where he can go to pinch it in and what have you, until, you know, the emergency is over or the scheduled shut down.

Q Then, if you did go ahead with the proposal like that, would you also give the gasoline plant operator and the producer that he elects to shut in then the automatic privilege to make up whatever allowable was lost to give sufficient time for this factor?

A Now, whether this would fall under some provision like purchaser proration or not, I don't know. I assume it would. Then, in that case, he could apply for back allowable and if the plant could handle the excess gas, why, yes, I think we would give him permission at some later date to make up what he lost.

Q Would it be incorporated in the original order?

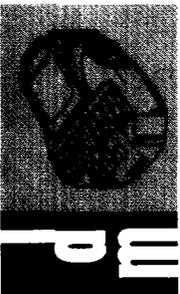
A No, I don't think that would be necessary, no. I think this would fall under one of the other rules of the Commission. This would act just like purchaser proration on oil. If the operator is prorated by the gasoline plant, why, then, he could apply to the district office for back allowable.

Q In reviewing the order as it was proposed, our people were very upset about that particular provision in that

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we feel it places an unfair burden on the gasoline plant operator and while the principles of the no flare order is conservation, we are thoroughly in favor of it but to have us act as policemen to say which leases will be shut in, we feel is unwarranted burden.

In our instance, we are not -- we are separate from our production portion of our company, but even so we feel it's an unjust burden for us to assume.

MR. PORTER: What company do you represent, Mr. Azbill?

MR. AZBILL: Skelly.

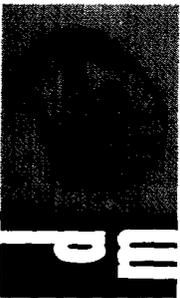
MR. PORTER: You operate how many plants in Southeast New Mexico?

MR. AZBILL: Three.

MR. PORTER: Three plants?

THE WITNESS: I can understand your problem, Mr. Azbill. It might be that if a scheduled shut down does arise that perhaps you and I could get together and we could work out something that won't be too hard on anybody.

MR. AZBILL: Well, I would certainly like to have -- at least, if it ultimately is that the gasoline plant operator is the one that determines what leases are shut in, that there be a provision that that lease operator could use that



curtailment notice as his automatic authority to apply for the allowable he has lost and also with sufficient time so that it would be a meaningful thing to him --

THE WITNESS: Right.

MR. AZBILL: -- and that would protect his correlative rights.

GOVERNOR CARGO: Do you have any suggested wording in connection with the amending of another rule or regulation that we have and I think you would have to do that; wouldn't you, Pete?

MR. PORTER: Governor, we have allowed to make up under production of oil. Of course, the gas is incidental to the production of oil for more wells. We have allowed this for a number of reasons and certainly as director of the Commission, I would consider the curtailment of oil production by a gas extraction plant a legitimate reason for granting back allowable which would include both gas and oil so I doubt if he needs such a rule.

MR. NUTTER: Mr. Porter, even though the statute exempts casing head gas from rateable take, isn't it the thought that in the event that a gasoline plant should have to curtail its purchases, it wouldn't be as Mr. Azbill is suggesting, they would determine which leases would be



shut in, but they would shut them all in or pinch them all back to some extent, reduce them by twenty percent or something, rather than determine, well, we are going to shut in that lease, that lease and that lease?

Wasn't that the idea, Mr. Porter, that all of them would be pinched in to some degree and not just some of them shut in completely?

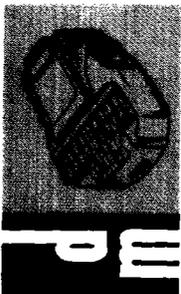
MR. PORTER: That's the whole idea of rateable take; not rateable otherwise.

THE WITNESS: Couldn't this be done on a pool basis? Say in their situation down in Eunice, they could maybe pinch back the Drinkard Pool only.

MR. NUTTER: Seems discriminatory to me to pick out one and not the other. I share his anxiety there. He has to make a determination on which ones have to be curtailed. It would appear to me it would be more equitable even though the statute does exempt casing head gas from rateable take, it would appear much more equitable to curtail everything to some degree, all of the connections.

THE WITNESS: They have a situation down there where they have several hundred operators and this might be a tremendous chore to contact all of them.

MR. PORTER: Even though, as you say, casing head



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purchasers are exempt from the rateable take provision or it's not included in the law, the Commission can certainly enforce rateable take as far as oil is concerned and this takes care of your gas.

I think we can restrict production from any particular pool in order to prevent waste. I don't want to have to take the stand.

MR. AZBILL: In any case, I wouldn't be -- whether you restricted all operators a little bit or some operators all the way, wouldn't make any difference really but the fact is to curtail casing head gas you would have to shut the lease in or pinch it back --

MR. PORTER: All right.

MR. AZBILL: -- and if we did have such an order, then I would also like the language protect the operator included as part of the order.

MR. PORTER: Well, certainly the Commission will take your suggestion into consideration. Anyone else have a question of Mr. Ramey? Kind of letting him off easy. If there are no further questions, Mr. Ramey may be excused.

(Witness excused.)

MR. PORTER: I believe that we have an indication that there wouldn't be any further testimony from any

participants in the hearing. So, at this time, we will take the statements.

Mr. Buell, I have you listed first; suppose you go first.

MR. BUELL: May it please the Commission. Pan American Petroleum Corporation wholeheartedly supports the entry of a no flare order. We do this for two reasons: one, rather obvious, it's a conservation measure and it will prevent avoidable physical waste. Our second reason is that we feel with such an order on the books the Commission can then, with complete confidence, raise the normal unit allowable to meet market demand with complete confidence that their action will not result in flaring.

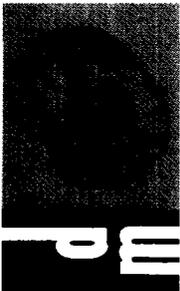
I might also point out that we have had experience in other states with no flare orders and situations have been generally discussed here today and in most cases we have always been able to work out on a co-operative basis between the concerned producers and the plant operator a schedule that will protect correlative rights.

In those few cases where we could not do it on a co-operative basis, we have then gone to the conservation body and sought their help and we have always had it and I'm sure that will be the case here in New Mexico.

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MR. PORTER: Mr. Woodruff.

MR. WOODRUFF: No statement.

MR. PORTER: Mr. Davis.

MR. DAVIS: If the Commission please, we, too, wholeheartedly recommend and endorse the no flare order. We are quite concerned about the thirty-day provision which, I think, has been cleared now. We think a minimum of sixty and we have found in many areas that with right of way problems, contractual situations, we have found that even sixty days is not sufficient and I would assume that when we are confronted with that we can come to either the district office or the Commission and ask for additional time where we are prevented because we have run into that in Lea County particularly where there has been a longer hold up because of right of way problems for the gathering line to be installed, more so than the contract.

Contracts are pretty much standard, I think, any way, and very little difficulty there, but particularly the right of way.

MR. PORTER: Mr. Simmons.

MR. SIMMONS: I want to read a statement. "Mobil Oil Corporation, as an operator in the State of New Mexico, does not object to the goals of the Commission's proposed

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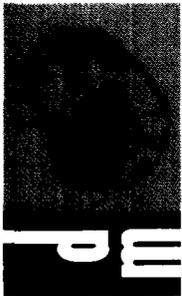
order prohibiting the flaring or venting of casing head gas as set forth in this hearing. During this period of energy shortages useful conservation practices should be encouraged. Mobil would respectfully recommend only two items for the Commission's consideration in writing the final order.

One, that the thirty-day flaring period allowed after completion of a well be extended to ninety days. In our opinion, this would provide the time necessary to complete gas contract negotiations for most of the wells. Item two, that the order provide for automatic exception and a permit to produce the well in question during the period the application and/or hearing is under consideration by the Commission.

Said well could be produced and casing head gas flared up to limits as set forth in the Commission's Rule 506."

MR. PORTER: Mr. Kastler.

MR. KASTLER: I am Bill Kastler appearing today on behalf of Warren Petroleum Corporation. Warren Petroleum Corporation is a major gas processor in Lea County, New Mexico. At the present time, the Bough area in Northern Lea County is the only location in New Mexico where Warren is regularly flaring casing head gas. This is due to the



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currently produced volume being in excess of the capacity of their present gathering and processing facilities serving this area.

Prior to the notice of this hearing, detailed studies were being made of plans to determine the best method for providing additional gas gathering and processing facilities in this area, taking into consideration the possibility of additional development. These studies indicated that the best plan for both the present and the future was to build in the Bough area an additional processing plant with an ultimate capacity greater than could be provided by expanding their existing facilities in the same area.

The majority of the gathering lines are now installed and contracts have been awarded to build a new processing plant which will have an initial capacity of twenty-seven million cubic feet per day and which will be readily expandable for additional volumes if drilling continues in this area.

Natural Gas Pipe Line Company of America, purchaser of the residue gas, will extend its pipe line into the Bough area and will compress the gas into the plant and pipe line. These facilities must be completed before the flared gas can

be processed or delivered to the pipe line.

Prior to making its application to the FPC for a certificate for these facilities, Natural received a firm commitment for early delivery of the compressors. The temporary certificate has been received now from the Federal Power Commission and the residue gas purchaser is proceeding with the plans to have the compressors operating as quickly as possible. Field construction will start within the next two weeks and it is estimated that the full facilities will not be operable until mid March, 1971.

In an area like Bough, that has grown rapidly, it is a major decision to determine the designed capacity of completely new facilities. Any prudent operator must make the decision based on the amount of extra capacity that he can reasonably justify for future growth. This often results in oil production developing in excess of processing capacity to provide a reasonable lead time for sizing, designing and acquiring materials for the installation of additional processing facilities to accommodate the increased gas production.

We are all now entering the coldest season of the year when the gas-oil ratios will decline substantially and the producer will use more of the available gas to operate his production facilities, so we may reasonably expect a

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further reduction in the volume of gas flared in the next few months. For these reasons, we respectfully request that, for the benefit of the producers in this area, they be allowed to produce their regular oil allowables in the Bough area through March 15 to provide time for Warren and Natural to complete the installation of the new facilities before the Commission issues its no flare order in this area.

In the meantime, Warren pledges that it will make every effort to keep the existing facilities loaded to the maximum and work with the producer in every way we can to equitably keep the flaring to a minimum.

Thank you.

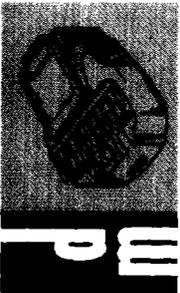
MR. PORTER: Do I understand you, Mr. Kastler, you are requesting an extension of time to March 15, 1971, before the provision of a no flare order would go into effect for that particular area?

MR. KASTLER: That's correct.

MR. PORTER: Since it would take you that long to install the plant and gathering facilities?

MR. KASTLER: Yes, sir.

MR. PORTER: Do you have any statements on how long it will take Natural Gas Pipe Line to install facilities to take the residue gas?



MR. KASTLER: I would like to refer that question to Mr. C. W. Miller, who is vice-president of Warren and who is here.

MR. PORTER: Fine.

MR. MILLER: We visited with Natural the first part of this week and they said they would make every effort to get that line in prior to that time if they possibly could.

MR. PORTER: Thank you. Mr. McCarter.

MR. McCARTER: Dale McCarter, with Texaco. Texaco Incorporated fully agrees with the New Mexico Oil Conservation Commission's desires and intent in Case No. 4453 to restrict the flaring of gas to a minimum. Texaco recommends two changes to the proposed order, both being designed to alleviate the administrative burden of the New Mexico Oil Conservation Commission applying with the proposed rule.

These proposed changes are one, that the thirty-day clause in paragraph one and two be changed to ninety days. It is the opinion of Texaco that the connection of a well on a new lease, one not under a prior contract, cannot reasonably be expected to occur within thirty days after the well is complete.

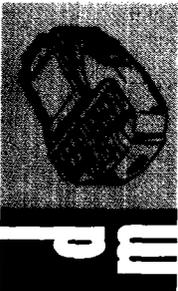
The time involved in the development of a market, contractual negotiations and other regulatory requirements

precludes the connection of a well, the sale within thirty days. Some existing pool no flare orders allow a ninety-day period before a gas connection is required and this time has proved satisfactory. That the following additions be made at the end of paragraph one: unless such flaring or venting is made necessary by mechanical difficulty of a temporary nature. This addition will allow the flaring of gas at a field sight in case of mechanical problems that occur which would preclude the gas processing plant from temporary flaring or venting the incoming casing head gas as field compressor or downtime, lime low-down and et cetera.

MR. PORTER: Mr. Rodgers.

MR. RODGERS: W. C. Rodgers representing Phillips. First, I think I might say in the matter of venting gas in the Sulimar and Double L, I believe that we are going to take that gas. Secondly, Mr. Azbill commented up here on the matter of the regulatory power of the Commission and its action. In this prepared statement, which I would like to read, I have an example which he might be referring to.

In the matter of Case 4453, Phillips Petroleum Company wishes to state that both as a producer of crude oil and a processor of natural gas it is in accord with the



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objective that the New Mexico Oil Conservation is seeking to accomplish by considering possible regulations to prohibit the flaring or venting of casinghead gas. We, however, would like to bring to the attention of the Commission certain factors that in our opinion have a bearing on actual operations.

As a gas processor it is our desire to gather all gas that is authorized for sale to our plants as rapidly as connections can be practically achieved. In cases where contracts with producers already exist for other gas in the pool, it may be possible to meet the 30 day period of venting proposed by the Commission. Problems in securing rights of way and materials frequently extend the time required for this work beyond 30 days from date of completion of a new well on a previously unconnected lease. In our opinion most new connections have required time in excess of this amount. Recognizing that the Commission proposes to authorize to its district directors discretionary powers to grant exceptions to this time period, we believe that the administrative burden will be reduced without undue losses in gas or the administrative control of the gas if the Commission sets this time period at 90 days.

We are cognizant of the fact that the proposed order as drafted prohibits the flaring of commercial gas at

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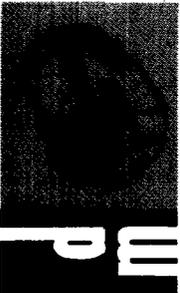
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a processing plant except as made necessary by mechanical difficulty of a temporary nature. It would be helpful if the Commission will recognize that gas processing plants are actually affected by the problems of the residue gas purchasers almost as directly as by the problems of the plants themselves. Requirements of other agencies are also factors. Specifically, two of our plants in New Mexico are required to be down one period of approximately 24 hours during each calendar year for state boiler inspections. Other repairs and safety inspections are made at such times, and the shutdowns have been extended beyond 24 hours in some instances where major repairs or changes in equipment were found to be necessary.

Periodically plants are shut off from residue sales because of problems related only to the gas purchaser. In these instances plants do flare gas in accordance with the instructions of the gas purchaser. If major down time is expected by the gas purchaser, it is anticipated that the plants will be informed well in advance of the shutdown period. Occasionally small volumes of residue gas are flared without advance notice for short periods of time because high pressures have developed in the transmission system.

An extreme case of residue gas flaring occurred



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recently when one plant flared all residue gas for a seven day period. This was caused by the testing of lines owned by the gas purchaser and transporter. A more difficult and more frequent case happens when the purchaser restricts gas takes to a fraction of the gas available.

If the Commission can accept instances such as those mentioned as falling within the concept of mechanical difficulty, then no insurmountable problems should result. If, however, these do not fall within this category, then it is believed that the proposed order should be expanded slightly.

If required for this condition, it is suggested that the Commission direct that in those instances where it is known that a plant will be down in excess of 24 hours that notice be given promptly to the district director of the Commission and that he issue such instructions to producers as he may deem necessary. If planned shutdowns are made and not completed within 24 hours, the district director should be notified as soon as practicable.

In our opinion plants do not have the capability to totally control the flow of gas that they receive. In most cases we cannot shut out at the plant produced gas, but for safety reasons must flare it if it enters our systems.

Plants do not have the means to exercise ratable takes where oil production also is involved. Our Company recently conducted the shut down of a major plant during which it was expected that the producers would shut down their wells for a 24 hour period in order to prevent flaring. This was to be in accordance with the directive of a state agency. The results appeared to be most unsatisfactory with only a portion of the producers actually shutting down all of their wells. This resulted in the flaring of gas in the field.

Because of these conditions that have been experienced we recommend that the Commission also grant to its district directors discretionary authority to act to maintain field operations of both wells and plants in a manner consistent with both prudent and practical conservation practices.

Thank you.

MR. PORTER: Mr. Kellahin.

MR. KELLAHIN: Jason Kellahin, appearing for Temporary Resources Corporation. Temporary Resources Corporation is the operator of the former Arco-Denton Gasoline Plant located about eight miles northeast of Lovington. The plant is presently processing eight million cubic feet of gas per day with a compressor capacity of

sixteen million.

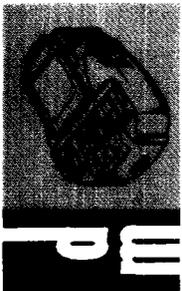
The capacity could be increased to 21.5 million per day by setting another compressor which would be a very simple operation which could be accomplished very quickly. The plant itself has a processing capacity of twenty-seven to thirty million per day so by adding additional compressors the capacity could be increased up to that figure.

There are presently fifty-six miles of gathering lines to the plant and lines run as far west to the High Plains Field. Temporary is in the unique position of looking for gas and obviously has no objection to the no flare order. We are ready to cooperate with the Commission and with any of the operators or producers gathering and processing any gas that can be economically brought to their plant.

GOVERNOR CARGO: What's your position on the thirty-day period?

MR. KELLAHIN: The question was not raised as Temporary has been actively looking for gas connections, but I am sure they would prefer to go along with either a sixty or ninety-day period because in other areas we have had experience with right of way problems getting a little sticky at times.

MR. PORTER: Mr. Losee.



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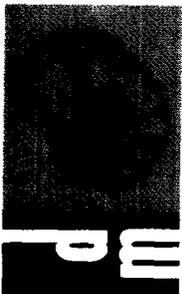
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MR. LOSEE: A. J. Losee, appearing on behalf of Yates Petroleum Corporation. We endorse the endeavor of the Commission in seeking the enactment of this no flare order. We do propose two changes in it. One, we would like to concur in the recommendations already made that the thirty-day period be increased to ninety days, which will permit an operator and a gathering facility a reasonable time to negotiate a contract and to lay a line and to overcome the right of way problems.

Second, we would like to propose a change or two changes in the order which will, one, grant an automatic exception where there is no gathering facility and two, an automatic exception where the gathering facility, if present, has not tendered a contract to the operator on substantially the same terms as it is purchasing gas in the pool.

I will read the proposed language, the latter being necessary, we think, because of the absence of any rateable take statutory authority in New Mexico on casing head gas. I would take exception that the rateable take provision on crude oil would also permit a rateable take on the casing head gas.

I just don't believe that would solve the problem. In the first paragraph following the words "gas gathering



facility," add this phrase, which has tendered to such well a purchase contract of substantially the same terms as it is purchasing casing head gas from other wells in the pool. That's the end of the insert.

Down in the third paragraph, second sentence, following the language "to grant such exceptions" add this phrase, "where there is no gas gathering facility in the pool or where a gas gathering facility in the pool has not tendered a purchase contract to the well on substantially the same terms as it is purchasing casing head gas from the other wells in the pool and or"; that is the end of the insert and take up with the language "and/or whenever the granting of an exception is reasonably necessary, protect correlative rights and prevent waste."

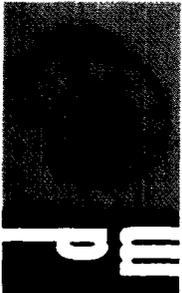
What we are suggesting is merely adding two automatic exceptions which the district engineers will have authority to approve.

MR. PORTER: Does this conclude the statements?

MR. HATCH: Mr. Losee, would you furnish the Commission with a written copy of that?

MR. LOSEE: Yes, sir.

MR. HATCH: I have two communications here that I would like to call attention to.

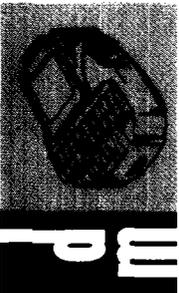


MR. PORTER: Suppose you read those into the record or at least make note of them so they can be picked up in the record.

MR. HATCH: They are fairly short. I think we can read them into the record. Telegram from Humble Oil and Refining Company. "Humble Oil and Refining Company urges the Commission to consider extending the time of thirty days to ninety days, allow for venting of gas of new wells not under gas contract to allow for normal delay for the contract negotiations in connecting up of wells. Also suggest operators be allowed to flare gas made necessary by mechanical difficulty of a temporary nature."

A letter from Amerada-Hess Corporation addressed to the Commission. "Amerada Division, Amerada-Hess Corporation has reviewed the proposed order to prohibit the flaring or venting of casing head gas when certain conditions exist and supports the adoption of the rules as posed."

A letter from Union Oil Company of California, addressed to the Commission. "Union Oil Company of California supports the action of the Oil Conservation Commission in promulgating the no flare order proposed in Case No. 4453. Recognizing the necessity of regulating the handling and conservation of casing head gas the oil industry is well



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served with orders of this nature which establish guide lines in the operation so as to comply with the objectives of the Commission's policy. In reviewing the proposed order, we have been confronted with two questions we feel are significant.

The first relates to mechanical problems that may cause temporary flaring at a well. As provided for plant operation, it would seem appropriate to also exclude well flares which are of a temporary nature, resulting from mechanical problems at the well or on the gathering system or at the plant processing gas from the well.

Unless this strong, overriding reason exists for restricting all such flaring, even though such flaring is in a minor nature, it appears that a great deal of Commission and industry inconvenience could be avoided by excluding such temporary flaring from the prohibition of this order. Therefore, we suggest the clause, "unless such flaring or venting is made necessary by mechanical difficulty of a temporary nature" be added to the end of each of the first two paragraphs of the proposed order.

The second question relates to the allowable suspension provision of the proposed order. We note that the period for such suspension and the method for reinstating

allowable is not spelled out in this provision. We feel that this period and the method of reinstatement should be clarified in the order. We appreciate having had the opportunity of reviewing the proposed order in advance and request your favorable consideration of the points discussed herein.

While these questions may not be of a major significance, we feel that consideration thereof at this time may contribute to the full understanding of the order, may assist in avoiding problems of handling once the order becomes effective. Union Oil Company of California."

That's all I have.

MR. PORTER: Thank you, Mr. Hatch. At this time the Commission certainly wants to express its appreciation to you for your interest in this case, for your participation, for coming here and offering the suggestions that you have and asking the questions that you have.

We, at this time, are going to take what I hope will be a brief recess and reconvene here. We have already decided that a no flare order will be issued. What we want to discuss at present, during this brief recess, is when it should become effective.

Of course, we hope we can announce an effective

date here today so that you will be placed on notice and then, of course, we will take some time in working out the details of the order before it is signed. Right now, we will take, what I hope will be, a very short recess.

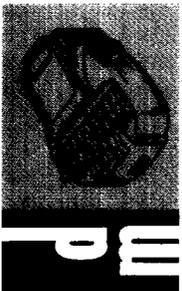
(Whereupon, a brief recess was taken.)

MR. PORTER: The Commission has decided to make the no flare order effective January 1, 1971. We will allow sixty days in paragraph two instead of the thirty. The other details of the order will be worked out and the order will be sent out prior to the effective date.

Governor Cargo, did you have anything that you want to say?

GOVERNOR CARGO: Well, I wanted to congratulate everyone in the industry for so actively seeking this order and I think you have been very progressive minded in doing so and I just thought congratulations would be in line here, maybe in order.

MR. PORTER: Thank you, Governor. The regular hearing will be adjourned at this time. The examiner hearing will reconvene up in the Oil Commission Conference Room.



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