

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

IN THE MATTER OF:

Application of Sunray Mid-Continent
Oil Company for an exception to the
"no-flare" provision of Order R-1427.

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) Case 1859
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IN THE MATTER OF:)

Application of Sunray Mid-Continent Oil)
Company for an exception to the "no-)
flare" provision of Order R-1427. Ap-)
plicant, in the above-styled cause,)
seeks an exception to the "no-flare")
provision of Order R-1427 for one well)
in the Gallegos-Gallup Oil Pool and)
twelve wells in the Bisti-Lower Gallup)
Oil Pool, both in San Juan County,)
New Mexico.)

Case 1859

BEFORE:

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

TRANSCRIPT OF HEARING

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

MR. WHITE: If the Commission please, Charles White,
appearing on behalf of the applicant, Sunray Mid-Continent. I
also have associated with me Mr. William Loar of Tulsa, Oklahoma.
We have one witness to be sworn at this time.

(Witness sworn)

AL M. STIERWALT

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

DIRECT EXAMINATION

BY MR. WHITE:

Q Will you state your full name for the record, please?

A Al M. Stierwalt.

Q By whom are you employed and in what capacity?

A I'm employed by the Sunray Mid-Continent as Project Engineer in the Farmington office.

Q Are you acquainted with the subject application?

A Yes, sir.

Q Will you briefly state what Sunray Mid-Continent is seeking to accomplish?

A Sunray-Mid-Continent is requesting an exception to the Commission Order R-1427 insofar as it applies to the Sunray Mid-Continent properties in this application, for such time as is needed for El Paso Natural Gas to provide facilities to pick up all of the produced gas available from these wells.

Q How many wells are involved in the original application?

A We had 14 wells, or 13 wells, I beg your pardon.

(Marked Sunray Mid-Continent's Exhibit No. 1, for identification.)

Q Are all those oil wells? A Yes, sir.

Q Where are they located?

A All of the wells are located within the confines of the Bisti-Lower Gallup Oil Pool with the exception of one which is

located in the Gallegos-Gallup Oil Pool.

Q Will you state the daily production and gas-oil ratios of each well, and in so doing, refer to what has been marked as Exhibit No. 1?

A Well, Exhibit No. 1 does not cover the gas-oil ratios. It does cover the gas production from individual wells, if that will be satisfactory.

Q All right, continue with that.

A The first well we have here, the Bittoney-Nez No. 1 is located in Section 23, Township 25 North, Range 11 West. All of this production will be based on November figures which were the latest corrected tabulations we had available. In November the well produced 69 barrels of oil, 99 cubic feet of gas or MCF of gas, I should say.

The next well is Es-Ka-Nel-E-Wood No. 1 located in Section 22, 25, 11. This well produced 112 barrels of oil a day, 214 MCF of gas.

Q Will you give your gas sales as you go through?

A Well, these gas sales, I should probably qualify that, are based, last night we had a man make a run through the field between nine and eleven o'clock and examine each of these installations to determine how much gas was being sent down the pipeline and how much gas was actually being blown into the air. In the column marked "Gas Sales" with the asterisk there this estimate

that we have calculated based on a spot meter reading. Now, that may not be an actual good intergrated value, but it is the best estimate we can make in the field under the conditions, it is an estimate of the amount of gas which we were placing into the sales line at that time. If you would like, I'll go back and start with the first well.

Q They're all delineated on this exhibit, are they not?

A That's right.

Q For the sake of time, would you just give the totals as to all the wells that are prorated there?

A The total amount of oil produced from these wells is 882 barrels. The total amount of gas produced is 1,205,000 cubic feet. The lease use in cubic feet per day is 1100. The amount of gas being sold, based on this estimate, was 904,200 cubic feet. The amount of gas being flared was 299,700 cubic feet.

Q Have you made any calculation as to how much financial loss Sunray would suffer if they were required to shut these wells in?

A Yes, sir, I have.

Q Would you state your figures to the Commission, please?

A This amount of oil that we would lose would represent approximately \$2500.00 per day during the period the wells were shut in.

Q What would the gas be as to the amount of gas being

flared?

A The amount of gas being flared, the actual value of that at the contract price is \$40.00.

Q A day?

A A day. An estimate, of course, based on the gas estimate.

Q Have you signed your contract with El Paso?

A Oh, yes.

Q And has El Paso been buying your gas?

A Yes, sir.

Q Are all your gathering lines in at the present time?

A All of the gathering lines are in with the exception of the Federal J Well located in 35, 27, 13. This well is under contract but the gathering line has not been layed at this time.

MR. WHITE: If the Commission please, it's been brought out that we have our contracts with El Paso, and we also have Federal Power Commission approval or certification and we can have a witness put on the stand to give the dates of the certification if you desire that.

MR. PORTER: Are you through with this witness at this time?

MR. WHITE: We are through with the witness.

MR. PORTER: Does anyone have a question? Mr. Payne.

CROSS EXAMINATION

BY MR. PAYNE:

Q Mr. Stierwalt, these wells are not in your Central Bisti-Lower Gallup sand unit, are they?

A No, sir.

Q Now, your application asks for an exception for 13 wells I believe it was, and your tabulation here only shows 9 wells.

A Nine leases.

Q Oh, I see, nine leases. I notice on a number of these you aren't flaring any gas.

A No, sir.

Q You don't need an exception for those?

A We could possibly, this is what was based on what was going on last night at this particular one-spot check, but by examining the fact that we are flaring gas from the other leases connected to the same system, there would be a possibility that some of the other leases might start flaring gas at such time that the system became unbalanced in their section.

Q You say if these wells are shut in you'll have an ultimate loss of oil recovery?

A No, I don't believe we could say that. It's strictly monetary.

Q How does this loss arise?

A Well, this is a value of the daily production from these wells.

Q But you're going to get the oil eventually?

A Yes, sir, provided that an operator offsetting us is not producing it during the period we are shut in.

Q Are these all 80-acre units?

A Yes, sir.

Q Each well drains 80 acres? A Yes, sir.

Q So the offset well isn't going to produce any of your oil then?

A Well, from that viewpoint, no, sir, but I think a well will drain a little more than 80 sometimes.

MR. PAYNE: Thank you, that's all.

MR. PORTER: Mr. Nutter.

BY MR. NUTTER:

Q Mr. Stierwalt, were all of these wells except the Federal J actually on the line last night between nine and eleven?

A Yes, sir.

Q They were producing more gas than El Paso facilities could handle I guess in some events, and that's the reason why there was some gas being popped?

A Yes, sir.

Q Were El Paso's compressors all working?

A I'm really not -- as far as my man could tell when he was there, but they all seemed to be running and in good shape. I don't know if they were running at capacity or anything like that.

I couldn't testify to that at all.

Q I think at the beginning of this case you stated that you wanted relief until such time as there would be no flaring of gas?

A That's right.

Q How long is this going to be?

A That would be hard for me to make a statement on too because that would depend a whole lot on El Paso's equipment.

MR. NUTTER: Mr. Holik, could you give us the status of the compressors in this area between nine o'clock and eleven o'clock last night? Were they all running?

MR. HOLIK: To my knowledge the compressor was running. The unit has certainly been on the line. There's one compressor rated an 800 horsepower rated that particular station. I discussed this matter with Sunray's representative a little earlier and I cannot give you an explanation as to why a particular well might have been flaring either all or a part of the gas. I don't think we know which. They say that it was, we know that we were operating the unit, if the unit was up to capacity, well, it was just taking all it could handle at that time.

I believe you mentioned to me earlier that pressures indicated on some of the batteries was 80 pound, which is far and above anything I would expect. There's something in there that I cannot answer. Other batteries showed 30 pounds, I believe.

MR. NUTTER: This morning you were talking about 15 pound contracts.

MR. HOLIK: 15 pound contract, but in order to handle out of the Southeast No. 1 location, we are certainly going to have to be up to 25 pounds on those batteries. I hope no higher. We'll carry the loading just as far as we can in connection with getting together with the operators, and if they can go a little higher, we will make every attempt to go a little higher. Some of them can't and we can't penalize them.

MR. NUTTER: There are some leases in this area that are not connected, are there not?

MR. HOLIK: Yes, sir, there are.

MR. NUTTER: When connections are available, there's going to be more gas available to the particular compressor than at the present time?

MR. HOLIK: There might well be. I think we have to recognize here that we have been discussing all along the volumes of gas that we would be able to take, that is a hundred percent smooth characteristic and I don't believe casinghead gas wells produce that way all the time. Now, if for an upset in the producing conditions or if the engine under it's automatic control slows down for some reason, there are going to be times when gas might well flare, especially when you have got an engine loaded to maximum capacity.

MR. NUTTER: It appears here that fully one-third of the amount of gas that's being sold is also being flared.

MR. HOLIK: From this particular lease, according to their figures, 300,000 over approximately a million. I cannot answer that as to what was happening between nine and eleven last night.

MR. NUTTER: As far as you know no compressors were down last night?

MR. HOLIK: No, no compressors were down, to my knowledge there's only one.

MR. LOAR: Mr. Holik, it's my impression that El Paso has filed for additional Federal Power Commission to expand the compressors in the area.

MR. HOLIK: That's correct, there's an application on file with the Commission to put 660 horsepower in that particular location.

MR. LOAR: Until that application is granted, are not only Sunray and the other operators going to be subject to flaring at some unknown rate?

MR. HOLIK: We will handle to the maximum capacity that we have there. If there is gas available beyond that capacity in that particular location, until we get the gathering system switched back and forth and operated for awhile to where we're taking the absolute maximum there may be gas flared in that

particular location. We can't get the unit in there any faster.

MR. LOAR: Sunray's position is, has been that we think that El Paso has done an excellent job in view of the magnitude, we don't want to infer that we are criticizing the operation. I would like to ask Mr. Stierwalt a question if I may.

BY MR. LOAR:

Q When the Sunray man made the swing through the field last night, did he examine the charts which indicated the amount of gas delivered throughout the full twenty-four hours prior to his visit to the wells?

A Yes, he did.

Q And are these estimates based on a combination of what he saw flaring plus the meter readings?

A They are, yes.

Q And did he also take into consideration the normal amount of gas that we are producing from those leases?

A He did.

Q So that this is not merely a nine or ten o'clock figure, it's an attempt to get the latest figure available, based on the preceding twenty-four hours?

A That's right.

MR. LOAR: Thank you.

MR. PORTER: Mr. Nutter.

BY MR. NUTTER:

Q Mr. Stierwalt, were these wells producing at their normal rate of production last night when the spot check was made?

A I'm informed that they were, yes, sir.

Q Producing one day's allowable in one day?

A Yes, sir.

MR. NUTTER: Thank you.

MR. PORTER: Anyone else have a question? Mr. White.

MR. WHITE: I have one more question.

REDIRECT EXAMINATION

BY MR. WHITE:

Q Mr. Stierwalt, was the exhibit compiled by you?

A Yes, sir.

MR. WHITE: We offer the exhibit in evidence.

MR. PORTER: Without objection it will be admitted.

The witness may be excused.

(Witness excused.)

MR. PAYNE: Would you like to have Mr. Loar testify to the Federal Power Commission dates?

MR. PORTER: Yes.

WILLIAM R. LOAR, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. WHITE:

Q Will you please state your name for the record, please?

A William R. Loar.

Q By whom are you employed and in what capacity.

A Sunray Mid-Continent Oil Company as Chief Proration Engineer.

Q Mr. Lear, are you acquainted with Sunray Mid-Continent's efforts to obtain Federal Power Commission approval?

A From examination of our files and the information furnished me by our gas contracts people, yes.

Q Will you state what information you have to the Commission?

A On January 23, 1959 we signed an agreement for the sale of gas with El Paso covering what is known as the Bisti Unit. On June 11, 1959 we requested a permanent certificate from the Federal Power Commission. On November the 20th, 1959 we requested a temporary certificate, and on December the 17th, 1959 we received this temporary certificate. As an amendment to the Bisti Unit Agreement we negotiated an agreement with El Paso covering the remainder of our production in Southeast Bisti Field. This was dated July the 23rd, 1959.

On December 20, the same date as the other one, we requested, I'm sorry, November 20, the same date as the other one, we requested temporary certificate and we received it on December the 17th, 1959. As to the Federal J Lease in the Gallegos-Gallup Field, it was quite frankly an oversight on our part and we did not contract that until December 10th, 1959. We were under the mistaken impression it was covered by our other agreements.

Eight days later, on December 18, we filed for a temporary certificate and six days, roughly six days later, on December 24, we received a temporary certificate.

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

MR. PORTER: Mr. Payne.

CROSS EXAMINATION

BY MR. PAYNE:

Q Mr. Loar, would you say you have been less diligent in regard to the well in Gallegos than you have been in regard to the wells in Bisti?

A I don't believe that we've shown any lack of diligence on our well in Bisti, Mr. Payne, if that's what you are driving at, but as to Federal J Lease, we frankly made a mistake there or we would have included it in some of our earlier agreements.

Q How much oil does this well in Gallegos produce, is that the three barrel a day?

A Yes, sir, I would have to refer to Mr. Stierwalt's exhibit, of three barrels a day.

MR. PAYNE: That's all, thank you.

MR. PORTER: Anyone else have a question?

REDIRECT EXAMINATION

BY MR. WHITE:

Q Mr. Loar, from your testimony, I assume as to the Gallegos Lease, it wasn't a lack of diligence, it was an oversight,

is that correct?

A I would so interpret our failure.

MR. PORTER: Any further questions? Mr. Nutter.

RECROSS EXAMINATION

BY MR. NUTTER:

Q How many barrels did you say the Gallegos wells make?

A Based on November, 1959 production, for the month we averaged three barrels a day.

Q How much gas is produced with that three barrels?

A Apparently 44 MCF per day.

Q Is El Paso willing to hook that lease up eventually?

A It is our understanding, I don't think there's any doubt about it. They are, and I'm advised they are attempting to get right-of-ways out there now.

MR. PORTER: Mr. Holik.

BY MR. HOLIK:

Q I don't readily identify the Federal J.

A It's the one in the Gallegos.

Q Is it the one in Section 17?

A No, it is in 35, 27, 13.

Q That is in Section 3 here?

A No, 35.

Q Oh, up here.

BY MR. NUTTER:

Q Mr. Loar, what, roughly, is the value of the three barrels of oil per day there?

A Roughly nine dollars a day.

Q What would be the value of the gas?

A 44 times 13.

Q Let's just say that, would the value of the gas that's being flared be a percentage of the --

A Three dollars a day opposed to nine dollars a day. Both of them are pretty good-size sums.

MR. PORTER: Any further questions? Do you have anything further?

MR. WHITE: That's all we have.

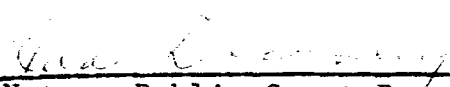
MR. PORTER: We will take the case under advisement and move on to Case No. 1862. We'll take a very short recess.

(Whereupon a short recess was taken.)

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 ²⁷ day of January, 1960.



Notary Public-Court Reporter

My commission expires:

June 19, 1963.