

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

-----  
IN THE MATTER OF:

Application of Skelly Oil Company )  
for an exception to the no-flare )  
provision of Order R-1427. )  
-----

Case 1864

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

-----  
IN THE MATTER OF: )

Application of Skelly Oil Company for )  
an exception to the no-flare provision )  
of Order R-1427. Applicant, in the )  
above-styled cause, seeks a 30-day excep- ) Case 1864  
tion to the no-flare provision of Order )  
R-1427 for 21 wells in the Bisti-Lower )  
Gallup Oil Pool, San Juan County, New )  
Mexico. )  
-----

BEFORE:

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

TRANSCRIPT OF HEARING

MR. SELINGER: If the Commission please, we would like  
to ask that case 1864 be dismissed.

MR. PORTER: No objections, Case 1864 will also be  
dismissed.

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 6th day of February, 1960.

Ada Dearnley  
Notary Public-Court Reporter

My commission expires:

June 19, 1963.

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

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

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

TRANSCRIPT OF HEARING

MR. BRATTON: Howard Bratton on behalf of Monsanto Chemical Company. At the end of the dismissals I would like to have a case put on the docket for an emergency order.

MR. VERITY: May it please the Commission, I have two applications for Petro-Atlas, Incorporated that are in that same position. We would like to ask for an emergency order in their behalf.

MR. PAYNE: Both of you gentlemen will file written requests for emergency order?

MR. BRATTON: Yes.

MR. VERITY: Yes.

MR. BRATTON: On behalf of Monsanto Chemical Company we ask for an emergency order for fifteen days, requesting that the Commission grant an exception to the provision of Order R-1427, with respect to certain of applicant's wells located in Sections 34 and 35, Township 25 North, Range 10 West, San Juan County, New Mexico. The specific descriptions of the wells are

2

the Northwest of the Southeast, the Southwest of the Northwest, the Southwest of the Southeast, and the Northwest of the Southwest of Section 34, Township 25 North, Range 10 West, and the Southeast Quarter of the Southeast Quarter of Section 35, 25 North, Range 10 West. We will file a written request subsequent to the hearing verifying this request.

MR. VERITY: George Verity in behalf of Petro-Atlas. I would like to request an emergency order granting relief from the non-flaring order presently obtaining with regard to Petro-Atlas Wells Nos. 1, A-1 and A-2 in Sections 34 and 35, also of Township 25 North, Range 10 West. Specifically, Well No. 1-A is located in the Northeast, Southeast of 34. Well No. A-1 is located in the Southwest, Southwest of 35, and Well No. A-2 is located in the Southeast, Northwest of 34. We would like an emergency relief on those wells and a special hearing set. I will file a written application subsequent to the hearing.

Also Petro-Atlas would like an emergency order granting relief with regard to its Walker Lease, Walker A Lease and Walker B Lease in the Gallegos-Gallup Pool, and specifically their No. 1 well on the Walker lease, located in the Northeast, Northwest of Section 5, 26 North, 12 West; No. 1 well on the Walker Eagle Lease, located in the Northeast, Northwest of Section 5, 26 North, 12 West, and the No. 1 well on the Walker B Lease in Southeast, Northwest of Section 5, 26, 12.

MR. PAYNE: Mr. Verity, as I understand it, you are asking for a fifteen-day emergency order?

MR. VERITY: That's correct, with hearing during that time so we can present testimony.

MR. PAYNE: You are asking for a special hearing since the next hearing is February 12?

MR. VERITY: For the Commission's information, the gas that is produced from these wells is a very small amount. It varies from 3 barrels, from 3,000 cubic feet a day to the maximum of 33 a day, and all but two of them are less than 10.

MR. PAYNE: Mr. Bratton, your case is docketed for January 27, is that right?

MR. BRATTON: That's correct. We filed a letter application, but we did not file it in the right place so it was not in time to be considered on this docket, but I believe an emergency order, if I understand El Paso's map right, would get Monsanto past the hooking up of its wells.

MR. PORTER: Mr. Verity and Mr. Bratton, the Commission will probably want to ask some questions in connection with the reasons after we've heard these cases which are on the docket.

I would like at this time to call Mr. Holik of El Paso and have him take the stand, please.

MR. WHITE: May I ask a question, please, as to Mr. Holik's testimony? Will that be incorporated in the individual

cases or will we have to recall him when we present our cases?

MR. PORTER: It won't be necessary to recall him unless something unusual turns up in connection with one of the cases. I wouldn't think it would be necessary.

MR. WHITE: Then are we to understand that his testimony will be incorporated by reference as to any particular applicant's case?

MR. PORTER: If it please, yes.

MR. ERREBO: Will Mr. Payne be examining this witness besides Mr. Selinger, or should we elicit from this witness the information pertaining to the particular leases in which we are interested by cross examination? Is that the procedure you have in mind, and then incorporate that by reference?

MR. SETH: This is not an appearance by El Paso. He's not our witness, he's either the applicant's witness or the Commission's witness. He just came for the convenience of the Commission and the operators to have this information.

MR. PORTER: In this case Mr. Holik will appear as the Commission's witness.

MR. GRENIER: Possibly my thinking in this regard is colored by two things, first, we are close to the top of the list and we have an airplane that's going to leave fairly early in the afternoon. It would seem to me it would be more orderly procedure to take them one at a time instead of going all through



5 —  
them once and then all through them again, and in that way really be taking up each case twice. I think it would be appropriate for Mr. Holik to give his general testimony and then come back and if anything further, as we get to the individual cases, take that up with him further as we get to that stage.

MR. PORTER: That's what we had in mind. Mr. Holik, will you stand and be sworn?

(Witness sworn.)

WILLIAM V. HOLIK

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

DIRECT EXAMINATION

BY MR. PAYNE:

Q Will the witness please state his name?

A William V. Holik.

Q By whom are you employed, Mr. Holik?

A El Paso Natural Gas Company.

Q In what capacity?

A Assistant to the Vice President and Manager of Pipeline Operation.

Q You are familiar with the conditions in Northwest New Mexico, particularly with respect to the Bisti-Lower Gallup Oil Pool and the Gallegos-Gallup Oil Pool?

A Yes, sir.

Q Will you give us what information you can concerning the status of your gathering facilities in the two pools?

A By reference to the map that I have displayed up here, the Bisti trend in this area, we have located four compressor stations which will take gas from the individual batteries and compress and send that gas into a central location, our existing Chaco gasoline plants.

These are stations 1, 2, 3 and 4. In the Gallegos trend the same situation exists with two additional compressor stations known as Station No. 5 and Station No. 6. On this map we have numbered various battery locations up to a total of 161 possible locations, I believe. The lines which are indicated on this map in the dark blue or black indicate batteries which are presently tied in to the existing systems.

You'll notice that some of the connecting lines show an orange or a red color. These particular batteries, depending on the color, the red color we anticipate that those batteries will be tied in by the 21st of January. The orange color indicate batteries we anticipate will be tied in by the 15th of February. There will also be noted on this map that there are a number of battery locations which show no tying in or no connection. These particular locations fall under the categories either that we do not have the contracted acreage, possibly that the wells are in our estimation uneconomical to tie in.

That is the general picture of what this map indicates, the general reasons for the wells in orange or red being delayed beyond the 15th of January we've spoken of due to several reasons, one of which is late contracting between the two parties. Some of these contracts were executed in the later part of November or in December. Possibly there will be an individual location here that indicates a connection that might be tied in whereby the gas would not be taken even though the well may be tied in.

The explanation for this would be the lack of Federal Power Commission authorization, to the best of our records, on that particular lease or battery. There are very few of them in connection with the orange and red lines on here. There are several instances, I would say three to four to my recollection, where the battery will not be tied in say until the 21st of January, and if there be any fault involved, it is on the part of El Paso that they were just particular ones that somehow got lost in the rush.

I have broken down all of the batteries that we have records on with the reason to the best of our knowledge as to why those particular batteries are not tied in. It is available if you desire.

MR. PORTER: Does anyone have any questions of a general nature of this witness at this time? We'll probably want the information in connection with individual tank batteries as we get into the individual cases.

MR. SELINGER: I would like to ask, I'm a little confused now, we talk about general and we have to apply it down to a specific instance with respect to the economical feasibility of connecting marginal wells. I presume it will have to be covered by a general --

CROSS EXAMINATION

BY MR. SELINGER:

Q Mr. Holik, I want to specifically call your attention to areas outside of your proposed installation lines beyond February the 15th in both the Gallegos and Bisti. Have you had these outlying areas under consideration to determine the economic feasibility?

A Certainly some of them have been. If it shows on contracted acreage, it probably has been considered.

Q Now, with respect to Gallegos, and I want to specifically call your attention to the wells in Sections 11 and 14 in Township 26 North, Range 11 West, one of which in Section 11 is the Skelly Saunders and the other the Randell in Section 14. I'll ask you whether or not a well that produces 7,000 cubic feet a day is in your opinion an economic feasible well to connect a mile and a half away from your proposed extension lines.

A Generally we have not found it so.

Q I also would like to ask you with respect to the time element, insofar as those producers are concerned that have not

filed applications on recently completed wells in this area with the Federal Power Commission, whether or not filing those applications and securing permission from the Federal Power Commission entails a period of time from 90 to 120 days.

A I believe, speaking generally again, that that time before the Federal Power Commission can vary considerably. There are temporary or emergency sections which I understand can be invoked. How the particular producer cares to pursue that, of course, I would have no comment to make. It does take, in some instances, fully as long as you have outlined.

Q So that if these two wells in Sections 11 and 14 upon which Skelly has filed no certificate with the Federal Power Commission, it would be impossible to have those two wells tied in by El Paso on or about the 15th of February, is that correct?

A Those two particular wells I would say would take a minimum of 60 additional days to tie in since we have not done any survey work or right-of-way acquisition, it being our understanding that the wells were not contracted to El Paso.

Q So that would be 60 days after Federal Power Commission approval?

A I wouldn't like to be tied down that rigidly for this reason.

Q You mean it might be more?

A It might be less.

Q It might be less all right.

A In a particular situation such as this, if the well were definitely economically feasible and we had contracted with the producer, we might very well go out prior to the time that the actual authorization is received by the Federal Power Commission and take the necessary steps for acquiring that right-of-way and, in some instances, go actually so far as to construct the line, realizing that it will not be probably tied in and produced until such time as that clearance is granted.

Q Are you in the process of securing right-of-way in both these fields at the present time?

A Yes, sir.

Q Are there many wells and leases in that category?

A I think between the 21st of January date here and the 15th of February date there are probably at least 20 batteries that fall into that category.

Q Would it be safe to say then that you have used as much diligence as possible under the circumstances and have received the cooperation of the various producers and that an additional 60 or 90 days would be necessary to connect up to all these areas that are contracted after these leases are available, from an economic standpoint, to your gathering lines, excluding these areas that are under consideration for economic reasons?

A You are covering a multitude of questions. Could you

break it down?

Q You may answer them in any order you wish.

A Will you ask me one then?

Q I'll ask you one then to break it down. In your opinion, has El Paso used diligence in erecting, first in securing approval from the Federal Power Commission, which is a gargantuan job in itself, and secondly, in erecting facilities to service these fields?

A I feel we have been properly diligent under all our contracts.

Q Have you received the full wholehearted cooperation from all the producers?

A To the best of my knowledge, by far the majority of the producers have made the filings. Some have not. The reasons why they haven't, I wouldn't know.

Q In these filings they have to likewise file with the Federal Power Commission although they are not holding companies, they had to file applications with the Federal Power Commission, is that correct?

A I understand those are the regulations of the Federal Power Commission.

Q Now, I'll ask you how much time would you need in order to fully service the two areas, excluding those not contracted, and those not economically feasible, to give complete service to

both fields?

A I believe by the 15th of February we will have all wells that are economically feasible and wells that have been contracted properly tied in.

Q Go ahead.

A I say that without any detailed investigation of the status of a particular producer's application, I assume that he would be cleared.

Q Would it take additional time for you to determine these areas of uneconomic feasibility on extreme edges of Gallegos and Bisti?

A Those which we have not investigated to date, it would take additional time.

Q In your opinion would wells making in the neighborhood of seven million feet of gas a day be uneconomically feasible?

A In my opinion it would not be economically feasible.

Q 7,000?

A I understood that.

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

MR. BUELL: I have one question, Mr. Porter. Guy Buell with Pan American Petroleum Corporation.

BY MR. BUELL:

Q Mr. Holik, with respect to the operators who have signed contracts with you and are yet unconnected, is there anything they could have done or could do to expedite the connection?



A Read that back to me.

REPORTER: Reading: "Q Mr. Holik, with respect to the operators who have signed contracts with you and are yet unconnected, is there anything they could have done or could do to expedite the connection?"

A You mean connections that we're currently in the process of making right now?

Q Yes.

A I don't know of anything right off-hand, assuming they are clear of regulatory approval. I might add that some of the ones that have been contracted now have been contracted very recently, so that by proper diligence on our part, we just simply have not been able physically to connect those.

Q You wouldn't consider October, 1958 recently, would you?

A No, sir, I would say that since October we should have had time to complete a well.

Q And that operator has done everything that he could do to expedite the connection?

A To my knowledge, that's correct.

MR. BUELL: That's all.

REDIRECT EXAMINATION

BY MR. PAYNE:

Q Mr. Holik, are there other ways to make beneficial use

of casinghead gas other than selling it to El Paso?

A Well, I wouldn't know how to answer that, Mr. Payne.

MR. PORTER: Anyone else? Mr. Nutter.

RECROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Holik, the fact that you show some of the acreage to be contracted to El Paso doesn't mean that it's necessarily economic to connect it, does it?

A You are correct. Some of it is contracted and have producing properties that we do not consider economically feasible.

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

(Witness excused.)

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 6th day of February, 1960.

  
Notary Public-Court Reporter

My commission expires:

June 19, 1963.