

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 17, 1961

IN THE MATTER OF:)

 The hearing called by the Oil Conserva-)
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 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

TRANSCRIPT OF HEARING

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PHONE CH 3-6691

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ALBUQUERQUE, NEW MEXICO

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County, New Mexico.)

BEFORE: Mr. A. L. Porter
Mr. Murray Morgan

TRANSCRIPT OF HEARING

MR. MORRIS: 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. PORTER: At the outset I would like to ask for
appearances in Case 2115.

MR. BUELL: For Pan American Petroleum Corporation, Guy
Buell.

MR. BRATTON: For Humble Oil and Refining Company,
Howard Bratton.

MR. DAVIS: For Aztec Oil and Gas, Quilman Davis.



MR. WALSH: Ewell Walsh for El Paso Natural Gas Products Company.

MR. KNIGHT: Will Knight for Southern Union Gas, and in connection with resident counsel Manuel Sanchez.

MR. SETH: Oliver Seth and Mr. Ben Howell for El Paso.

MR. PORTER: Mr. Morris.

(Witness sworn.)

E. C. ARNOLD

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

DIRECT EXAMINATION

BY MR. MORRIS:

Q Will the witness please state his name and position?

A E. C. Arnold, supervisor District 3 of the Oil Conservation Commission.

Q Mr. Arnold, did you testify in case 2215 presented at the March, 1961 Regular Hearing concerning the flaring of casing-head gas in the Cha Cha and Totah-Gallup Oil Pools?

A Yes, I did.

Q Would you review the testimony that you gave in that case, first in the Cha Cha-Gallup Oil Pool?

A At that time in the Cha Cha-Gallup Oil Pool there were 42 completed producing oil wells in the Gallup formation. I estimated at that time that there was about 7300 MCF of gas per

day being produced in the pool.

Q Mr. Arnold, how many additional wells have been put on production since that time?

A Nineteen additional wells have been drilled in the Cha Cha Pool since that time as of May the 15th.

Q Including those new wells, how much gas is now being produced from all the wells in the Cha Cha-Gallup Oil Pool?

A Approximately 10,600 MCF per day. This figure is determined by using the average gas per well figure from the March hearing and multiplying by the total number of wells producing as of May 15.

Q Would you review the testimony that you gave at the previous hearing concerning the number of wells producing and how much gas they produced in the Totah-Gallup Oil Pool?

A At the time of the March hearing there were 23 wells producing in the Totah Pool and the amount of gas produced was estimated at 2964 MCF per day.

Q Would you state how many new wells have been completed in the Totah-Gallup and how much gas is now being produced per day in that pool?

A An additional 16 wells have been drilled in this pool as of May 15, and the total amount of gas now being produced is estimated at 5,000 MCF per day.

Q What is the total amount of gas that is now being



produced from both the Totah and the Cha Cha-Gallup Oil Pools?

A I estimate that there is approximately 15,650 MCF per day being produced in both pools combined.

Q Now, Mr. Arnold, is any of this total amount being put to beneficial use at the present time.

A Yes, approximately 1500 MCF per day from the Benson-Montin John Lease is being compressed and sold to El Paso Natural Gas Company. This leaves about 14,000 MCF per day being flared at the present time.

Q Do you have any knowledge of gathering facilities that are planned or any other use that's being planned for the gas that's being vented at the present time?

A Yes, it's my understanding that the Knight Engineering Company has signed contracts with the majority of the operators in both these pools to gather and compress the gas and sell it, I believe, to the El Paso Natural Gas Company. Their surveying, as I understand it, in the Cha Cha Pool, is just about complete and they are presently at work in the Totah Pool. I think that significant progress has been made since the March hearing toward the problem of gathering this gas. They intend, I believe, by the first of July, to be taking gas, although I doubt that they're taking all of it by that time.

Q At the present time, however, all of the gas except the ~~million and a half a day that you mentioned~~ is being flared or

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vented, is that correct?

A Yes, that's correct.

Q Mr. Arnold, if the Commission saw fit to issue a no flare order at the present time, would you recommend that some of the wells in these pools be given exceptions?

A Yes, I think the order should provide that an operator can get administrative exception for any wells from which it's not economic to gather the gas. I also think that there should be a provision in any order which would allow ninety days from the date of first oil production for a new well to get a gas connection.

Q Mr. Arnold, do you have anything further you wish to state in this case?

A No, sir, I don't believe so.

Q Did you refer to your exhibit in your testimony or was that just a picture?

A Exhibit No. 1 is an area map showing the Totah and Cha Cha Pool. The wells have been spotted on this map up through May 15.

(Whereupon, Commission's Exhibit No. 1 was marked for identification.)

Q Did you prepare this exhibit, Mr. Arnold?

A Yes.

MR. MORRIS: We will offer this exhibit in this case,

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and that concludes the direct examination of this witness.

MR. PORTER: Without objection, the exhibit will be admitted to the record. Does anyone have any questions? If no questions, the witness may be excused.

(Witness excused.)

MR. PORTER: Anyone else desire to present testimony? Any statements? Mr. Buell.

MR. BUELL: May it please the Commission, Guy Buell for Pan American Petroleum Corporation. I would like to briefly comment on the progress that has been made in both of these pools. I would like to state at the outset that I speak only for Pan American, but as Mr. Arnold has testified, the operators in these two pools are attacking the problem as a whole, so it's almost impossible to talk about progress unless you talk about not one pool as a whole but actually both pools.

As Mr. Arnold has testified, the operators, sufficient number of operators in both pools have committed their gas to Knight such that he can go ahead with his plans for a fieldwide gathering system in both pools.

As Mr. Arnold testified, Mr. Knight is diligently working at that right now, so actually, we, as operators, have done everything that we can do except to wish Mr. Knight God speed in his work. We don't need a shut down order to spur us to diligence.

MR. PORTER: Could you help him a little maybe?

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MR. BUELL: Sir?

MR. PORTER: Could you help him a little maybe?

MR. BUELL: We're helping him in every way that we can.

We have been diligent, I sincerely feel that we have. All the operators realize when we first started evaluating the problem of this produced casinghead gas that it was going to be a marginal economic deal for everyone involved. So, actually, the efforts that have been made, I believe, could be termed strictly a conservation effort. From the economic standpoint there's going to be very little economic gain to anyone involved.

In addition to the surveys that Knight is conducting in the Cha Cha that Mr. Arnold mentioned, he has already ordered his pipe for the gathering line. He advises us that some of his compressors are currently being fabricated at their shops in Tulsa. He's diligently pursuing the administrative route with the federal agencies involved.

We feel that everyone is doing everything that they can. This is an unusual situation. The testimony of Mr. Arnold, we're dealing with two unique and novel pools. At the present time there are probably six drilling rigs active in this area. In Cha Cha since March we've had nineteen wells completed, in Totah, sixteen. The field is on the move, it's being actively developed.

We feel, actually, that if the Commission would hold off any action until after the July hearing, by that time, if everything

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goes well for Mr. Knight, we should be taking gas out of these pools. We feel with that factual data before it, the Commission will be in a better position to intelligently issue an order that will properly regulate the production and disposition of casing-head gas in these two pools.

For these reasons Pan American would respectfully move that this case be continued until the regular July hearing.

MR. PORTER: Before we rule on the motion, I would like to hear any other comments concerning the progress that has been made.

MR. NUTTER: I would like to ask Mr. Buell a question before any other statements. Mr. Buell, will Mr. Knight actually be buying the gas from the producers?

MR. BUELL: Yes, the producers' contract is with Mr. Knight.

MR. NUTTER: It's with Mr. Knight?

MR. BUELL: Yes.

MR. NUTTER: Are these contracts being made under the Federal Power Commission price scale?

MR. BUELL: I rather doubt it, if they are I feel sorry for the area.

MR. NUTTER: Is there any possibility there might be a long delay in getting approval for the contracts?

MR. BUELL: They're considerably below the area price.

Mr. Knight is not anticipating any difficulty with the Federal Power Commission.

MR. NUTTER: Has he made his application with the Federal Power Commission?

MR. BUELL: He advised me yesterday that he was currently preparing the papers for the application.

MR. NUTTER: Has Pan American made the application yet to the Federal Power Commission to sell their gas?

MR. BUELL: No, to my knowledge, no. Frankly, I don't even know if it will be required.

MR. NUTTER: Thank you.

MR. PORTER: As I understand it, I don't understand it fully, the Federal Power Commission, at least at the present time there seems to be a state of confusion concerning this area pricing, but you can operate under this area pricing, as I understand it, if your prices that you are asking for do not exceed the ceiling set for the area, is that right?

MR. DAVIS: That's my understanding.

MR. BUELL: I don't know. I can say this, Mr. Porter, if the area price is the price we're getting for our gas, I feel sorry for the area.

MR. PORTER: There's another question, Mr. Buell, and that is this: is this the quickest way that gas can be disposed of, made beneficial use of in this area as proposed to the

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gasoline plant?

MR. BUELL: Yes, sir, of all the possibilities that we have evaluated, and Pan American evaluated several; of course I can't speak for the other operators; of all the possibilities that we evaluated, this is the best from an economic standpoint to the operators in that they will get a slight return for their gas. It is the most expeditious, it will allow us to save the gas quicker than any other possibility that we investigated. So, both from the standpoint of economics and expediency, Pan American certainly feels that the proposal with Mr. Knight is the best of any that we evaluated.

MR. PORTER: Mr. Bratton.

MR. BRATTON: Howard Bratton on behalf of Humble. I would like to second everything that Mr. Buell has said here and, as to your question, Mr. Porter, we also evaluated several approaches to this and this was the quickest way the problem could be resolved, the quickest one we could discover.

We also entered into a contract with Mr. Knight. We wish him God speed and we certainly will help him in every way that we possibly can, and it is our understanding that the, as Mr. Arnold said, that gas will be started to be purchased by July 1st, and possibly it will not all be completed, I don't know, but certainly in view of that and in view of the fact that the operators have done, the matters are beyond their control except to assist in any

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way possible at the present time.

We feel that Mr. Buell's motion is in order that the Commission look at this matter at the July hearing. For that reason we certainly would second his motion.

MR. PORTER: Mr. Davis.

MR. DAVIS: Quilman Davis, on behalf of Aztec Oil and Gas Company. I, too, want to second Mr. Buell's request and motion and, Mr. Porter, I might add that Aztec secured an outside consultant to look into this matter, particularly in the Totah area where we have a large percentage of the acreage. We found that Mr. Knight's proposal was the fastest and the most economical way for us to produce the gas. We feel, in answer to Mr. Nutter's question, that it will not be necessary to the producers to file any application on their contracts with Mr. Knight. We have made two, one in the Totah and one in the Cha Cha. I have seen Mr. Knight's proposal from El Paso and even that contract should pass Federal Power Commission area pricing, so it looks like that everything, as far as it can, will go smoothly. All we're asking is that we be permitted to continue this hearing.

MR. PORTER: You say the only thing that the Federal Power Commission would have to approve would be the installation, the gathering system, the compressor system and so forth?

MR. DAVIS: Under the terms of this whole arrangement, I can't understand how they will have any objection to that

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situation, because the price that El Paso is paying for the gas is within the area pricing standard. Insofar as Mr. Knight is concerned, he's got a hundred percent guarantee that so much gas is going to move through the system from we and the other operators.

Secondly, to make this thing work, we have conceded some of our contractual rights on other gas up in the Basin for the time being until the larger El Paso line is being put into operation. We are doing everything we can to get it rolling. I can't see how Federal Power Commission can make any objection to the system that Mr. Knight will put in when his price for the public consumption is less and certainly not any more than gas well gas.

Secondly, Mr. Knight has a hundred percent guarantee of his operation.

MR. PORTER: Mr. Walsh.

MR. WALSH: Mr. Walsh, El Paso Products; we would like to concur with Mr. Buell's suggestion for a continuance, and we have been advised also by Mr. Knight on his progress and we fully believe that he should have the system in in a relatively short time. We have also evaluated the different type contracts and markets that's available for that gas and we feel that Mr. Knight has offered us the best program.

MR. PORTER: Anyone else like to make a statement? I guess we had better rule on Mr. Buell's motion. The Commission ~~wishes to express its appreciation for the diligent effort that~~

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has been made by the producers in these two fields, since this matter was brought up in March, toward getting a market for the gas. We, too, feel that the plan that you have adopted is the quickest way of getting this gas on market. We're going to continue the case until the regular July hearing, which is July 13, I believe. It's fairly early in the month.

By that time, according to the record here this afternoon, why some of this gas, at least, should be going to market by that time. So, we will continue the case until the July regular hearing and remind the producers here that if necessary, at that time we could issue an order on pretty short notice. So the case will be continued until that time.

MR. BUELL: I would like to thank the Commission for their consideration in this matter.

MR. PORTER: Right at this point I have a note from Mr. Nutter that he has been advised by Nearburg and Ingram in connection with the Bluitt system, that they had Federal Power Commission approval for their gathering system and plant down there and I was assured by Mr. Ingram that they could be taking gas in sixty days. They were assured at first of Federal Power Commission approval by April 1st and then it was postponed until the 15th, and I think it came through last month or last Saturday.

We'll take up next Case 2277.

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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 26th day of May, 1961.



 Notary Public-Court Reporter

My commission expires:

June 19, 1963.

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