

CASE 3522: Application of TEXACO
for suspension of cancellation of
underproduction & Ex. of Deliver.

CASE NO.
3522

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

State of New Mexico
Oil Conservation Commission



P. O. BOX 2088
SANTA FE

February 1, 1967

Re: Case No. 3522
Order No. R-3187
Applicant:

TEXACO INC.

Very truly yours,

A. L. Porter, Jr.
A. L. PORTER, Jr.
Secretary-Director

Carbon copy of order also sent to:

Hobbs OCC x
 Artesia OCC
 Aztec OCC x
 Other _____

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3522
Order No. R-3187

APPLICATION OF TEXACO INC. FOR SUSPENSION
OF CANCELLATION OF UNDERPRODUCTION AND EXTEN-
SION OF DELIVERABILITY TEST DEADLINE, SAN
JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 25, 1967,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 1st day of February, 1967, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the following wells in the Basin-Dakota Gas Pool,
San Juan County, New Mexico, accumulated underproduction during
the proration period February 1, 1966, to August 1, 1966; that
said underproduction is subject to cancellation February 1, 1967:

Operator - Name of Well	Unit	Section	Township	Range
Texaco				
H. J. Loe Federal B Well No. 2	G	23	29 North	12 West
H. J. Loe Federal B Well No. 3	M	23	29 North	12 West

(3) That the said wells were deprived of full opportunity to
make up the said underproduction during the proration period
August 1, 1966, to February 1, 1967, as a result of the assignment

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CASE No. 3522

Order No. R-3187

of the gas purchase rights by an interstate company to an intra-state company resulting in the shutting in of the subject wells until Federal Power Commission approval for the sale of gas was received.

(4) That the above-mentioned wells also accumulated underproduction during the proration period August 1, 1966, to February 1, 1967, as a result of the above-mentioned shutting in; that said underproduction will be subject to cancellation August 1, 1967.

(5) That said shutting in of the subject wells was beyond the control of and through no fault of the operator or said wells.

(6) That in order to afford the operator of the subject wells the opportunity to produce its just and equitable share of the gas in the pool, the operator of the subject wells should be authorized to produce during the make-up period from February 1, 1967, to August 1, 1967, and such other make-up period as may be necessary, any underproduction attributed to the subject wells and subject to cancellation February 1, 1967, or August 1, 1967.

(7) That the applicant further seeks, as an exception to Order No. R-333-F, an extension of the 1966 deliverability test deadline for its said H. J. Loe Federal Well No. 3.

(8) That the need for an extension of time in which to conduct the deliverability test was occasioned by the above-mentioned shutting in of said well.

(9) That the time for conducting the 1966 deliverability test for the said H. J. Loe Federal Well No. 3 should be extended to March 1, 1967.

IT IS THEREFORE ORDERED:

(1) That during the make-up period from February 1, 1967, to August 1, 1967, the operator of each of the following gas wells in the Basin-Dakota Gas Pool, San Juan County, New Mexico, is hereby authorized to produce, from the well, the underproduction attributed to the well and cancelled on February 1, 1967:

Operator - Name of Well	Unit	Section	Township Range
Texaco			
H. J. Loe Federal B Well No. 2	G	23	29 North 12 West
H. J. Loe Federal B Well No. 3	M	23	29 North 12 West

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CASE No. 3522

Order No. R-3187

(2) That the Secretary-Director of the Commission, upon proper application, may approve an extension of time during which underproduction that accumulated to said H. J. Loe Federal Wells Nos. 2 and 3 and cancelled February 1, 1967, and the underproduction that accumulated to said wells and subject to cancellation August 1, 1967, may be made up.

(3) That to obtain administrative approval for an extension of time in which to make up cancelled underproduction, the operator shall submit in triplicate a request for such authority, stating the amount of underproduction produced to date and describing the conditions preventing complete make up of underproduction by August 1, 1967.

(4) That the time for conducting the 1966 deliverability test for the Texaco H. J. Loe Federal Well No. 3 located in Unit M, Section 23, Township 29 North, Range 12 West, NMPM, San Juan County, New Mexico, is hereby extended to March 1, 1967; provided, however, that nothing in this order shall be construed as relieving the operator of said well from the obligation to conduct a 1967 deliverability test on said well.


(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

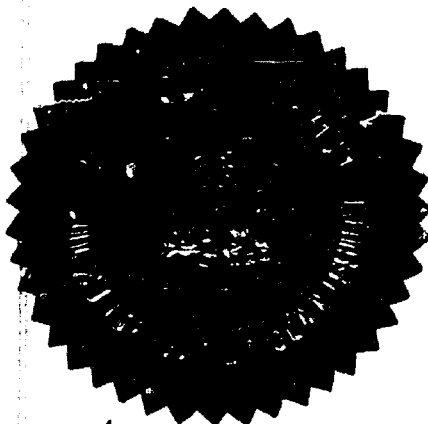
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


GUYTON B. HAYS, Member


A. L. PORTER, Jr., Member & Secretary



esr/

Case 3522

Heard 1-25-67

Rec. 1-25-67

as well as the endroge accrued
during probation period 8-1-66 thru 1-31-67
which will be subject to cancellation
8-1-67

Grant Texaco the principles of supplying
for reinstatement of endroge cancelled as of
+ 31-67 2-1-67 for their H. J. Loc #2 8-23-29N-
12 + their H. J. Loc #3 17-23-29N-12W.
Brazier Dakota Gas pool.

Said endroge may be made up.
During ^{probation} period from 2-1-67 thru 7-31-67.
If further make-up time is needed
grant administrative relief for 1 additional
probation as until 2-1-68.

This request is considered reasonable
due to the wells being shut in pending
Federal Power Comm. approval to sell
gas to an interstate transmission
system. The wells were shut in Nov.
10, 1966 and remained shut in for this
reason until Jan 10, 1967.

In this order also grant an extension
of time for ^{taking the 1966 Del. Test on} ~~the~~ the H. J. Loc
#3 until March 1, 1967. This test shall
not be used for the 1967 Annual Del.
test. This test was not taken in 1966
for the same P.P.C. reason.

Thud. J. J.

transferred or assigned by Seller, in whole or in part, to others shall remain subject to all terms and provisions of this agreement and no such transfer or assignment shall modify or enlarge the obligations or impair the rights of Buyer hereunder, it being intended that this agreement shall be construed and applied in its entirety notwithstanding any such transfer or assignment of individual leases or interests by Seller.

XXIII.

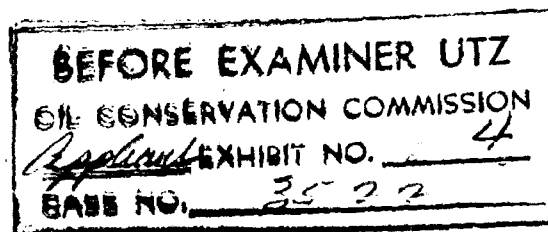
REGULATION

This agreement is made in contemplation of, and all provisions hereof shall be subject to all present and future laws of the State of New Mexico, and the United States, and all orders, rules and regulations of duly constituted governmental authorities having jurisdiction which are applicable to the subject matter hereof and effective from time to time.

XXIV.

INTERSTATE COMMERCE

Initially, Buyer contemplates that gas purchased under this agreement will be transported and sold for ultimate consumption wholly within the State of New Mexico; but if at any time Buyer should change its plans and desire to transport or sell for resale outside of the State of New Mexico all or any portion of the gas received under this contract, Buyer shall notify Seller in writing of such desire and upon such notification being given, Seller will promptly file and thereafter prosecute to a final disposition its Application for Certificate of Public Convenience and Necessity with the Federal Power Commission or its successor regulatory body and take and prosecute to a final disposition such other action as may be necessary or required to effect a full compliance with the then applicable requirements //



of the Natural Gas Act and the rules and regulations promulgated pursuant thereto so as to authorize the sale of natural gas under this contract for transportation or resale outside of the State of New Mexico and the construction and operation by Seller of facilities necessary to effect delivery of gas hereunder to Buyer for transportation and sale outside of the State of New Mexico; provided, however, that Seller may refuse to accept any issued or tendered certificate or permit in the event and only in the event that such certificate or permit contains provisions, terms, conditions, or requirements, other than or in addition to those general in form and customarily contained in such a certificate or permit that are deemed by Seller in its reasonable judgment to be unduly burdensome. Buyer agrees that gas purchased under this contract will not be transported or sold for consumption outside of New Mexico until Seller shall have received requisite authorization under the Natural Gas Act; but if, within twelve(12) months after the aforesaid notice has been given, Seller has not been authorized by permanent certificate or permit to make sales of gas under this contract for transportation or resale outside of the State of New Mexico, then Buyer may give Seller written notice of termination of this contract, and unless Seller shall have theretofore received such authorization, this contract shall terminate ninety(90) days after any such termination notice is given.

XXV.

PRIOR CONTRACTS AND ARRANGEMENTS SUPERSEDED

Concurrently with the effectiveness of this agreement by mutual execution and delivery, all prior contracts, arrangements or undertakings between the parties hereto with respect to the sale and purchase of gas and associated liquids covered hereby shall be superseded by this contract and shall terminate as to such sale and purchase; provided, however, that this shall



January 19, 1967

Mr. Elvis A. Utz, Examiner
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Dear Elvis:

Please refer to Docket No. 3-67, Case 3522, to be heard before you on Wednesday, January 25. This case is considering an application of Texaco, Incorporated for suspension of cancellation of allowables and extension of deliverability test deadline.

Southern Union Gas Company, as the then purchaser of gas from Texaco's Loe Federal "B" #2 and "B" #3 wells, assigned its gas purchase rights to Southern Union Gathering Company. Since Southern Union Gathering Company is engaged in interstate commerce, it was necessary that the approval of the sale at the wellhead be obtained by the operator from the Federal Power Commission. This approval was not forthcoming until January 13, 1967. Southern Union Gathering Company received notice of the approval on January 16. The Texaco Loe Federal "B" #3 well was turned on January 17, and the "B" #2 well was turned on January 18. Both wells are presently on production.

Insofar as is reasonably possible and giving consideration to Gathering Company's fluctuating market, Gathering Company will make every reasonable effort to produce these two wells so that the production which was not possible during the interim shut-in period will be made. We are in support of Texaco's application in Case 3522 and encourage you, as Examiner, to render a favorable decision for Texaco.

Atlantic Richfield Company is the operator of the State A Gas Com. #1, located in 36-29-11; and the State B Gas Com. #1, located in 16-29-10. These wells are similarly situated as to allowables

Mr. Elvis A. Utz
New Mexico Oil Conservation Commission

January 19, 1967
Page 2

subject to cancellation as the Texaco Loe wells. Atlantic has not yet received the authority to make their sale in interstate commerce, but we expect it to be handed down by the Federal Power Commission within a few days. Atlantic has informed me that they may seek some relief along the lines of the Texaco petition. We would support them in such a motion also.

No other operators are faced with this situation by virtue of our transfer of wells to Gathering Company. The only other operators who were originally involved have been certificated by the Federal Power Commission and are presently making sales. If we can offer any further information in this connection, please let me know.

Best regards,

SOUTHERN UNION GAS COMPANY



Oran L. Haseltine
Manager of Gas Supply

OLH:cm

			Q111-13	P111-13	S111-13	C111-13	
1							1
2	1966	4201	20950	20950	22110/p	0	2
3			30803	606	68242		3
4			35945	45245	57245		4
5			22130	606	57245		5
6			20253	935	20026		6
7			17842	0	17842		7
8			20224	0	15330		8
9			24671	5525	172025		9
10			24855	46204	150750		10
11			34249	58046	128202		11
12			26288	0	155260	STC19315	12
13			34252				13
14							14
15	1966	4201	25084	0	18355	0	15
16			40296	0	20776		16
17			40297	15380	20745		17
18			47442	0	143582		18
19			28227	0	172814		19
20			20835	0	198649		20
21			23652	84694	191612	0	21
22			27526	13465	176245		22
23			32505	0	209250		23
24			32776	6050	235976		24
25			47357	5994	277339		25
26			34260	0	311699	STC169687	26
27			45297				27
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DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 25, 1967

9 A. M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

- CASE 3516: Application of Texas Pacific Oil Company for several non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the rededication of certain acreage and the establishment of the following non-standard gas proration units in Township 23 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico:
- A 200-acre non-standard unit comprising the SE/4 of Section 20 and the NW/4 SW/4 of Section 21, dedicated to its State "A" A/c-1 Well No. 2 located 2260 feet from the South line and 330 feet from the West line of said Section 21;
- A 160-acre non-standard unit comprising the E/2 SW/4, SW/4 SW/4, and SW/4 SE/4 of Section 21 dedicated to its State "A" A/c-1 Well No. 8 located 660 feet from the South line and 1980 feet from the East line of said Section 21;
- A 160-acre non-standard unit comprising the SW/4 of Section 4, dedicated to its State "A" A/c-1 Well No. 18 located 660 feet from the South and West lines of said Section 4;
- An 80-acre non-standard unit comprising the S/2 NW/4 of Section 4 dedicated to its State "A" A/c-1 Well No. 15 located 1980 feet from the North and West lines of said Section 4;
- A 120-acre non-standard unit comprising the N/2 NW/4 and NW/4 NE/4 of Section 4, dedicated to its State "A" A/c-1 Well No. 23 located 660 feet from the North line and 2310 feet from the East line of said Section 4;
- A 160-acre non-standard unit comprising the W/2 SW/4, SE/4 SW/4, and SW/4 SE/4 of Section 9 dedicated to its State "A" A/c-1 Well No. 12 located 660 feet from the South line and 1980 feet from the East line of said Section 9.
- CASE 3517: Application of Pan American Petroleum Corporation for a vapor recovery system, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to install, at its central tank battery for the Navajo Tribal P, N, and U Leases in the Tocito-Dome Pennsylvanian "D" Pool, San Juan County, New Mexico, a vapor recovery system including facilities for extracting the liquids from said vapor, with a provision that said liquids would not be chargeable to the oil allowable for said leases.

- CASE 3518: Application of Pan American Petroleum Corporation for an unorthodox location and possible directional drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the Tocito Dome-Pennsylvanian "D" Pool rules as promulgated by Order No. R-2758 to permit the drilling of its Navajo Tribal "N" Well No. 9 at an unorthodox location 600 feet from the North line and 1200 feet from the West line of Section 20, Township 26 North, Range 18 West, Tocito Dome-Pennsylvanian "D" Pool, San Juan County, New Mexico. Applicant further seeks authorization, if the Pennsylvanian "D" producing section is found above the gas-oil contact or below the oil-water contact, to intentionally deviate said well in such direction and to such extent as necessary to obtain a commercial well, provided that said well would not be bottomed any nearer than 100 feet to the outer boundary of the 160-acre proration unit.
- CASE 3519: Application of Robert N. Enfield for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Chaveroo-San Andres Pool underlying the NW/4 NW/4 of Section 11, Township 8 South, Range 33 East, Chaves County, New Mexico.
- CASE 3520: Application of Southern Natural Gas Company for the creation of a new pool and for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for Wolfcamp production for its State "C" Well No. 1 located in Unit C of Section 11, Township 11 South, Range 33 East, Lea County, New Mexico, and for the promulgation of special rules therefor, including a provision for 80-acre proration units.
- CASE 3521: Application of Sinclair Oil & Gas Company for three waterflood projects, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute three waterflood projects in the Grayburg-Jackson Pool by the injection of water into the Grayburg-San Andres formations through two wells on its Russell Lease, eight wells on its Turner "A" lease, and nine wells on its Turner "B" lease in Sections 17, 18, 19 and 20, Township 17 South, Range 31 East, Eddy County, New Mexico.
- CASE 3522: Application of Texaco Inc. for suspension of cancellation of underproduction and extension of deliverability test deadline, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order suspending the scheduled cancellation of the underproduction attributable on July 31, 1966, to its H. J. Loe Federal B Wells Nos. 2 and 3, located in Section 23, Township 29 North, Range 12 West, Basin-Dakota Gas Pool, San Juan County, New Mexico, said underproduction not having been made-up during the 6 months period ending January 31, 1967, due to said wells having been shut-in November 10, 1966,

Docket No. 3-67

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(Case 3522 continued)

upon the transfer of the connecting pipeline from an intra-state status to an interstate status and delay in obtaining FPC approval for the sale of gas from said wells in interstate commerce. Applicant further seeks an extension of time in which to conduct the 1966 deliverability test of the Loe Well No. 3 until after FPC approval for gas sales has been received, and the well restored to production.

WHITE, GILBERT, KOCH & KELLY
ATTORNEYS AT LAW
P. O. BOX 787
SANTA FE, NEW MEXICO

BEFORE THE OIL CONSERVATION COMMISSION OF
THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
TEXACO INC. FOR SUSPENSION OF CANCELLATION
OF UNDERPRODUCTION AND EXTENSION OF
DELIVERABILITY TEST DEADLINE FOR ITS H.J.
LOE FEDERAL B WELLS NOS. 2 and 3 LOCATED
IN SECTION 23, TOWNSHIP 29 NORTH, RANGE
12 WEST, BASIN-DAKOTA GAS POOL, SAN JUAN
COUNTY, NEW MEXICO.

NO. 3522

Comes now Texaco Inc. by its attorneys White, Gilbert, Koch & Kelly and
requests that the Commission after due notice and hearing enter its Order
suspending cancellation of underproduction attributable on July 31, 1966 to
its H.J. Loe Federal B Wells Nos. 2 and 3 located in Section 23, Township
29 North, Range 12 West, Basin-Dakota Gas Pool, San Juan County, New Mexico,
and as grounds therefor shows the Commission:

1. That said wells were connected with Southern Union Gas Company's
pipeline under contract that the gas production would only be sold in intra-
state commerce. That as a result of action taken by Southern Union Gas
Company and through no fault of applicant said distribution system was
changed to interstate commerce. That the gas from said wells could not be
sold in interstate commerce without the prior approval of the Federal Power
Commission which applicant has sought but has not yet been granted. As a
result the two wells were shut in by Southern Union Gas Company on November
10, 1966, and therefore have not been able to make up the underproduction
attributable to them on July 31, 1966 through the proration period ending
January 31, 1967.

Applicant further seeks an extension of time in which to conduct the
1966 deliverability test for their Loe Well No. 3 until after approval by
the Federal Power Commission for gas sales has been received and the well restored
to production.

Respectfully submitted,

WHITE, GILBERT, KOCH & KELLY
By W. B. Kelly
Attorneys for Texaco Inc.

WHITE, GILBERT, KOCH & KELLY
(GILBERT, WHITE AND GILBERT)

ATTORNEYS AND COUNSELORS AT LAW

LINCOLN BUILDING

SANTA FE, NEW MEXICO 87501

CARL H. GILBERT (1891-1963)

L. C. WHITE

WILLIAM W. GILBERT

SUMNER S. KOCH

WILLIAM BOOKER KELLY

JOHN F. MCCARTHY, JR.

January 16, 1967

POST OFFICE BOX 787

TELEPHONE 982-4301

(AREA CODE 505)

Mr. A. L. Porter
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Re: Case No. 3522
Texaco Inc. Application

Dear Mr. Porter:

Enclosed find original and two copies of Texaco Inc.'s
Application in the above-referred to case.

Very truly yours,

W. B. Kelly
W. B. KELLY

WBK:cc
Enclosures

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 2-3-6991 • ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

January 25, 1967

EXAMINER HEARING

IN THE MATTER OF:

Application of Texaco Inc. for)
suspension of cancellation of under)
production and extension of deliver-)
ability test deadline, San Juan)
County, New Mexico)

Case No. 3522

BEFORE:

Elvis A. Utz, Examiner.

TRANSCRIPT OF PROCEEDINGS



MR. UTZ: Case 3522

MR. HATCH: Case 3522, application of Texaco Inc. for suspension of cancellation of underproduction and extension of deliverability test deadline, San Juan County, New Mexico.

MR. KELLY: Booker Kelly of White, Gilbert, Koch and Kelly, appearing on behalf of the applicant. I have one witness and ask that he be sworn.

(Witness sworn.)

DIRECT EXAMINATION

BY MR. KELLY:

Q Would you state your name, position and employer, please?

A My name is James M. Guenther, I am employed by Texaco Incorporated as a petroleum engineer, and currently hold the position of District Reservoir Engineer in the Texaco-Farmington District..

Q And you haven't testified before this Commission previously?

A I have not.

Q Would you give the Examiner a resume of your approximate education and experience?

A I have received a bachelor of science degree in petroleum engineering from the University of Texas in January

of 1958, and since that time, I have been employed by Texaco as a petroleum engineer.

Q How long have you been in the Farmington area?

A Approximately six and a half years; four years with in the Farmington District Office.

Q And you are familiar with the subject wells involved?

A Yes, I am.

MR. KELLY: Are the witness's qualifications acceptable?

MR. UTZ: Yes, they are.

Q (By Mr. Kelly) Would you briefly state what Texaco seeks by this application, Mr. Guenther?

A Texaco seeks an order suspending the cancellation of underproduction that will occur as of January the 31st of this year. We also seek an order for an additional proration period in which to produce the underproduction that has been created during the sub-proration period and we seek an order extending the deadline, and for conducting and submitting the deliverability test on Texaco's H. J. Loe Federal B Well Number 3. The reason for this request is due to the fact that this lease has been shut in, due to a change in status from this intrastate movement to interstate movement.

dearnley-meier

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Q Now, as a result of the conversation you had with the members of the Commission, do you also seek at this time to amend the application, to ask for permission to make up whatever underproduction that will result from this period, from being shut in in the period beginning, if you ~~can't make~~ it up in the next period, in the period beginning June 30, 1967?

A That is correct. I believe June 30th, right.

MR. KELLY: If I made myself clear, we will so move at this time that any --

MR. UTZ: Did you say June 30th?

MR. KELLY: Yes.

MR. UTZ: July 31.

MR. KELLY: In other words, any underproduction that is lost now because of shut in, that we might not be able to make up during the next proration period, we would ask at this time to be allowed to make it up in the proration period beginning July 31st.

MR. UTZ: We will accept your request for amendment.

Q (By Mr. Kelly) Now, by way of identifying some exhibits, referring to what has been marked Exhibit 1, which is actually a number of communications, would you tell the Examiner just what this is?

dearnley-meier

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A This represents correspondence between Texaco personnel and between Texaco, and Southern Union Gas Company and Texaco and Southern Union Gathering Company, pertaining to the change in status to the H. J. Loe Federal B. Lease from intrastate movement to interstate movement.

Q And referring to the signature that appears thereon, could you identify Mr. Oran L. Haseltine, whose name appears on the signature of the first letter?

A He is is manager of gas supply for Southern Union Gas Company.

Q And then the next letter is signed by Mr. B. J. Willard, also known as Blair Willard, would you identify that?

A He is gas engineer for Texaco in the Denver Division.

Q And then on the letter signed by Mr. R. J. McCrary, would you identify that individual?

A He is manager of the Purchase and Proration Department for the Southern Union Gathering Company.

MR. KELLY: Mr. Examiner, it might save a little time if I just briefly went over this, because I think I am about as familiar with it as the witness and the exhibit will be introduced into evidence. I would just like to explain what happened in this case and then the witness is

dearnley-meier

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going to give us testimony as to his actual knowledge of the capability of the well making up this underproduction.

I have here a copy of a natural gas purchase contract which has not been marked as an exhibit, and I can -- however, I have prepared out of that, the pages which are real crucial to this point. The contract provides that as between Southern Union Gas and Texaco, I think that the gas from these wells will only be sold in intrastate commerce. And, it specifically provides that, if for some reason or other Southern Union is going to change the pipelines so the gas will be sold in interstate commerce, they have to give notice to Texaco and Texaco has one year from the date of the notice to get the approval of the F.P.C to sell their gas in interstate commerce. If they can't get approval within that year, then Southern Union has the right to cancel the agreement. They are not bound by any time after that one year period.

Now, there is correspondence reflected and the purpose of its introduction is to show that Texaco is fully innocent of what happened here. The first information they received, which is shown by this first letter which was dated September 20, 1966, was that Southern Union was going to transfer their rights under this contract to Southern Union Gathering

dearley-meier

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Company, however, at that time there was no definite decision as to whether they would go into interstate commerce. As a matter of fact, their information was that they would still be in intrastate commerce, however, Southern Union said, "Why don't you go ahead and start getting your application in", this was on September 20th, and on September 23rd, the next letter from Mr. Willard acknowledging that letter, said that "In order to do this, we have to get our contract amended." So, Southern Union Gathering Company would actually be the party in interest. He said, "Please send us that amendment. As soon as we get it approved, then we will start our application."

Then their next thing, just a memorandum between the companies, shows that they are getting ready to follow this procedure.

The next letter is dated November 8, 1966 and it is to Southern Union Gas Company from Mr. Willard, and it refers to this Mr. McCrary's letter, and at that time it was definite that they were going to go over to Southern Union Gathering Company, but as you can see from reading that letter, Texaco had been assured that they would not go into interstate at this time and that there was no concern. And Southern Union, I mean Texaco wrote this letter to confirm that point. This was further brought out in the next letter. It says, "In regard to your November 8, 1966

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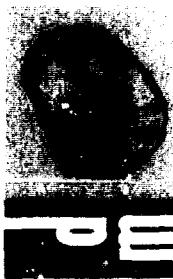
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PAGE 3

letter to Mr. Oran L. Haseltine requesting verification that no gas will move in interstate commerce nor will it be commingled with gas moving in interstate commerce until we have been advised by Texaco that FPC approval has been received, please be assured that until such time we are provided with an official copy of FPC approval no gas taken from the above lease will move interstate." Now, the date on that letter is rather significant, as November 14, 1966 Texaco found out about the end of the month, that Southern Union had switched over to interstate commerce and shut our well in on November 10th, four days before they were given this last assurance.

Now, obviously there was some foul up between the people of Southern Union and them, because as late as November 14th, after they had already switched, they were still showing us that they were not going into interstate commerce. The other communication is dated December 7th. The last letter confirms this and put Southern Union on notice that Texaco holds them responsible for their failure to live up to the terms of the contract.

Q Now, going back to the testimony, Mr. Guenther, when were you at the Farmington office actually notified of the fact that these wells were shut in and that the gas was



being sold in interstate?

A On December 21, 1966.

Q What was the shut-in date?

A The shut-in date was November the 10th for one of the wells and, for the Number 3, and November the 9th for Number 2, with interstate sales in this portion of the system beginning in the late afternoon of November 10th.

Q So it was approximately twenty days after the actual shut-in that you were aware that it was more than just the fact that they hadn't been buying any gas from your wells for the last twenty days?

A That's correct.

Q Now, referring to what has been marked Exhibit No. 2, would you tell the Examiner what the status of production on your H. J. Loe Federal B. Number 2 Well was at the time of the shut-in?

A Well, Exhibit Number 2 is actually a tabulation concerning the H. J. Loe Federal B Well Number 2, which includes a producing data, gas production, cancellable allowable or the new status or underproduction status that is being created during this period. And at the time that the Well Number 2 was shut in, the total underproduction was 162,000 MCF or cubic feet, I beg your pardon, of which

89,315,000 feet was subject to be cancelled at the end of December.

Q End of January.

A Excuse me, end of January.

Q Now, go on and explain what you attempt to show with this exhibit as far as the capability of the well in making the underproduction.

A Well, in referring to this exhibit and the number of producing dates and the production, you will note that during October 1966 the average production per day was approximately 4,620 MCF and in November the average was approximately 3,170 MCF per day. The deliverability on this particular well, which is applicable to the 1966 proration period, was 4,105 MCF per day and the deliverability that will be applicable to 1967, which the test was conducted in November of 1966, is 4,186 MCF per day.

Looking at the total undeproration or the total cancelled allowable at the end of October with approximately 111,000,000 cubic feet, plus the allowable of approximately 36,000,000 in December, if this well had been allowed to produce, there being 61 days in this two month period, the required production would have been 2,850 MCF per day. To have produced sufficient gas to eliminate this cancellable allowable, assuming that the well would have been allowed to

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produce in November, December and January. The required production to eliminate this 111,000,000 cancellable allowable would have been 217 M.C.F. per day, about the number of which is substantially less than the well's capacity, as indicated by the deliverability and by the previous daily average production.

Q Going one step further, you would feel that the wells would have no trouble making up this underproduction for the next six month period, then?

A If allowed to produce, no, they should not have any difficulty.

Q What is the present status of the wells now. are they still shut in?

A No. They were returned to production during January. Well Number Three, being returned to production on January 17th and Well Number Two being returned to production on January the 18th.

Q How did they get back on production?

A They were returned on production as soon as we were advised that we had received a temporary approval from the F.P.C. to sell gas interstate. That was a temporary approval.

Q As a matter of fact, the approval specifically states that it doesn't reflect at all what the Commission might do as

far as final approval, is that correct?

A That is correct.

Q Now, before we go on to Exhibit Number 3, which I assume this is the same tabulation for your Well Number Three. What is the status as far as the deliverability test on that well, why wasn't it done when it should have been done in the last period?

A Well, Well Number Three was originally scheduled for deliverability test earlier in 1966, during the month of April, to be exact, and according to the information that I received from a Mr. Bill Hickman, who is the dispatcher foreman at Southern Union's Broomfield Office. This information was obtained on January 23rd of this year. He stated that the test as scheduled had been begun, but was cancelled due to a piping system installation that Southern Union had, during a period of approximately March 19 through April the 9th of 1966. This well had been, according to Mr. Hickman, planned to go on test immediately following the test on Well Number Two, which was completed.

The flow portion was deleted on November the 9th, however, the Pipeline shut us in on the 10th, due to the interstate movement, so we were unable to obtain deliverability tests.

Q Now, under your contract and the procedure that followed, who decides when a deliverability test will be run?

A Well, I am not sure that it is in the contract, but the Pipeline, Southern Union Gas in this particular case, scheduled the deliverability test.

Q So this is something again that Texaco has no particular control over?

A That is correct.

Q Now, a deliverability test is scheduled in your Well Number Three, is that correct?

A Yes, Number Three is, should be current with the schedule flow period to begin February 1st of 1967.

Q Now, going to Exhibit Number 3, would you go through that for the Examiner and explain what you are attempting to show there?

A Exhibit Number 3 is identical in essence to the H. J. Loe Federal B. Well Number Three. The same information is shown on Exhibit 2. Referring to Exhibit 3, you will see that the current deliverability which applied to the year of 1966 was 6,037 M.C.F. per day. Looking at the months of July, August, October and November, the average production from this well per day for July was 55,405 M.C.F. August, 5,233 M.C.F. per day and in November 5,594 M.C.F. per day. At the time

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that this well was shut-in due to the interstate movement, the total underproduction was 277,339,000 cubic feet. Of this, 159,684,000 cubic feet is subject to be cancelled at the end of the current proration period, or at the end of January.

Here again, had the well be allowed to produce all of November and December, taking into account 159,684,000, M.C.F. plus the November and December allowables and assuming a fifty-three day period rather than a sixty-one, this would have allowed for eight days shut-in for a deliverability test. The required production would have been 4,555 M.C.F. per day to have to produce sufficient gas to eliminate the potential loss in allowable. Considering the two month period of December and January and allowing a ninety-two day period, less eight days for a shut-in of a deliverability test, the required production would have been approximately 3,420 M.C.F. per day to eliminate this potential loss in allowable.

Here again, both of these values is sufficiently below the capacity of the well as indicated by the deliverability and by the average production that was mentioned for the period of July through November.

Q Based on your personal knowledge of this well, is there any reason for you to believe that the deliverability is going to be significantly lower this time?

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A Not to my knowledge. Now, however, I will state that the deliverabilities do vary, but not to the extent that the well would not be capable of producing the allowable.

Q As a matter of fact, both of these wells are pretty good gas wells, is that correct?

A That's correct.

Q Go back to Exhibit Number 2 for just a moment. Now, that shows that there were fifteen production days during the month of November, November 10th. It shows that the well was shut in on November 10th.

A The discrepancy, if you so wish to call it, is due to the fact that Southern Union Gathering Company's month of November does not begin with a calendar month. It actually begins on or about October the 25th, such that the fifteen days reported for November could be ten days for November and five days, say, for the month of October. But, it is reported as November's production.

Q Now, I show you what has been marked as Exhibit 4.

A Exhibit 4 is a portion of the contract that exists between Texaco and Southern Union Gas Company relating to the sale of gas from the H.J. Loe Federal B. properties. This particular portion is on page twenty, which indicates Section 23 and 24. Section 24 of this contract pertains to the interstate

commerce or sale of whole within the State of New Mexico

Q And then go on to the next page and that is what I basically sumed up earlier, is that correct?

A Right, that's correct.

Q Now, in your opinion, would the granting of this application protect correlative rights and promote the future production of hydrocarbons?

A Yes, it would.

Q Were Exhibits 2 and 3 prepared by ou or under your supervision?

A They were prepared by me, using official Texaco records of production that has been reported to the State of New Mexico, and using the gas allowables as taken from the Oil Conservation Commission's gas proration schedule, with the exception of the month of January. In each case in which there was no allowable there, it was computed by myself, since it did not appear in the proration schedule.

MR. KELLY: I move the introduction of Texaco's Exhibits 1 through 4.

MR. UTZ: Without objection, Texaco's Exhibits 1 through 4 will be entered into the record of this case.

(Whereupon, Texaco's Exhibits 1 through 4 were admitted into the record.)

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MR. KELLY: I have nothing further on direct.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Guenther, as I understand it, you have a certain amount of production, or underproduction rather, that was subject to cancellation on both wells at the end of July, 1966?

A That is correct.

Q And that would be subject to cancellation as of January 31, 1967?

A That is correct.

Q Now, that production, or that cancellation, or underproduction and resulting cancellation, you are requesting how long? Two periods, two proration periods to make up --

A One period to make up the underproduction that would be cancelled as of January the 31st, 1967.

Q And that would be this coming period, ending July 31, 1967?

A That's correct.

Q And the underproduction accrued during the last proration period of 1966, which actually ends January 31st, 1967, you are requesting how long to make up that?

A Two proration periods, or until January the 31st, 1968.

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Q I see. In your opinion, these wells are capable of making up this underproduction that was lossed during the shut-in period?

A Yes, sir.

Q And are capable of making it up within this year's period of time?

A Yes, sir.

Q And this shut-in period was no fault of Texaco's but rather a confused situation between the Pipeline as well as the result of delay in the F.P.C. approval?

A That's correct.

MR. UTZ: Any other questions of the witness?

MR. KELLY: I believe that Southern Union, and I don't think it is much suprise, has earned that the Commission grant this application.

MR. UTZ: If there are no further questions --

MR. ARNOLD: Frank Arnold U.S.G.S.

CROSS EXAMINATION

BY MR. ARNOLD:

Q Are there any other operations that have this same situation up there?

A Are you asking me?

Q Yes, or somebody.

A I am not personally aware of it myself.

Q How come it was just Texaco that ran into this?

A I would expect there might be others, but I am not personally aware of it.

MR. HATCH: There are some mentioned in this letter from Southern Union, other than these two.

MR. ARNOLD: But they haven't asked for relief on it?

MR. HATCH: Mr. Nutter has had a telephone conversation with somebody requesting relief, and the Texaco wells are mentioned. He asked them to check with Southern Union to see if there were others.

MR. UTZ: Are there any other questions? Witness may be excused.

(Witness excused.)

MR. UTZ: Are there any other statements?

MR. HATCH: Since the question has come up, I will read the letter and maybe it will answer some of these questions. It is a letter from Southern Union Gas Company, dated January 19, 1967, addressed to Mr. Utz. " Please refer to Docket No. 3-67, Case 3522, to be heard before you on Wednesday, January 25. This case is considering an application of Texaco, Incorporated for suspension of cancellation of allowables and

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extension of deliverability test deadline.

Southern Union Gas Company, as the then purchase of gas from Texaco's Loe Federal "B" Number 2 and "B" Number 3 wells, assigned its gas purchase rights to Southern Union Gathering Company. Since Southern Union Gathering Company is engaged in interstate commerce, it was necessary that the approval of the sale at the wellhead be obtained by the operator from the Federal Power Commission. This approval was not forthcoming until January 13, 1967. Southern Union Gathering Company received notice of the approval on January 16. The Texaco Loe Federal "B" Number 3 well was turned on January 17, and the "B" Number 2 well was turned on January 18. Both wells are presently on production.

Insofar as is reasonably possible and giving consideration to Gathering Company's fluctuation market, Gathering Company will make every reasonable effort to produce these two wells so that the production which was not possible during the interim shut-in period will be made. We are in support of Texaco's application in Case 3522 and encourage you, as Examiner, to render a favorable decision for Texaco.

Atlantic Richfield Company is the operator of the State A Gas Com Number 1, located in 36-29-11; and the State B Gas Com. Number 1, located in 16-29-10. These wells are

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similarly situated as to allowables subject to cancellation as the Texaco Loe wells. Atlantic has not yet received the authority to make their sale in interstate commerce, but we expect it to be handed down by the Federal Power Commission within a few days. Atlantic has informed me that they may seek some relief along the lines of the Texaco petition. We would support them in such a motion also.

No other operators are faced with this situation by virtue of our transfer of wells to Gathering Company. The only other operators who were originally involved have been certificated by the Federal Power Commission and are presently making sales. If we can offer any further information in this connection, please let me know." Signed, Oran Haseltine."

MR. UTZ: Are there any other statements? The hearing is ajourned.

(Whereupon, the hearing was concluded.)

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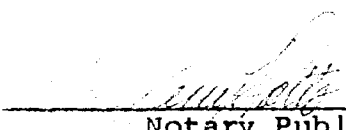
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STATE OF NEW MEXICO)

COUNTY OF BERNALILLO)

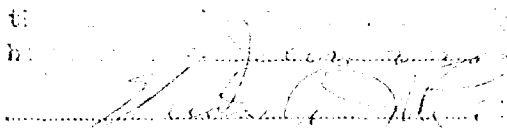
I, Jerry Potts, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Witness my Hand and Seal this 17th day of April, 1967


Notary Public

My Commission Expires:

July 10, 1970

I do hereby certify that the foregoing is a true and correct record of the proceedings before the New Mexico Oil Conservation Commission.

New Mexico Oil Conservation Commission

*Call
my
1-23-67*



January 19, 1967

67 JAN 23 AM 10 12

*- 200
1-23-67*

Mr. Elvis A. Utz, Examiner
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Dear Elvis:

Please refer to Docket No. 3-67, Case 3522, to be heard before you on Wednesday, January 25. This case is considering an application of Texaco, Incorporated for suspension of cancellation of allowables and extension of deliverability test deadline.

Southern Union Gas Company, as the then purchaser of gas from Texaco's Loe Federal "B" #2 and "B" #3 wells, assigned its gas purchase rights to Southern Union Gathering Company. Since Southern Union Gathering Company is engaged in interstate commerce, it was necessary that the approval of the sale at the wellhead be obtained by the operator from the Federal Power Commission. This approval was not forthcoming until January 13, 1967. Southern Union Gathering Company received notice of the approval on January 16. The Texaco Loe Federal "B" #3 well was turned on January 17, and the "B" #2 well was turned on January 18. Both wells are presently on production.

Insofar as is reasonably possible and giving consideration to Gathering Company's fluctuating market, Gathering Company will make every reasonable effort to produce these two wells so that the production which was not possible during the interim shut-in period will be made. We are in support of Texaco's application in Case 3522 and encourage you, as Examiner, to render a favorable decision for Texaco.

Atlantic Richfield Company is the operator of the State A Gas Com. #1, located in 36-29-11; and the State B Gas Com. #1, located in 16-29-10. These wells are similarly situated as to allowables

Mr. Elvis A. Utz
New Mexico Oil Conservation Commission

January 19, 1967
Page 2

subject to cancellation as the Texaco Loe wells. Atlantic has not yet received the authority to make their sale in interstate commerce, but we expect it to be handed down by the Federal Power Commission within a few days. Atlantic has informed me that they may seek some relief along the lines of the Texaco petition. We would support them in such a motion also.

No other operators are faced with this situation by virtue of our transfer of wells to Gathering Company. The only other operators who were originally involved have been certificated by the Federal Power Commission and are presently making sales. If we can offer any further information in this connection, please let me know.

Best regards,

SOUTHERN UNION GAS COMPANY


Oran L. Haseltine
Manager of Gas Supply

OLH:cm

SOUTHERN UNION GAS COMPANY

FIDELITY UNION TOWER • DALLAS, TEXAS • 75201

September 20, 1966

DATE	SEP 20 1966
TO	MR. BLAIR WILLARD
FROM	ORAN L. HASELTINE
SUBJECT	GAS PURCHASE RIGHTS
REMARKS	✓ 9/22

Mr. Blair Willard
Texaco, Incorporated
P. O. Box 2100
Denver, Colorado 80201


Dear Blair:

We talked to you a few days past on the possibility that we would be moving additional gas in interstate commerce. We anticipate now that we will increase our sales in interstate commerce sometime around the first of the year. To this end, we have assigned to Southern Union Gathering Company our gas purchase rights on the following acreage: All of Section 23, Township 29 North, Range 12 West, San Juan County, New Mexico. A copy of that assignment is enclosed.

We suggest that your company go forward with the appropriate filings to the Federal Power Commission to obtain the necessary authorization for this sale. If you need additional copies of the assignment or if there is any further information we can supply, please let us know.

Best regards,

SOUTHERN UNION GAS COMPANY


Oran L. Haseltine
Manager of Gas Supply

OLH:cm

Enclosure

BEFORE EXAMINER UTZ

CIL CONSERVATION COMMISSION

EXHIBIT NO. 1

CASE NO. 3522

P. O. Box 2100
Denver, Colorado 80201

September 23, 1966

GAS PURCHASE CONTRACTS
SAN JUAN COUNTY, NEW MEXICO

Your File: GP #5915
GP #6053G

Mr. Oran L. Haseltine
Manager of Gas Supply
Southern Union Gas Company
Fidelity Union Tower
Dallas, Texas 75201

Dear Mr. Haseltine:

This is with reference to your letter of September 20, 1966, transmitting a copy of partial assignment of (intrastate) gas properties to the interstate contract between us.

In order to effect the necessary changes with the FPC, we will need an appropriate amendment covering the deletion from one contract and addition to the other of the properties assigned.

Following receipt of the proposed amendment, we can seek the requisite approvals of the changes.

Yours very truly,

JOH-MC

B. J. Willard
Gas Engineer

*By Tele. W. Willard
from S. Union, he advised
it is OK to file assignment
w/ FPC. no construction necessary.
10/3/66*

SOUTHERN UNION GATHERING COMPANY
FIDELITY UNION TOWER
DALLAS 1, TEXAS

October 28, 1966

COMPTROLLERS DEPT. HOUSTON GENERAL	
LWA	WGA
HFB	DIC
CEP	EDC
LHD	PLM
HLS	WLM
JFF	GJT
	8/11/10/11
	8-25-10/11
TEMP FILE	REG FILE

Texaco, Inc.
P. O. Box 52332
Houston, Texas

Gentlemen:

Our records indicate that as of November 1, 1966 the following wells operated by you will commence selling production to Southern Union Gathering Company rather than Southern Union Gas Company. It will therefore be necessary that you file a new Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas, with the New Mexico Oil Conservation Commission noting the change in purchaser effective November 1, 1966.

GL 11/1
105 11/1

<u>WELL NAME</u>	<u>LOCATION</u>	<u>FIELD & POOL</u>
H. J. Loe B Federal #2	G 23-29-12	Basin Dakota
H. J. Loe B Federal #3	M 23-29-12	Basin Dakota

For your information all gas at the present time will be sold intrastate only.

Very truly yours,

: : : *R. J. McCrary*
R. J. McCrary, Manager
Purchases & Prorations Dept.

RJM:kt

☐ INSTRUCTIONS--CANCELS LETTER(S) OF

SIGNED BY

☒ PERMANENT

☐ ROUTINE

☐ TEMPORARY

Mr. B. J. Willard

COMPTROLLER - GAS

HOUSTON, TEXAS

11-1-1966
(Date)

DENVER, COLORADO

Subject: NMDC Form C-104

H. J. LOE FEDERAL "B" LEASE

SAN JUAN COUNTY, NEW MEXICO

ATTACHED IS SOUTHERN UNION GATHERING COMPANY LETTER DATED
OCTOBER 28, 1966 REGARDING CHANGE IN PURCHASER EFFECTIVE 11-1-66.
IT IS ASSUMED YOUR OFFICE WILL FILE THE REQUESTED FORMS
WITH THE NEW MEXICO OIL CONSERVATION COMMISSION AS REQUESTED
BY SOUTHERN UNION.

Yours very truly,

If letter requires reply prepare in triplicate, forwarding original and duplicate, and retain copy.

GN

B

Make explanation below. Return original. Retain duplicate.

[illegible]

P. O. Box 2100
Denver, Colorado 80201

November 8, 1966

GAS SALES (DANGER)
H. J. LOE-FEDERAL "B" LEASE
(WELLS 2 & 3)
SAN JUAN COUNTY, NEW MEXICO
(Blind: R-17 (906))

Mr. Oran L. Haseltine
Manager of Gas Supply
Southern Union Gas Company
Fidelity Union Tower
Dallas 2, Texas

Dear Mr. Haseltine:

The attached letter from your Mr. R. J. McCrary has been forwarded to this office for reply.

Mr. McCrary indicates that the subject wells will commence selling gas to Southern Union Gathering Company effective November 1, 1966, but that at present the disposition will be intrastate only. Notwithstanding this, we are concerned that the handling of this gas by Southern Union Gathering will in fact, by the very nature of this system's operations, commit the gas in interstate commerce. To avoid this consequence, we wish to remind you that in accordance with Article XXIV of the contract of November 1, 1962, as amended, and partially assigned, gas sales should not commence in interstate commerce from the subject lease until receipt and acceptance by Texaco of requisite FPC certification of the sale. Appropriate FPC filings are being prepared covering this change of purchaser.

Mr. Owen L. Hasseltine

-2-

March 11, 1934

By copy of this letter to Mr. McNary we are re-
questing he assure us that until FIC authorization is re-
ceived by Texaco, this gas will not move in interstate com-
merce nor will it be commingled with any other gas moving in
interstate commerce. Following receipt of such assurance
from Mr. McNary, Texaco will file a new Form O-104 with
the New Mexico Oil Conservation Commission.

Yours very truly,

BOW-MC
Atch.

B. S. Sanford
Gas Engineer

cc: Mr. R. J. McNary
Southern Union Gathering Company

bc: CFF

STF(Gas(w/blind: This is with reference your B-13 of 11-1-34
w/attached letter from R. J. McNary.

BOW

SOUTHERN UNION GAS COMPANY
FIDELITY UNION FORTER • DALLAS, TEXAS • DENVER

November 14, 1966

Mr. B. J. Willard
Texaco, Inc.
P. O. Box 2100
Denver, Colorado 80201

Re: H. J. Loe Federal B Lease
San Juan County, New Mexico

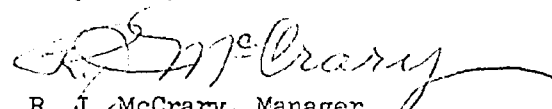
Gentlemen:

In regard to your November 8, 1966 letter to Mr. Oran L. Haseltine requesting verification that no gas will move in interstate commerce nor will it be commingled with gas moving in interstate commerce until we have been advised by Texaco that FPC approval has been received, please be assured that until such time we are provided with an official copy of FPC approval no gas taken from the above lease will move interstate.

We would however appreciate your filing the Form C-104 noting change in purchaser at this time.

If we can be of any further assistance, please advise.

Very truly yours,


R. J. McCrary, Manager
Purchases & Prorations Dept.

RJM:kt

END

TEXACO DNV

TEXACO FARM

12-1-66

S J WILLARD

RE H J LOE FED LSE. THE LOCAL SO UNION GAS CO ADVISED US THAT SALE OF GAS FROM THIS LSE WOULD BE INTERSTATE. BOTH WELLS ARE CURRENTLY SI AND WILL REMAIN SI UNTIL FPC APPROVAL IS RECD.

WELL NO. 2 AS OF 11-1-66 WAS UNDERPRODUCED 150,759 MCF AND STANDS TO LOSE 111,112 MCF ALLOWABLE THIS PRORATION PERIOD.

WELL NO. 3 AS OF 11-1-66 WAS UNDERPRODUCED 235,976 MCF AND STANDS TO LOSE 159,684 MCF ALLOWABLE THIS PERIOD IF NOT MADE UP. IN ADDITION, THE ANNUAL DELIVERABILITY TEST HAS NOT BEEN TAKEN AND CANNOT BE TAKEN W/THE WELL SI. DEADLINE FOR SUBMITTING TEST IS 1-10-67. SUBMISSION AFTER THIS DATE WILL RESULT IN LOSS OF ALLOWABLE (APPROX 1.5 MMCF/D) FOR EACH DAY TEST IS LATE. DELIV TEST ON WELL NO. 2 HAS BEEN COMP.

RECOMMEND FPC FILING BE EXPEDITED WHEREVER POSSIBLE AND THAT DIVISION ATTEMPT TO CLEAR UP DISCREPANCY W/SO UNION AS TO WHETHER CURRENT SALES WOULD BE INTRASTATE OR INTERSTATE.

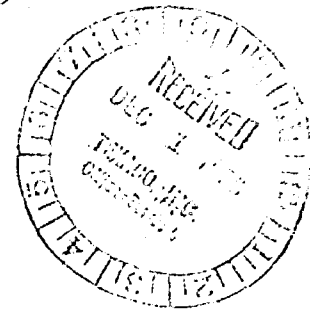
ALSO RECOMMEND THE DIVISION APPLY FOR A HEARING TO GET AN EXTENSION ON THE DELIV TEST DEADLINE. THIS MUST BE FILED BEFORE 12-14-66. HEARING DATE IS JAN. 4 OR 11.

EXTENSION IS RECOMMENDED EVEN IF SO UNION PLACES WELL ON PRODUCTION PRIOR TO FPC APPROVAL SINCE CONDUCTING DELIV TEST NOW WOULD HINDER ATTEMPTS TO ELIMINATE LOSS OF ALLOWABLE OF 159,684 MCF.

C P FARMER

END

END



12-7-66

C B SCOTTY

RE TRX 12-7-66. LOE FED B WELLS 2 AND 3 WERE PRODUCED DURING NOV.

LOE B-2 15 DAYS AND LOE B-3 1 DAY. THE VOLUMES ARE NOT AVAILABLE.

AT SO UNIONS LOCAL OFC. WE SHUD HAVE THEM DEC. 10.

C P FARMER

END

ENDP

Form C-44 (2-58) AMM

TEXACO

To Bill Cullard

From J.H. Foxburg

Please:

<input type="checkbox"/> Attend to signature	<input type="checkbox"/> As requested
<input type="checkbox"/> Note and return	<input type="checkbox"/> For your comments and suggestions
<input type="checkbox"/> Note and forward to files	<input type="checkbox"/> Does attached meet with your approval?
<input type="checkbox"/> See (phone) me re attached	<input type="checkbox"/> For signature, if you approve

Other Remarks

Re: Telephone conversation
this date w/ Mr. Cullard in Dallas
of Co. Machine (was co. in Dallas)
He advised for Feb. 8, 1960
3 weeks short in our inventory
from his office per your letter
of 11-8-60 assuming requirement
was around that you would not cut
back materials until 1960 per our
recent meeting.
He said the first 300,000 received
when the first 300,000 received
information. I advised to contact
his office. I advised to contact
to be short. I advised to contact
that such delivery schedule necessary
to now could not have possibly delivered
Texaco in time (He said actual delivery
with in time short in 2 weeks)
I advised short in 2 weeks
to prevent short in 2 weeks
to the less in volume (He said current
of 200,000 per month)
He said

[illegible]

100-100000-100000
Denver, Colorado

December 7, 1933

CERTIFIED TRUE
RECEIPT RECEIVED
RECEIVED

100-100000-100000
10000-10000. 10000-10000. 10000-10000.
10000-10000. 10000-10000. 10000-10000.

Mr. Ovan L. Maceltine
Manager, Gas Supply
Southern Union Gas Company
Fidelity Tower Building
Dallas, Texas

Dear Mr. Maceltine:

Reference is made to recent correspondence relating to the partial assignment dated September 1, 1933 and effective November 1, 1933 of the subject lease gas purchase rights under the contract between us of November 1, 1932. As you know, such assignment necessitates a change in the disposition of gas sold from intrastate to interstate commerce from subject lease wells Nos. 2 and 3, located in Section 23, T28N, R12W. This matter was discussed with you by telephone by Mr. J. C. McBee of this office.

The contract between us provides, of course, that Texaco's gas will not flow in interstate commerce until Texaco receives requisite authority from the Federal Power Commission. The contract does not, however, contemplate that our wells will be shut in until such authority is obtained. This apparently is what occurred. Our people in the field advised us that Southern Union Oil Company has shut in our two H. G. Lee Wells and production will not be forthcoming from these wells until Texaco obtains the authorization.

As you advised in your telephone conversation with Mr. McBee, it is not physically possible for you to move our gas in interstate commerce because interstate

Mr. Oran Haseltine
Southern Union Gas Company

Page 2
12-7-66

have been made in your pipeline system which will permit gas to move only in interstate commerce.

We are particularly disturbed that this situation exists, and this is to put you on notice that we expect to be fully compensated for any loss sustained by reason of your failure to purchase gas in accordance with the said contract above mentioned.

We urge that you immediately make whatever arrangements are necessary to resume purchases in intrastate commerce of gas from the wells in question. We would appreciate hearing from you regarding this matter by return mail.

Yours very truly,

BJW-MC

B. J. Willard
Gas Engineer

Upon request - this Xerox copy of this letter given to Mr. W. E. Willard from BJB/SLC the date 12/17/66

*Reviewed
W. E. Willard*

OPERATOR-LEASE Texaco - NJ Lee Federal 'B' WELL NO. 2 LOC. 6 23-29N-12W

PIPELINE Southern Union POOL Basin Dakota

DELIVERABILITY 4/50 MCF BEGINNING STATUS 9569 MCF ~~Over~~/Under PRODUCED

1966 MO.	DAYS PROD.	BO	GAS ALLOW.	GAS PROD.	CANCELLABLE ALLOWABLE	NEW STATUS	ACCUMULATIVE NEW STATUS	NET ALLOW.
FEB	1	13	30480	499	-9569	-29931	-29781	-39550
MAR	1	0	30803	606	-9569	-30197	-40178	-49747
APR	10	437	35945	45946	0	+536	-59746	-59746
MAY	1	0	22136	631	0	-21505	-81251	-81251
JUNE	1	0	20353	825	0	-19518	-100769	-100769
JULY	0	0	17942	0	0	-17942	-118711	-118711
TOTAL								

AMOUNT CANCELLED 0 MCF REDISTRIBUTED 13,717 MCF

DELIVERABILITY 4/50 MCF BEGINNING STATUS 132,428 MCF ~~Over~~/Under PRODUCED

1966 MO.	DAYS PROD.	BO	GAS ALLOW.	GAS PROD.	CANCELLABLE ALLOWABLE	NEW STATUS	ACCUMULATIVE NEW STATUS	NET ALLOW.
AUG	0	0	20874	0	-132,428	-20874	-20874	-153302
SEPT	1	132	24671	5898	-132,428	-18773	-39647	-172075
OCT	10	683	24888	46204	-111112	0	-39647	-150700
NOV	15	287	21200	22000	0	0	-39647	-128762
DEC	0	0	26298	0	-89315	-26298	-65945	-155260
JAN			34732					
TOTAL								

AMOUNT CANCELLED _____ MCF REDISTRIBUTED _____ MCF

DELIVERABILITY 4/86 MCF BEGINNING STATUS _____ MCF Over/Under PRODUCED

1967 MO.	DAYS PROD.	BO	GAS ALLOW.	GAS PROD.	CANCELLABLE ALLOWABLE	NEW STATUS	ACCUMULATIVE NEW STATUS	NET ALLOW.
FEB								
MAR								
APR								
MAY								
JUNE								
JULY								
TOTAL								

AMOUNT CANCELLED _____ MCF REDISTRIBUTED _____ MCF

DELIVERABILITY _____ MCF BEGINNING STATUS _____ MCF Over/Under PRODUCED

1967 MO.	DAYS PROD.	BO	GAS ALLOW.	GAS PROD.	CANCELLABLE ALLOWABLE	NEW STATUS	ACCUMULATIVE NEW STATUS	NET ALLOW.
AUG								
SEPT								
OCT								
NOV								
DEC								
JAN								
TOTAL								

AMOUNT CANCELLED _____ MCF REDISTRIBUTED _____ MCF

REMARKS _____

BEFORE EXAMINER UTZ

OIL CONSERVATION COMMISSION

EXHIBIT NO. 2

CASE NO. 3502

OPERATOR-LEASE Texaco - N.S. Lee Federal "B" WELL NO. 3 LOC. M 23-29N-12W
 PIPELINE Southam Union POOL Basin Dakota
 DELIVERABILITY 6037 MCF BEGINNING STATUS 30,482 MCF ~~Over~~/Under PRODUCED

MO.	DAYS PROD.	BO	GAS ALLOW.	GAS PROD.	CANCELLABLE ALLOWABLE	NEW STATUS	ACCUMULATIVE NEW STATUS	NET ALLOW.
1966								
FEB	0	0	40,296	0	- 30,482	- 40,296	- 40,296	- 70,778
MAR	4	182	40,747	15,380	- 30,482	- 25,367	- 65,663	- 96,145
APR	0	0	47,442	0	- 30,482	- 47,442	- 113,105	- 143,587
MAY	0	0	29,327	0	- 30,482	- 29,327	- 143,332	- 172,914
JUNE	0	0	26,235	0	- 30,482	- 26,235	- 169,167	- 199,649
JULY	15	672	23,657	26,694	0	+ 27,555	- 141,612	- 141,612
TOTAL								

AMOUNT CANCELLED 0 MCF REDISTRIBUTED 18,072 MCF

DELIVERABILITY 6051 MCF BEGINNING STATUS 159,684 MCF ~~Over~~/Under PRODUCED

MO.	DAYS PROD.	BO	GAS ALLOW.	GAS PROD.	CANCELLABLE ALLOWABLE	NEW STATUS	ACCUMULATIVE NEW STATUS	NET ALLOW.
1966								
AUG	2	0	27,526	10,465	- 159,684	- 17061	- 17061	- 176,745
SEPT	0	0	32,505	0	- 159,684	- 32,505	- 49,566	- 209,250
OCT	1	73	32,776	6,050	- 159,684	- 26,726	- 76,292	- 235,976
NOV	1	41	47,357	5,994	- 159,684	- 21,363	- 117,155	- 277,229
DEC	0	0	34,360	0	- 159,684	- 34,360	- 152,015	- 311,699
JAN			45,391					
TOTAL								

AMOUNT CANCELLED _____ MCF REDISTRIBUTED _____ MCF

DELIVERABILITY _____ MCF BEGINNING STATUS _____ MCF Over/Under PRODUCED

MO.	DAYS PROD.	BO	GAS ALLOW.	GAS PROD.	CANCELLABLE ALLOWABLE	NEW STATUS	ACCUMULATIVE NEW STATUS	NET ALLOW.
1967								
FEB								
MAR								
APR								
MAY								
JUNE								
JULY								
TOTAL								

AMOUNT CANCELLED _____ MCF REDISTRIBUTED _____ MCF

DELIVERABILITY _____ MCF BEGINNING STATUS _____ MCF Over/Under PRODUCED

MO.	DAYS PROD.	BO	GAS ALLOW.	GAS PROD.	CANCELLABLE ALLOWABLE	NEW STATUS	ACCUMULATIVE NEW STATUS	NET ALLOW.
1967								
AUG								
SEPT								
OCT								
NOV								
DEC								
JAN								
TOTAL								

AMOUNT CANCELLED _____ MCF REDISTRIBUTED _____ MCF

REMARKS _____

BEFORE EXAMINER UTZ
 OIL CONSERVATION COMMISSION
 Appointed EXHIBIT NO. 3
 CASE NO. 3582