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BEFORE THE
OIL CONSERVATION COMMISSION
Roswell, New Mexico
October 18, 1961

REGULAR HEARING

IN THE MATTER OF:)

The hearing called by the Oil Conser-)
vation Commission on its own motion to)
consider the promulgation of an order)
prohibiting the flaring of casinghead)
gas from oil wells in the Cha Cha-)
Gallup and Totah-Gallup Oil Pools, San)
Juan County, New Mexico.)

) CASE 2215
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BEFORE: Mr. A. L. Porter

TRANSCRIPT OF HEARING

MR. PORTER: Case Number 2215; in the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the promulgation of an order prohibiting the flaring of casinghead gas from oil wells in the Cha Cha-Gallup and Totah-Gallup Oil Pools, San Juan County, New Mexico.

MR. MORRIS: If the Commission please, Dick Morris, appearing on behalf of the Commission. We will have one witness.

MR. PORTER: I would like to call for other appearances in the case.

MR. BRATTON: Howard Bratton, appearing for Humble Oil and Refining Company, Ewell Walsh for El Paso Natural Gas Products



Company.

MR. SWANSON: Kenneth Swanson; Aztec Oil.

MR. MORRIS: We will call Mr. Arnold.

(Witness Sworn.)

EMERY ARNOLD,

called as a witness herein, having been first duly sworn on oath,
was examined and testified as follows:

DIRECT EXAMINATION

By MR. MORRIS:

Q Will the witness state his name and position, please?

A Emery Arnold; Supervisor, District 3 of the New Mexico
Oil Conservation Commission.

Q Are you the same Mr. Arnold who has testified in pre-
vious hearings of this case?

A Yes, I am.

Q Mr. Arnold, do you have figures at hand concerning the
total number of wells producing and the gas-oil ratio being
produced from the Cha Cha and Totah-Gallup Pools?

A Yes, sir. I do; as of October 15, 1961.

Q As of October 15, 1961?

A Right.

Q These pools come under the direct supervision of the
Oil Commission, is that correct?

A Yes, sir.



Q Referring first to the Cha Cha-Gallup oil pool, would you tell the Commission, please, the total number of wells producing in that pool as of October 15th?

A As of October 15th, there was 80 wells producing.

Q Do you have the gas-oil ratio information on those wells?

A We have gas-oil ratio test on file for 77 of those wells.

Q Would you give us that information?

A Yes, sir. The total, calculated total gas of these 77 wells, using those tests, is 17,466 MCF per day. The average gas per well for those 77 wells was 227 MCF per day.

Q Now, you have used the average figures, then, from the 77 wells to arrive at an average figure for the other three untested wells?

A Yes, sir. That is right.

Q What was the total gas for all 80 wells that you arrived at?

A 18,160 MCF per day.

Q And that figure is based on the most recent information available?

A Yes, sir. That is based on the latest available tests in the Cha Cha Pool.

Q Now, would you give us similar information on the



Totah-Gallup Oil Pool?

A Yes, sir. As of October 15th, there were 57 wells producing. We had available 49 gas-oil ratio tests. The calculated total gas from these 49 wells was 10,415 MCF per day. The average per well was 213 MCF per day. Therefore, the total gas available is 57 times 213 or 12,140 MCF per day.

Q So the total gas available was Cha Cha-Gallup, 18,160 MCF per day; Totah-Gallup 12,140 MCF per day; for a total of 30,000 MCF per day from the two pools?

A Yes, sir. That is correct.

Q Mr. Arnold, it might be of interest to the Commission to have the oil production of the two pools as of the most recent information available to you.

A Yes, sir. The latest month on which we had complete figures was July, in the Cha Cha Pool, total production was 253,750 barrels, for the daily average of 8,185 barrels. The Totah Pool total production was 212,980 barrels, for the month of July. Daily average was 6,870 barrels. The daily production from both pools was 15,055 barrels per day.

Q This amounts to a sizeable portion of the allowable in the northwest, is that correct?

A Yes, sir, it does.

Q Mr. Arnold, I realize that there will be other testimony in this case to the effect that some gas from these



wells to be connected?

A Yes. I think new wells should have 90 days to get a connection.

Q Mr. Arnold, there are still a number of wells being drilled in these two pools?

A Yes. I believe the Totah, right at the moment has more rig activity than the Cha Cha. Actually, we are not adding wells very fast, at the present time, in the Cha Cha Pool.

Q Do you have anything further you would like to add, Mr. Arnold?

A No. I don't believe so.

MR. MORRIS: If the Commission please, that concludes the direct examination of Mr. Arnold.

MR. PORTER: Are there any questions of Mr. Arnold?
You may be excused.

(Witness Excused)

MR. PORTER: Does anyone else desire to present testimony?

MR. BUELL: If the Commission please, at this time, we operators had planned to present Mr. Knight, so that he could give the Commission a report on the progress of his efforts in installing and getting into operation his facilities in both of these pools. Unfortunately, Mr. Knight could not be with us today. He has personally asked me to convey to the Commission his extreme regret and assure the Commission that it took an

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occasion of significant importance to keep him from being here.

Actually, Mr. Knight is having his final meeting in Dallas with the various people who are financing his efforts in these two pools. Those people, some of them are from New York, some from Houston, and some from California. Due to the great number involved in financing this effort, it was impossible for him to schedule this final meeting any other day than today. For that reason he cannot be here.

However, he has made available his Project Engineer, who is completely familiar with all efforts and the progress and circumstances, and if the Commission please, we operators would like to present Mr. Malernee to bring the Commission up-to-date on the efforts that have occurred since the September regular hearing.

MR. PORTER: Would you have your witness come forward and be sworn?

(Witness Sworn)

KENT MALERNEE,

called as a witness herein, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BUELL:

Q Would you state, for the record, please, your complete name and your position with the Knight Manufacturing Company?



A My name is Kent Malernee and my position is Project Engineer on the Cha Cha and Totah casinghead gas gathering facilities.

Q In that position, Mr. Malernee, have you been completely familiar with the efforts of the Knight Manufacturing Company from the inception, in those two pools?

A I have.

Q Mr. Malernee, are you familiar with the testimony of Mr. Knight, as presented to this Commission at the September regular hearing?

A Yes. I read the transcript of that hearing.

Q In that connection, do you recall the prediction of Mr. Knight's anticipated progress that would occur in the interval between the September hearing and today?

A Yes, sir.

Q Help me refresh my memory. It was his testimony that he was hopeful of adding, on an average incremental basis, about a half a million cubic feet per day delivery to El Paso?

A That was his testimony.

Q I believe he also testified that he was hopeful of adding in the field, installing in the field, on an average basis, over this same period of time, two and a half to three compressors a week. Is my memory correct?

A Yes, sir.



Q Mr. Malernee, have you been able to meet these predictions of progress since September?

A No. We have not been able to completely meet them. We experienced some difficulties.

Q Have you made progress in that interval?

A We feel that we have made definite progress. The estimate of two and a half to three machines; machines shipped per week, shipped to the field, has been only about two machines per week. The incremental increase of a half-million cubic feet per day since the September hearing would be, the capacity at this time, approximately 20,000,000 cubic feet. I talked to our field-superintendent this morning and he advised me that as of 8:00 A.M. we are handling a little over 10,000,000 out of the two fields.

Q All right, sir. What has occurred, Mr. Malernee, to prevent you from meeting these predictions of progress made by Mr. Knight? What has caused the delay in progress?

A The delay has been caused from the necessity of re-designing our compressor equipment to handle larger volumes of gas from the --

Q Excuse me. Did Mr. Knight cover that in some detail in his testimony in September?

A He did. Yes, sir.

Q Did he do additional development in the field that he



could see the reason for the required significant design modification in both gathering system and size of the compressors that you installed?

A Yes, sir.

Q All right. How did you change this design from the smaller compressor to a larger compressor? Was it the design work?

A Well, not strictly the design; that was the end result. It was necessary to change the cylinder size. Where we had anticipated one size machine, it was necessary to go to larger equipment that would handle the volume of gas, which is now being flared, from the field.

Q In other words, the delay actually has been caused by the inability to procure parts for these larger size compressors?

A That is true.

Q What efforts have been made, on the part of Knight Manufacturing Company to overcome this bottleneck; if we can term it "bottleneck?"

A Well, after he exhausted his efforts, he contacted the producers in the field and advised them of the situation and through their Purchasing Department assistance, they have been able to assist in getting things rolling.

Q Are you now receiving all the parts necessary to fabricate these larger size compressors?



A Yes, sir. These have just recently started arriving in Tulsa. More are on the way.

Q Has your bottleneck in parts been broken and been cleared up?

A It has, yes.

Q I wonder -- Mr. Malernee, would you say that, at this time, your fabricating plant in Tulsa, is it operating -- What I would term on an assembly-line basis, do you have sufficient parts to get your line rolling again?

A We have parts to get our lines rolling. We are now on an assembly-line basis, in that when a finished machine is shipped out one door, component parts are brought in another door and a new machine is started.

Q When did your plant get back into operation in this manner?

A It was last Saturday.

Q Are you now getting compressors out of the plant and shipping them to the pools?

A Yes. We are.

Q Do you happen to know when the last one left the plant?

A The last one left the plant yesterday morning.

Q I wonder -- In view of the bottleneck in parts being cleared up, I wonder if you have given any consideration to working overtime or adding a fabricating plant crew so that you



could turn those compressors out a little more rapidly?

A At the present time we are working one shift on an overtime basis. When additional component parts are available to sustain two shifts, Mr. Knight has told me that he is going on a two shift basis.

Q Let me ask you this, Mr. Malernee, do you feel that since this latest obstacle has been overcome, and you have an adequate supply of parts now, do you feel, say, over the next thirty days that you will be able to arrive at Mr. Knight's prediction of an incremental average basis of about a half-million cubic feet per day in your delivery?

A We cannot anticipate any difficulty in meeting that increment.

Q As of this morning you were delivering to El Paso at what rate?

A It was a little over 10,000,000: 10.1.

Q 10,000,000 per day?

A Yes.

Q Mr. Malernee, as I recall the September hearing, Mr. Knight felt that by November 1 the system would be installed effectively; 100 percent, completely installed and operating. In view of the bottleneck in parts, that has set you back, do you feel that you should revise that target date?

A I believe it will be necessary, yes, to revise that



target date.

Q What, in your opinion, based on your knowledge of the operation and progress that is being made, at this time, what is your best estimate of the target date; being effectively, 100 percent complete?

A Our estimates, as the situation now stands, of actual completion, including the extension lines which we have added, is December 1.

Q All right, sir. Mr. Malernee, let me ask you now, to go over to the board where we have posted our exhibits and in that you will be a considerable distance from the reporter; please speak loud enough that he can get your testimony.

I will ask you to look now at the exhibit on the left, marked Operator's Exhibit 6. What does that show?

A That is the Cha Cha casinghead gathering system.

Q Would you briefly review for the Commission the status of that system as of the September hearing; so that we can compare the progress that has been made in the inter-period?

A The solid red line down through here, (indicating) including this solid red line, (indicating) and including this yellow line down through, to here, (indicating) was the same; it has not been changed. At this point in September we did not have a compressor installed; we have one installed there now.

Q Instead of saying, "this point", with your pointer,



just give the section.

A Very well. In section 17, we have installed a compressor which was not located there at the time of the September hearing.

Q All right, sir.

A On into the main compressor station in Section 16, the point of delivery to El Paso Natural Gas main line, at the September hearing we had three machines; we now have six. On down into Section 15, we have installed a field compressor which was not in there at the time of the September hearing. Further on from it, between Section 22 and 23, an extension line that was shown in solid yellow at the September hearing, which denoted "survey made in" and has now been -- the right-of-way has been cleared. The ditches, I believe all the ditches now have been cut with pipe strung, as denoted by dashed red and white lines.

Q All right. Let's re-cap now, the Cha Cha from the standpoint of additional completions, at the time of the last hearing we had three, how many do we have now?

A We have a total of eight.

Q Five have been added this September in spite of the bottleneck?

A Right.

Q All right, sir. Go now to what has been marked Operator's Exhibit 7: what does that exhibit reflect?



A That is the Totah casinghead gathering system.

Q Rather systems?

A Actually it is system.

Q We refer as to northwest system and southeast system.

Let's start out with the southeast: with respect to the system there. what has occurred since September?

A Since September our main line, represented by this horseshoe, has been completed and is ready for gas.

Q You are referring to the solid red line in the southeast system?

A That is correct.

Q At the time of the last hearing. although some work had been done, the pipe had not been out in the ground and tested and ready for operation?

A No, sir. It had not.

Q All right, sir. Let's go to the northwest system; has there been any substantial change in this system since September, significant change in the northwest, that is?

A There has been the addition of one compressor at the main compressor station for the northwest. This is located in Section 33 and one field and booster compressor in Section 20; otherwise, there has been no significant change.

Q All right, sir. Let me ask you this: Mr. Malernee, with respect to both systems, why hasn't more work been done in



getting the pipe in the ground in these?

A These extensions, the rear part of the pipeline, has been designed to go out and get the new developments.

Q Why haven't you laid more pipe in that regard?

A We had enough pipe in the ground that we could handle all the gas for which we had compressor facilities available. Therefore, we were more interested in devoting our time and attention to the installation of compression equipment; to conserve as much gas as we could rather than extend the pipelines for future use.

Q In other words, during this past month, your primary objective has been getting compressors into the field?

A That is true.

Q Let me ask you with respect to the pipeline; pipe extensions rather, is that pipe on order or enroute?

A It is.

Q Do you anticipate any difficulty at all in having pipe in the ground and ready to go by the time you get your compressor strength up sufficiently to handle gas from extensions?

A Weather permitting; we are anticipating no problem.

Q All right, sir. You want to go back to your seat, now? (Witness complies.) Mr. Malernee, adding up on my fingers, as you went through your testimony, as I recall, we had a total of five compressors in both pools at the time of the last hearing?



A Yes, sir. We did.

Q We now have, if my arithmetic is correct --

A We have a total of 12; that I recall.

Q So, in spite of the bottleneck in parts that you encountered, you have been able to increase your compressor strength in these pools by over 100 percent?

A Right.

Q And with the bottleneck now broken and fabricating there in Tulsa on an assembly line basis, with one machine coming out one door, all completed and a frame on a skid coming in the back door; you certainly hope to do better in the time to come?

A We certainly do. It looks like there will be no difficulty in doing so.

MR. BUELL: May it please the Commission, I believe that is all the direct we have at this time. May I formally offer the Operator's Exhibits 6 and 7?

MR. PORTER: Without objection, the exhibits will be admitted.

(Whereupon Operator's Exhibits 6 and 7 were admitted in evidence.)

MR. PORTER: Anyone have any questions of Mr. Malernee?

MR. MORRIS: Yes, sir.



CROSS-EXAMINATION

BY MR. MORRIS:

Q Mr. Malernee, you say that you hope to add, roughly, a half-million feet of gas per day to your line?

A Yes. Now, that is on an average basis.

Q On an average basis?

A Right.

Q At that rate, with about 20,000,000 plus feet of gas being left to be collected, at the present level of production, according to my figures, if you attain that average level, that average rate of adding on, you should have your system complete somewhere around the 18th of November; does that about match your figures?

A 20,000,000 to a half-million is 40 days; I was figuring a month and a half to test it first, which would be, normally, 45 days.

Q December 1st would actually give you a little leeway on your half-million a day, would it not?

A On the estimated basis; yes, sir.

Q If the Commission should decide to enter an order in this case, a no-flare order and to make the effective date of the order around December 1st, do you foresee any difficulty in living under that order?

A Right now we could not foresee any. There have been other things that come into this that we did not foresee. We



feel, right now, everything has been cleared; but, weather could be a material factor in effecting that.

Q Do you see any factor other than weather that you might be able to foresee; and reefs chartered or unchartered in the path?

A We do not see any; no, sir.

Q Mr. Arnold testified, I believe, that 90 days would be his recommendation for allowing exceptions for the new wells to be hooked up; do you believe that, on a normal step-out development well, do you feel that the well could be hooked up in the 90 day period; once the system is complete?

A Under normal conditions, it can; under normal every day conditions, if it is just a usual step-out of existing wells in the field, 90 days should be sufficient time.

MR. MORRIS: That is all I have.

BY MR. NUTTER:

Q Mr. Malernee, I don't have your name. Would you spell that for me?

A M-a-l-e-r-n-e-e.

Q E-e?

A Double e at the ending.

Q Mr. Malernee, I just wanted to ask you a couple of questions on the Cha Cha, Totah Pools, if I might. For one thing, you said last Saturday you really got to rolling and turned out



a compressor; how many compressors did you turn out the week ending Saturday?

A We shipped two last week.

Q You got two made last week?

A Right.

Q How about the week before; how many did you make?

A Oh, Let's see, Mr. Nutter, I don't recall exactly how those things have been scheduled. I haven't been in the office very much of the time. I don't know. They --

Q Well, I was just wondering; since you got rolling Saturday, I was just wondering how you were rolling previous to that and how fast you were rolling now?

A We shipped two machines last week and then again Tuesday we shipped one more; which the average time, as we are set up, on running them through the shop on a production basis is about a day and a half per machine.

Q How many have you shipped this week?

A This week we have only shipped, the one yesterday. They are working on --

Q You got rolling Saturday and you have made one so far?

A Right.

Q Mr. Malernee, one thing you pointed out in your testimony when Mr. Buell was questioning you was the fact that you have changed the size of these compressors to meet the increased

Q I see.

A Right now, in the field, we are running two stages with the third stage standing by.

Q What was the original --

A Single-phase.

Q Single-phase?

amount of gas that is available in the pools. How many of these compressors have been changed in size from the original plan?

A From the original plan? Just about every one has been.

Q What was the original capacity of those, of these that --

A On the original plans we were working at a line total, from the two fields, of approximately 20,000,000 feet on our line sizes. The thing that has effected us more than anything else on compressor size, has been the maximum rate of discharged pressure. To achieve the higher capacity, even with the pipe changes that we have put in there, most of the pipeline changes were on the insertion side where it would be extremely difficult to get to a compressor to service it, we have had to go to higher pressure machines which will operate the line at a higher operating system.

Q Are these one or two-phase compressors?

A Each individual compressor is finished single-phase, we are staging them in the field.

Q I see.

A Right now, in the field, we are running two stages with the third stage standing by.

Q What was the original --

A Single-phase.

Q Single-phase?



A Our original plan was a total of three standing by, not having to go so high on the pressure on the first stage. The first stage ones are critical because they are allocated in the field. If you have 95 pound machine sitting out in the field and you have to have 150 pounds to get the gas through the line; that 95 pound machine just won't hack it and you have to replace it with a larger unit. In addition to which -- As an example, there is one installation where we had originally sized the compressor and facilities at 100 -- about 140 horses and our system was set up on that. Right now, in that system, we have had to resize it to over 300 horsepower at that one point.

Q This is one particular compressor?

A That is one particular installation. To get as much gas as we can, we are putting the machines in so they will be of the most benefit. At the present time there are some of them that will have to be moved and we realize it at this time.

Q Well, now, in the changing of compressors that you found necessary, you state that each of these stations is probably going to be a three-stage compressor facility with three separate compressors. Now, the big compressor has to be in the first stage; how about the second and third stage?

A The second and third stages are the ones primarily located at the station. The first stage is out in the field, they pump through the line into the station. That has been



deliver half that horsepower. Using three machines to deliver half the horsepower of the twelve existing machines. That is an example of the way we have had to go on this.

Q Well, is this typical of what you are -- How many compressors do you eventually plan to install?

A Originally we planned to install somewhere in the order of 35. By going to larger sizes and with the increased capacity; it looks like now we are going to be closer to 45.

A Our original plan was a total of three standing by, not having to go so high on the pressure on the first stage. The first stage ones are critical because they are allocated in the field. If you have 95 pound machine sitting out in the field and you have to have 150 pounds to get the gas through the line: that 95 pound machine just won't hack it and you have to replace it with a larger unit. In addition to which -- As an example, there is one installation where we had originally sized the compressor and facilities at 100 -- about 140 horses and our system was set up on that. Right now, in that system, we have had to resize it to over 300 horsepower at that one point.

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A That is one particular installation. To get as much gas as we can, we are putting the machines in so they will be of the most benefit. At the present time there are some of them that will have to be moved and we realize it at this time.

Q Well, now, in the changing of compressors that you found necessary, you state that each of these stations is probably going to be a three-stage compressor facility with three separate compressors. Now, the big compressor has to be in the first stage; how about the second and third stage?

A The second and third stages are the ones primarily located at the station. The first stage is out in the field, they pump through the line into the station. That has been



a 25 or 40 year pay-out on the thing, then you can set up the system with big pipe and pull it all into one compressor and you don't have the problems that we have with a system such as this continuing in both directions, just about, with the development and short pay-out or the short predicted life, you might say, of the field.

Q Well, now, of the original 35 compressors that you planned; now you are thinking about 45, how many of these have actually been changed from the original design capacity?

A Mr. Nutter, I can give you that information with the data that I have in my briefcase; but, it would take a couple of hours to go through and check every one of them. Since the original design, I would estimate that, of the original 35, that we have changed about 20, substantially. We have changed locations due to two machines that are out there right now that are going to be moved. We had planned to leave them where they were originally set and we have changed the location on, I imagine, 30 of them. There has been that much of a change, either, I mean, on size or actual design.

Q Now, the location of compressor is in itself, going to make the compressors harder to get changed in design and back order conceivable, so --

A Right.

Q -- you changed the size of approximately 20 of the 35?

A We have changed the size of the cylinders on at least



twenty of the original 35 planned.

Q Are you acquainted with Mr. Knight's testimony in August? I think you stated you read the one of September.

A Yes. I was at the August hearing.

Q Do you recall him saying there would be no difficulty in obtaining the compression?

A Yes. Right at that time we were looking at the machines that were originally designed for the plant. Right now we have cylinders in our stock which we cannot use because of the change.

Q Well, now, you have got parts available to assemble these new compressors; the ones that you are going to have to have with the increase in capacity and so forth. How many compressors can you assemble at the present time; how many parts do you have available?

A Available right now; we have about six as of today.

Q How long will it take to get those assembled and in the field?

A About two weeks.

Q Mr. Malernee, it seems as though a new unchartered reef may be appearing, too. You mentioned the weather; what effect is the weather going to have in getting in this installation?

A The effect of the weather will be, primarily, the foundation, pouring the foundation for the compressors and, of course, in that part of the country there are, as you are well aware,



there are snow storms that just about keep you from doing anything except sticking your head out the door.

Q But, in reply to two questions of Mr. Buell's, you said you anticipated no difficulty?

A We anticipated no difficulty; the weather can delay us for a short time. Around the Farmington area, it is my understanding it hardly -- The concrete would freeze, for example, and it would be hard to get your foundation in.

Q We didn't anticipate these difficulties in August or September, did we?

A We did not.

MR. NUTTER: Thank you, Mr. Malernee.

MR. PORTER: Any further questions?

BY MR. BRATTON:

Q Mr. Malernee, what is the designed capacity of the complete system, with your 45 compressors that you now intend to install?

A We are looking for 30,000,000 cubic feet daily from both facilities at the present time; which is enough to handle the present amount of gas that the field is producing.

Q You have no plans for expanding the system?

A We are designing the system so that we can tie onto the end of it and go ahead and pick up out-lying developments.

Q And it is your testimony that you intend to have this system to 30,000,000 cubic feet capacity by the first of December?



A We are going to extend every effort to meet that date:
yes, sir.

MR. BRATTON: Thank you very much.

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

(Witness Excused)

MR. BUELL: May it please the Commission, for those
of us who have been in on this conservation effort from the
outset, that is, we operators in the field as well as the
Commission and the Staff; review of the evidence can only reveal
only one thing and that is that is continuous and substantial
progress. It is true that along the way we have hit, here and
there, an unchartered reef; but, even in spite of that, progress
has continued to be made. We have had testimony with regard to
the set backs; but, over all, progress has been continued. We
must realize that, at the outset, when the Commission looked at
the flare situation in these two pools, back in March of this
year, a contract had not even been negotiated. Since that time
we have negotiated our contracts. Knight Manufacturing Company
has made their effort to get their facilities installed. At
this time, as of 8:00 o'clock this morning, we are saving and
delivering to El Paso, over one third of the gas produced from
these two pools. In my mind, that is a significant conservation
effort. I think it is an effort of such magnitude as to warrant



the Commission continuing this case until the November regular hearing; and, on behalf of Pan American, I would like to move that this case be continued until the November regular hearing.

MR. PORTER: Any comments?

MR. BRATTON: On behalf of Humble Oil and Refining Company; Howard Bratton. I will second the motion by Mr. Buell. I think we wish as strongly and more strongly than the Commission that this system were completed today; but, it has not been possible to be completed by today. There is one further aspect of the matter that I believe is worthy of the Commission's attention. At this point, as Mr. Malernee pointed out, this Knight Manufacturing has, of course, a contract with all the operators in the pools. They are placing the compressors, the Knight Manufacturing is, in the position to where they will conserve the most gas. Now, if the Commission should, at this point, enter a no-flare order, it would shut in some -- could shut in some leases in there and I would refer particularly to Humble's lease in there; although they are participating in progress on this. If compressors are placed elsewhere in an effort to conserve the most gas, now, this, of course, would result in a severalty of correlative rights of the pool anomalously.

I have addressed myself as to Humble's rights; the situation would be the same as to other operators in the pool. As I say, we wish just as strongly as the Commission that this

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system was completed. We have been attempting, through our traffic departments to help Mr. Knight in every way we could. We strongly urge that the Commission favorably consider Mr. Buell's motion.

MR. MORRIS: If the Commission please, Mr. Porter, I do not wish to either oppose or second Mr. Buell's motion; but, merely to comment on it and state for the record, the saga of the unchartered reef has been heard at several hearings now. It was heard first in March, then in May and July, August, September, and now; at the October hearing. The record in the case has been built up considerably. At the July and August hearings the target for the completion was stated by Mr. Knight to be October the first. Certain difficulties were encountered and in September at the regular hearing of the Commission, that target was revised to be November the first and was stated by Mr. Knight to be the final date. Now, today, at this hearing, we are told that December the first will be as soon as the gathering system can be completed.

Now, certainly, I would have to agree with Mr. Buell and Mr. Bratton on all the statements made here; progress has been made. A third of the gas is being collected and that is progress. At the same time, we are told that less than half of the gas will be collected by November first; which only a month ago was given as the final date for the total completion of the entire system. We are also told that weather might hamper

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activity; but, certainly the weather is not going to get any better as we progress into the coming winter. As I said, I offer no opposition to Mr. Buell's request for continuous: but, would only point out, if the Commission should decide to enter an order, it could make the effective date in the future, and somewhere around December 1st might be a good date for it.

MR. PORTER: Mr. Walsh, I believe.

MR. WALSH: Ewell Walsh for El Paso Natural Gas. Due to the evidence that has just been presented concerning this case for the Cha Cha-Gallup gas, El Paso Natural Gas Products Company would like to concur with Pan American in asking for continuance of the case to the next regular meeting.

MR. PORTER: Mr. Swanson?

MR. SWANSON: Kenneth Swanson for Aztec. On behalf of our company, we would like to point out that we have run into unexpected problems in this before, some of which, perhaps are not unique to the Totah-Cha Cha areas. These fields are in the stage of development and I think it creates a particular problem to your facilities that have engaged in this. The work has been made and this is the best period to present the speed, and for its continuance we appear, that is our hope. We hope the Commission will respond sympathetically to these efforts and problems, and will continue this case to the next regularly scheduled hearing.



MR. PORTER: Anyone else have anything to say concerning Mr. Buell's motion?

Mr. Buell, the Commission will deny your motion for continuance and will, in the very near future, enter an order prohibiting and preventing the flaring of gas from these two pools after November 30.

The Commission, in continuing this case from March, successively through several other hearings, have considered a number of factors. We certainly appreciate the fact that progress has been made; but, as you brought out, a third of the total gas is being marketed through the system. The fact remains that two-thirds is being flared. We can appreciate the problems, and I think we have indicated that we can appreciate the problems that have been run into, that weren't anticipated from time to time, as these hearings went along. Nobody anticipated that either of the pools would expand as far and as rapidly as they have; nobody anticipated redesigning of the machinery and so forth. We have heard evidence here today that the system can be completed by a date of December 1st, and so we have to remember, of course, at all times, that we have -- This has borne heavily upon us; that is, our prevention of waste of oil and gas. So, the Commission will enter an order which prohibits the flaring of gas after November 30th of this year.

I anticipate that the order will be a standard no-flare

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order that will permit exceptions where it can be shown it is not economically feasible to market the gas and, also, it will carry a clause which will allow a period of 90 days for a connection of new wells.

MR. BUELL: May it please the Commission, I don't want to drag out or delay this hearing. I would like to urgently and sincerely request that the Commission consider making the effective date January 1st instead of December 1st.

As Mr. Bratton pointed out, this has been a team effort all the way through. We operators, when we executed the contract, we didn't just say that "our work is over; from now on it is up to Knight." It has been team work effort. As Mr. Bratton pointed out, the operators have neglected their own individual good from the standpoint of saving their gas, for the good of the whole pool. In fact; both of them. I would like to urgently request that the effective date be January 1, 1961, in order that we can be certain that no great loss in equities will occur.

Due sacrifice has been made today in allowing Mr. Knight to place compressors that are installed where they would do the most good; rather than, say, on Pan American's gas or Humble's gas. In view of that, I urgently request an effective date of January 1st.

MR. PORTER: Off the record.

(Off the record discussion held.)



MR. PORTER: Mr. Buell, the Commission has consented or agreed to consider your request prior to entering an order; but, an order will be forthcoming, within the next few days on this particular case. We will take a ten-minute recess.

(Whereupon, the hearing was concluded at 10:50 A.M.)

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