

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

January 22, 1952

Case 339: In the matter of the application of the Gulf Oil Corporation for an exception to Rule 404 (Natural Gas Utilization) of the Oil Conservation Commission's Rules and Regulations in relation to its well in the SE/4 SE/4, Section 22, Township 12 South, Range 33 East, NMPM, Lea County, New Mexico.

R. G. McPHERSON,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. CAMPBELL:

Q. State your name please?

A. Bob McPheron.

Q. By whom are you employed?

A. Gulf Oil Corporation.

Q. Where are you stationed?

A. Hobbs.

Q. What is your position with Gulf?

A. I'm area petroleum engineer.

Q. As area petroleum engineer, are you acquainted with the history of Gulf's NMI State No. 1 well in the SE/4 SE/4 of Section 22, Township 12 South, Range 33 East?

A. I am.

Q. When was this well completed?

A. January 11, 1950.

Q. What is the depth of the well?

A. It was drilled to a depth of ten thousand five hundred fifty eight (10,558) in the silure-Devonian. It was dry there and plugged back to eight thousand six hundred forty-five (8,645) and completed as a gas well at that time.

Q. What was the nature of the production. Were any distillates produced at that time?

A. Yes. It made some distillate depending upon the amount of gas that we produced from the well.

Q. At that time when the well was originally completed, was there a market available for the gas that was produced?

A. No.

Q. And what did you do with the well?

A. It was left standing until a market became available.

Q. And when did a market become available?

A. In January of this year.

Q. And will you state to the Commission the nature of that market?

A. We are selling gas now to the Amerada Petroleum Company which they use for gas-lift purposes in their Devonian pool and I think also Wolf Camp there and also for fuel.

Q. And after the gas is utilized for gas-lift purposes and fuel, it is then flared, is that correct?

A. Right.

Q. For that reason, you ask this Commission upon January 8th for an emergency order for an exception to Rule 404?

A. Yes.

Q. When did delivery into the line for sale under the Amerada contract come in?

A. At four p.m., January 7th, 1952.

Q. What is the production of this well, now?

A. Since we began this line, we have averaged one million four hundred seven thousand and three hundred thirty three (1,407,333) cubic feet daily. In addition to that, we have produced an average of twenty (20) barrels of distillate daily.

Q. And how are you moving the distillate to market?

A. By truck.

Q. And you are selling the distillate at this time?

A. We are.

Q. Has Gulf entered into a contract with Amerada for the sale of this gas?

A. Yes.

Q. Are you acquainted with the general terms of that contract?

A. Yes.

Q. Do you know whether this contains any provision for cancellation of the contract by either of the parties?

A. Yes, it has a sixty (60) day cancellation clause.

Q. Either party may cancel the contract upon sixty (60) days' notice?

A. That is correct.

Q. If the occasion should arise that there is a market available for the gas, it will preclude the necessity for flaring the gas after its use. Is your company then prepared to exercise its option under the contract and to cancel it and make sales which will not necessitate the flaring of the gas at the end of its use?

A. We are.

MR. CAMPBELL: I believe that's all. The Commission will recall on January 8th we obtained a temporary order in this case. Since the rules of the Commission limit the effectiveness of the temporary order to fifteen days, this order will expire, according to my calculations midnight January 23rd, tomorrow. We desire, if the Commission is so inclined, that this order be issued immediately in order that there will be no lapse of time during which we will be unable to sell gas since deliveries are now taking place in the line which has been constructed.

MR. SPURRIER: The order is more commonly called an emergency order - - -

MR. CAMPBELL: Yes.

MR. SPURRIER: And I will recommend to the Commission that they sign a formal order before the emergency order expires. Any comments?

MR. SHOEMAKER: We are buying distillates that are produced along with this gas and there was four hundred (400) barrels allowable set

up for that purpose and I'm just wondering if that will be set on some sort of a basis where it will be re-issued every time this four hundred (400) barrels is used up which is the allowable for the distillate.

MR. CAMPBELL: Mr. McPheron, do you know anything about the consistency of the production of distillate from that well to know whether any permanent basis for allowable for the distillate sale can be established?

MR. MCPHERON: We will ask the Commission to rule on the amount of distillate that we can produce. We have, however, not run the well very long and we were unable to determine how much we would produce when we asked for the four hundred (400) barrel allowable. It will be increased to six hundred (600) or whatever is necessary.

MR. SHOEMAKER: On a monthly basis?

MR. MCPHERON: Well, I imagine we'll have to ask for it monthly but I don't know that it can be set up on a regular schedule month after month, or not.

MR. CAMPBELL: Gulf oil has produced that distillate under - - - has made sure that the distillate purchased has been under proper order of the Commission.

MR. GRAHAM: It seems to me that the violation of Rule 404 would be on the part of Amerada. Do you propose to file copies of that contract via Amerada or authorize them to use it in violation of that rule?

MR. CAMPBELL: Well the record here contains the fact that the contract is for sale to Amerada and the use - - - Gas is being produced, however, from a well that is owned by Gulf. They are the ones that are producing the gas and the ultimate effect of that production is the necessity of it being flared. I believe that the record is probably complete but if the Commission insists, we have no objection on filing a copy of the contract or agreement between the Amerada and Gulf. I do not feel that it is necessary, however, for a copy of the agreement to become a part of the record.

MR. GRAHAM: I would suggest a memorandum of the agreement in any event. Gulf has produced and sold the production. Amerada, however, bought it for use.

MR. CAMPBELL: Is your opinion then that it is unnecessary for the company producing the gas to obtain an exception to this rule under these circumstances?

MR. GRAHAM: Well, I imagine that it's a joint venture.

MR. CAMPBELL: Well, Mr. McPherson isn't correct in that the contract requires Gulf to obtain this exception before the contract became effective.

MR. MCPHERSON: No-one said the contract required that. But we were requested to get the exception by Amerada in order to protect them.

MR. GRAHAM: That is part of the offer of acceptance?

MR. MCPHERSON: Yes, it was in the letters of agreement.

MR. CAMPBELL: I might say for the record that the agreement

does provide that and if the Commission feels that they need something further with respect to this record with regard to the agreement to protect them and Amerada, we will be glad to furnish it if you will advise us what you want.

MR. GRAHAM: You have made all the necessary clearance with the State Land Office?

MR. MCPHERON: Yes, we have.

MR. SPURRIER: Are there any further comments or questions of this witness? If not, the witness may be excused. I will reiterate my former statement. I will recommend to the Commission that the order be issued.

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STATE OF NEW MEXICO)
) ss
COUNTY OF LOS ALAMOS)

I hereby certify that the foregoing and attached transcript of hearing in Case 339 before the Oil Conservation Commission on January 22, 1952, at Santa Fe is a true record of the same to the best of my knowledge, skill and ability.

DATED at Los Alamos, this 25th day of January, 1952.


Audrey M. Henrickson

My commission expires September 20, 1955.