

IN THE MATTER OF:

Case 1853

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 13, 1960

IN THE MATTER OF:)

Application of Standard Oil Company)
of Texas for an exception to the)
"no-flare" provision of Order R-1427.)
Applicant, in the above-styled cause,)
seeks a 60-day exception to the "no-)
flare" provision of Order R-1427 for)
18 wells in the Bisti-Lower Gallup)
Oil Pool, San Juan County, New Mexico.)

Case 1853

BEFORE:

Honorable John Burroughs
Mr. A. L. Porter
Mr. Murray Morgan

TRANSCRIPT OF HEARING

MR. PORTER: Case 1853.

MR. PAYNE: Application of Standard Oil Company of
Texas for an exception to the "no-flare" provision of Order R-1427.

MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, Santa
Fe, appearing for the applicant. I would prefer not to do the
testifying, so we'll call one witness. I would like to call as a
witness Mr. Langrip.

(Witness sworn.)

MR. KELLAHIN: Before we proceed, if the Commission
please, we have a similar situation as that just presented by
Southern Union in connection with two of the wells; we have learned
just this week, and subsequent to filing this application, that two

of these leases will not be connected because of the economic feasibility. Would the Commission prefer that we submit a letter and request for administrative approval or put on testimony at this time for those two wells?

MR. PORTER: That's two of the total of 18?

MR. KELLAHIN: Yes, sir.

MR. PORTER: The Commission attorney writes these administrative orders. He would prefer that you write the letter.

MR. PAYNE: Submit it tomorrow, your application for administrative approval for these two wells.

CHARLES W. LANGRIP

called as a witness, having been previously duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Charles W. Langrip.

Q By whom are you employed and in what position, Mr. Langrip?

A Standard Oil Company of Texas, Field Foreman in the Farmington area.

Q Have you had any training as a professional engineer?

A I graduated from University of Texas in 1950 and have been doing, with a B. S. in petroleum engineering, and have been

doing engineering work for Standard of Texas for the past eight years.

Q How long have you been in your present capacity as foreman at Farmington?

A Two and a half years.

Q In connection with your duties as foreman in Farmington, do you have jurisdiction over the area involved in this application?

A Yes.

Q Are you familiar with the facts involved in this application?

A Yes.

MR. KELLAHIN: Are the witness' qualifications acceptable to the Commission?

MR. PORTER: Yes, sir, they are.

Q Now, Mr. Langrip, are you familiar with the application in this case?

A Yes, sir.

Q Would you state briefly what is sought by Standard of Texas?

A We seek to get exception to this no-flare order for three batteries out of five which will be connected in the southeast end of the Bisti Field, located in Ranges 9 and 10, Township 24 North. These, El Paso informed us that two of these batteries

will be connected by the 21st of January and the other battery will be connected by the 15th of February, and this is only a one-well lease. The total gas --

Q Which lease is the latter?

A This is the Federal 11 Lease.

Q Was that described as an exhibit attached to the application in this case?

A Yes.

(Marked Standard of Texas' Exhibits Nos. 1 and 2, for identification.)

Q Now, referring to what has been marked as Exhibit 1, will you briefly state what that shows?

A This is a map of our portion of the field in Township 24 North, Ranges 9 and 10 West. It shows the location of our 18 wells.

Q Now, there is an area that is cross-hatched in yellow. What does that indicate?

A That is acreage owned by Standard of Texas and Pan American.

Q Now, Mr. Langrip, has Standard of Texas signed a contract for the sale of the gas from this area?

A Yes, they have.

Q With whom was that signed?

A With El Paso Natural Gas.

Q And do you know when it was signed?

A It was signed by Standard November the 9th and signed by El Paso, November 11.

Q Do you know whether Standard had notified El Paso prior to that date that they would sign the contract?

A I'm not sure of that because the contract negotiations are handled out of our Houston office.

Q Now, do you know whether Standard of Texas has received approval from the Federal Power Commission for the sale of this gas?

A Yes, they have.

Q Referring to what has been marked as Exhibit No. 2, would you state what that is?

A It's approval from the Federal Power Commission on this gas sale.

Q Now, as I understand your previous testimony, a part of these batteries will be connected, according to your understanding, by January the 21st, is that correct?

A Yes, that is correct. The two largest leases, the Federal 7 Lease which contains 7 wells and the Federal 9 Lease which has 8 wells.

Q Now, will that connection take care of substantially all of the gas production involved in this application?

A Yes, sir, it will. The remaining lease, which is

scheduled for tiein by February 15, the Federal 11 Lease on the last gas-oil ratio filed with the Commission on 12-22-1959 shows it to be 42 MCF per day.

MR. KELLAHIN: If the Commission please, at this time we would ask that the Commission take notice of the gas-oil ratio report which is in the Commission's files. We did not have time to prepare an exhibit covering that.

MR. PORTER: The Commission will take due notice of the form C-116, Mr. Kellahin.

Q Now, as to the lease which will be connected February 15, what's the status of that as to the gas-oil ratio and gas production?

A On this last test the oil production was 53 barrels, the gas production 42 MCF, with a gas-oil ratio of 795.

Q Have you been advised that two of your wells will not be connected?

A Yes, sir.

Q What wells are those?

A Those are the Federal 8 Lease and the Federal 10 Lease, each containing one well.

Q What is the gas production on those two?

A The gas production on the 8 lease is 34 MCF per day. The gas production on the Federal 10 Lease is 16 MCF per day.

Q Do you know what the delay has been in getting this

connection made to Standard's wells?

A I couldn't say, because most of the negotiations, all of the negotiations are handled in Houston and --

Q Do you know of your own knowledge what the status of the pipeline is in that area at the present time?

A Yes, sir, I believe it goes to Section 2, which is located right here approximately (indicating), a mile and a half from our first battery that would be tied in.

Q Now, in your opinion, and based on your experience in the field, do you think that El Paso can make the connection as they have indicated they would?

A There are a number of factors that enter into this which make it rather difficult to say. One of the major factors, I would think, would be the weather, which we've been having pretty rough.

Q For that reason, although a date has been given you, would you still ask the Commission to grant the 60-day extension which has been requested in this hearing?

A Yes.

Q Or such time as the connection is actually made?

A Yes.

Q Is all the gas being produced in this area being flared?

A Yes, sir.

Q All of it?

A ~~With the exception of that used for pumping engines.~~

Q There is some gas being used for lease purposes then?

A Yes.

MR. KELLAHIN: At this time we would like to offer in evidence Exhibits 1 and 2.

MR. PORTER: Without objection these exhibits will be admitted.

MR. KELLAHIN: That's all the questions I have.

MR. PORTER: Mr. Langrip, do I understand you to say that your wells on Federal 8 Lease and Federal 10 Lease will not be connected?

A Yes, sir. El Paso informed us this week that they felt they were uneconomical.

MR. KELLAHIN: If the Commission please, we would be willing to call Mr. Holik back to the stand to testify on that if it is desired.

MR. PAYNE: Those are the two wells that you are going to ask the administrative exception on?

A Yes.

MR. PORTER: Then in that case, Mr. Kellahin, you may follow the same procedure as outlined to Mr. Verity.

MR. KELLAHIN: Yes, sir.

MR. PORTER: Anyone have any questions? Mr. Nutter.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Langrip, did El Paso give you any idea as to what length of time would be required to pay out the lines to connect those two leases?

A No, sir. He didn't give me any economics at all.

Q How far would you have to go to get your gas then?

A One would be almost a mile and another looks like it will be around three-quarters of a mile.

Q Are there any undrilled locations on either of those leases?

A There are undrilled locations. However, it don't appear that they will be drilled because of the poor sand bar development in those areas.

Q At least you have no present plans for drilling them?

A That's true.

Q Has there been any marked change in the GOR insofar as those wells are concerned?

A Insofar as those wells are concerned there has been some change, not too much, the total volume of gas has not increased appreciably, but the production has declined slightly.

Q So you haven't had any material change in the amount of gas that's been produced?

A No, sir. They are fairly old wells and only produce a small quantity. They seem to have leveled off pretty well.

Q Do you anticipate any change there of any consequence?

A I don't think so.

MR. NUTTER: Thank you.

MR. PORTER: Mr. Payne.

BY MR. PAYNE:

Q Are you aware of the testimony of El Paso in Case 1569, which was a no-flare case, wherein they testified that as a rule of thumb they figured it took 120 days to connect a well after the casinghead gas contract was signed?

A Yes, sir.

Q Now, inasmuch as your contract was signed on November the 11th, both parties had signed by then, do you feel that Standard of Texas exercised due diligence and gave El Paso time enough to have these connected by the deadline?

A Well, I couldn't say again because the contract negotiations were handled in Houston, and I couldn't answer that question.

MR. KELLAHIN: If the Commission please, we have a witness here who could testify on that, if desired.

Q When did you file for Federal Power Commission approval?

A December 4, 1959.

Q When was it granted? A December 24, 1959.

Q Which indicates that in some instances, at least, the Federal Power Commission acts pretty rapidly, is that right?

A They did in this one.

MR. PAYNE: Thank you. Oh, one more question.

Q Did Standard consider the economic feasibility of re-injecting this casinghead gas?

A Yes, sir. We looked into that.

Q You felt it wasn't economically feasible to do so?

A That is correct. It was in the infant stage formation of a unit for this portion of the field at the present time, and due to the reservoir in that area, we didn't feel it would be worthwhile to the reservoir to reinject any gas.

MR. PAYNE: Thank you.

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

(Witness excused.)

MR. KELLAHIN: If the Commission please, we have Mr. R. E. Caraway of the Houston office here who can testify as to the contract, if desired.

MR. PAYNE: Well, the time element was the only thing I was interested in, Mr. Kellahin.

MR. KELLAHIN: I will call Mr. R. E. Caraway. Mr. Caraway has not been sworn.

DIRECT EXAMINATION
of R. E. CARAWAY

BY MR. KELLAHIN:

Q Would you state your name, please?

A R. E. Caraway.

Q By whom are you employed and in what position, Mr. Caraway?

A I am employed by the Standard Oil Company of Texas in a position of Manager of Crude Oil Purchase and Sales. In that work I also handle the contracting of gas.

Q Now, in connection with your duties, did you have anything to do with the contract or sale of gas in the Bisti Pool?

A Yes, sir.

Q And in the area involved in this application?

A Yes, sir.

Q Would you describe briefly to the Commission what occurred in connection with that contract?

A Well, I think it's been touched on by the previous witness in that the Producing Department of our company had examined the possibility of reinjecting the gas into the reservoir, and upon the determination that that wasn't feasible, then we sought gas markets and we were talking to two potential purchasers, Southern Union and El Paso Natural. We were discussing the possibility of contracting the gas to El Paso Natural with Mr. Vick Plummer in Houston and Mr. D. H. Tucker and his other assistants down there.

On or about October 1 of this past year it was decided by our company that we would like to contract our gas with El Paso

Natural and we verbally advised Mr. Plummer that we would proceed and through the administrative procedures within our company and with the Federal Power Commission to flank the contract up. So we feel like that El Paso Natural had verbal advice from our company that we were going to sign their contract.

Now, the contract was actually signed on November the 9th and delivered to El Paso. We had the impression from El Paso Natural that they could proceed ahead with some of the preliminary work with that advice from us, and we feel that they have proceeded with diligence.

Q Do you feel that Standard has acted with due diligence once it was determined that the reinjection of gas was not feasible?

A I do, sir.

Q Does it normally take a period of time to negotiate one of these contracts?

A Yes, sir.

Q About what period in this area has been your experience?

A Well, it's difficult to say in this particular contract with El Paso Natural, since the same contract in substance had been signed by their operators, there was very little room under this contract for negotiation. So it was either a matter of accepting the contract or rejecting it. Most of the time that was consumed was through the administrative process within our

own company which involves your own attorneys going through it, your Accounting Department and all other departments involved, your engineering people, and it just took in this case in the order of 30 days.

MR. KELLAHIN: That's all the questions I have.

CROSS EXAMINATION

BY MR. PAYNE:

Q Mr. Caraway, are you familiar with the testimony of El Paso in Case 1569 wherein they testified that it generally took 120 days from the date the contract was signed to connect a well?

A I wasn't familiar with that back in September and October, no, sir.

Q I note that there's only about 52 days from the time your contract was executed until December 31 when gas flaring was discussed. Had it been your experience that you can generally get a well connected in some 50 days after the execution of the contract?

A A casinghead gas contract, sir?

Q Yes.

A Yes, sir, if it doesn't mean extending a main line or lateral line.

Q Which was the situation in this pool, however, wasn't it? They were installing all new facilities?

A There's no question about it, we were on the tail end of the system.

MR. PAYNE: Thank you. That's all.

MR. PORTER: Any further questions? The witness may be excused.

(Witness excused.)

MR. KELLAHIN: That's all we have, Mr. Porter.

MR. PORTER: Anyone else have anything further to offer in this case? We will take the case under advisement and proceed to Case 1854.

STATE OF NEW MEXICO)
 : SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal
this 10th day of January, 1960.

Notary Public-Court Reporter

My commission expires:

June 19, 1963.