

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

IN THE MATTER OF:

CASE NO. 790 - Regular Hearing

TRANSCRIPT OF PROCEEDINGS

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

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

IN THE MATTER OF:

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

Case No. 790

BEFORE:

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

TRANSCRIPT OF HEARING

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

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

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

MR. HINKLE: That is the mimeographed copy?

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

MR. HINKLE: Clarence Hinkle, representing Amerada Petroleum

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

MR. MACEY: Anyone else?

MR. KELLAHIN: If the Commission please --

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

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

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

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

MR. MACEY: Very definitely.

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

MR. MACEY: I didn't follow you.

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

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

MR. KELLAHIN: That clarifies it.

MR. MACEY: Mr. Howell?

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

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

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

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

MR. MACEY: Anyone else?

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

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

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

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

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

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

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

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

MR. MACEY: Anyone else?

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

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

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

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

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

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

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

MR. MACEY: The operator of the well.

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

MR. MACEY: Are they paying you for it?

MR. KELLAHIN: Yes.

MR. MACEY: It is metered?

MR. KELLAHIN: Yes.

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

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

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

MR. KELLAHIN: They are of a temporary nature.

MR. MACEY: Is there anyone else?

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

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

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

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

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

MR. MACEY: (Interrupting) Oh, no.

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

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

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

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

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

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

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

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

MR. MACEY: Anyone else?

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

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

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

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

