

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1402

TRANSCRIPT OF HEARING

July 2, 1958

DEARNLEY - MEIER & ASSOCIATES  
GENERAL LAW REPORTERS  
ALBUQUERQUE, NEW MEXICO  
Phone CHapel 3-6691

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
JULY 2, 1958

-----

IN THE MATTER OF: :

CASE NO. 1402 Application of Neville G. Penrose, Ind., :  
 for an order amending Order R-1151. Ap- :  
 plicant, in the above-styled cause, seeks: :  
 an order amending Order No. R-1151 to :  
 extend the time allowed for the flaring :  
 of gas from its McCallister Well No. 1, :  
 located 660 feet from the North and West: :  
 lines of Section 7, Township 22 South, :  
 Range 38 East, Tubb Gas Pool, Lea County: :  
 New Mexico. :

-----

BEFORE:

Daniel S. Nutter, Examiner.

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

MR. NUTTER: The hearing will come to order, please. The first case this afternoon will be Case 1402.

MR. PAYNE: Application of Neville G. Penrose, Inc., for an order amending Order R-1151.

MR. NEILL: I am G. Neill, employed by Neville G. Penrose, Incorporated, and I would like to submit evidence and testify in the reopening of Case 1402. I would like to submit these letters as Exhibit 1 and Exhibit 2.

MR. PAYNE: Would you raise your right hand, please, and we will swear you in.

(Witness sworn)

MR. NEILL: In the hearing of March 19, 1958, Neville Penrose requested an exception to a no-flare order on McCallister Well No. 1, Section 7, 22 South, 38 East in Lea County, New Mexico. This is a Tubb Oil Well. At that time we presented letters as evidence from Skelly Oil Company and from Warren Petroleum or Gulf indicating that they were testing this well to take the low pressure gas from the connection. However, since that time they have run these tests and have declined to make a connection on the grounds that the gas is insufficient to make it economically feasible to lay a line to their gathering system. Gulf is 2300 feet from it, and Skelly is 2400 feet, and we are asking that this case be reopened. And we would like to submit these letters from the two mentioned companies where they are declining to make a connection at this time, and request that the Commission give us a permanent exception to this no-flare Order 1151. That is all the evidence we have to submit now, except some tests. We have run some tests on the well, and we do it periodically, and the gas is gradually declining. And in the event this exception is granted, we will continue to take tests and any change, the Commission would be notified immediately. But as of now we are unable to make any connection at all for the low pressure gas, and our order which you granted on April the 3rd, ninety-day exceptions to this no-flare order will be up on July the 3rd, which is tomorrow, and if it is at all possible, we would like an early decision on the matter to prevent us from having to shut the well in. We are, like I say,

4

watching the well closely, and any change, the Commission would be notified immediately. And we will continue to take these tests and try to justify connection at such time it does arrive. But at this time we are unable to obtain a low pressure connection whatsoever. We would like for a permanent exception to Order R-1151 at this time.

W. NEILL: CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Neill, the gas from the well is presently being flared, is that correct? A Yes, sir.

Q Is there a meter installed that enables you to measure the gas that is being flared, or is this a constant thing?

A It is periodic; at times there will be no gas at all.

Q How frequently do you measure the gas that is produced?

A There hasn't been any set time, but just roughly I would say once a month.

Q Are there any rules of the Commission that require that the gas-oil ratio be taken of those wells at any particular interval, do you know?

A I believe the Commission has the day set up; that may be three times a year or twice a year. I am not too familiar with that schedule, but the Tubb oil is tested and GOR given the Commission periodically.

Q And you state that the present trend of the gas production is to decrease rather than increase? A Yes.

Q What is the volume of gas that is being produced at the present time?

A A test that was taken on May the 25th showed less than 11,000 cubic feet of gas.

MR.UTZ: That's per day? A Per day.

Q (By Mr. Nutter) And you have here requested an order primarily authorizing you to flare the gas from that well?

A Yes, sir.

Q Would it be agreeable to Neville G. Penrose, Incorporated, to have an order entered in this case which would authorize the flaring of gas providing no more than a certain amount was being flared per day? A Yes.

Q Has Skelly or Warren, either one, indicated to you what volume of gas would be necessary for them to consider it economically feasible to --

A No, they have not, except they just come up with the volume of gas that the well was making at the time of the test and that it would be an approximate six-year payout on it, with a revenue of about one dollar twenty-nine cents a pay from the low pressure gas.

Q Do you know what these gas companies, or gasoline plants normally consider a reasonable payout on a line to a gas well?

A No, sir.

Q To an oil well? A No, sir.

Q I hand you what you introduced as Exhibit No. 1 in this

case, Mr. Neill. Has Skelly Oil Company in that letter mentioned anything about the actual volume of gas that was available when they tested the well?

A Not in this particular letter. I am not positive, but I believe in the previous letter they mentioned 29,000 cubic feet per day as did Warren or Gulf.

Q Well now, this Exhibit which has been marked as Exhibit No. 2, is signed by a signature which is the Plant Superintendent, but just what is this letter?

A This is from Warren Petroleum. I can't tell you why he didn't put it on a letterhead, but it is a letter he submitted to me declining the low pressure connection, and he is the person that we've contacted regarding the gas on the well. Co. Warren.

Q And this would be a statement that Warren Petroleum Company sent?

A He is Plant Superintendent of the Warren plant in Eunice, it would be.

Q I note that he mentions 29 MCF per day. Also, when was this test taken?

A That test was taken -- he didn't give me a definite date, but when we had the hearing on March the 19th, he was supposed to be in the process of taking the test at that time.

Q And you don't have any idea, Mr. Neill, what volume of gas would be commercially feasible for either one of these companies to come over there and pick up this gas?

A No, sir, I wouldn't. They have just stated that the volume of gas being flared wouldn't justify economics on account of the payout. As far as the actual quantity that would be necessary before they ever take it out, I wouldn't know.

Q In the event that any company in this area should find it necessary to flare gas and they had more gas available or if they had a gas line that was closer to this well, it would be more economically feasible to come in and connect this well than it is at the present time, isn't it?

A We feel that any time that they do take another connection near the well and come in closer, we will ask them for a connection by a permanent exception to it. I don't mean that we wouldn't still work on the matter and try to obtain a connection, but any time they do move in closer, we will request connection from them.

Q So there would be two possibilities for the election or the need of a permanent order. One would be that this well would commence making more gas, or that another well in the area would commence making gas, or that their limits would be extended closer?

A That is possible, but at present neither one of them say that they have any plans for a line coming in any closer.

Q Mr. Neill, I note that the March hearing in this case you estimated that about 16,000 cubic feet of gas were flared in a six-hour period from this well, and now you estimate that 11,000 MCF were made in twenty-four hours. Is this characteristic of oil

wells in the Tubb to have declining GOR?

A Maybe I made a misstatement a while ago. The well flowed twenty-four hours and the test was over. I am going to say in an eight-hour period.

Q This test of May the 25th? A Yes.

Q And you made the 11 MCF in eight hours?

A Yes, but the well flowed down and wouldn't make any more gas, so I may have been assuming when I said in one day because after the flow-down period it didn't make any more gas.

Q I should correct the record to show that you stated in a six-hour period you estimated that about 16,000 cubic feet per day were flared? A Yes.

MR. NUTTER: Are there any further questions of Mr. Neill?  
Mr. Utz.

QUESTIONS BY MR. UTZ:

Q Mr. Neill, how far is it to the nearest low pressure connection to the well?

A Gulf's nearest connection is 2300 feet. Along that line I would like to make a correction in our attorney's letter to you, Mr. Nutter, in which he stated it was 3200 feet, but the nearest connection is 2300 feet.

Q That six-year pay out was based on how much gas per day?

A Well, I am assuming that on the 29 cubic feet.

MR. NUTTER: I think the six-year pay out was based on Warren's line. How far is Warren's line?

A 2300.

MR. NUTTER: And Skelly's line is what?

A 2400 feet, one hundred feet difference in the two lines.

MR. UTZ: And that was based on 29 MCF per day?

A Yes.

MR. UTZ: That's all.

MR. NUTTER: Are there any further questions of Mr. Neill?

If not, he may be excused.

A I would like to ask a question, what the situation will be since the expiration date is July the 3rd?

MR. NUTTER: Mr. Neill, realizing the circumstances, we will make every effort to handle this as expeditiously as possible. I don't know what the actual outcome will be.

Did you want to offer these formally?

A Yes, I would like to offer the letter from Skelly as Exhibit 1; July the 2nd, '58, in Case 1402. And the letter from Warren as Exhibit 2; July the 2nd, '58, in Case 1402.

MR. NUTTER: Without objection, Exhibits 1 and 2 in Case 1402, 7/2/58 will be entered as evidence in this case.

Is there anything else anyone wishes to offer in Case 1402?

We will take the case under advisement and take up Case 1479.

