CASE 3834: Application of EL PASO FOR SUSPENSION OF CERTAIN PROVISIONS OF RULES IN ORDER R-1670.

Case Number

3834

Application

Transcripts.

Small Exhibits

ETC.

El Paso Natural Gas Company

El Paso, Texas 79999

July 22, 1968

Hearing

Case 3834

New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr.

RE: Suspension Balancing Provision Rule 14-A, Underproduction and 15-A, Overproduction, of Order R-1670

Gentlemen:

El Paso Natural Gas Company hereby requests a hearing ~~before an examiner~~ Com to consider suspension for a period of one year from August 1, 1968 of the balancing provision of Rule 14-A (underproduction) and Rule 15-A (overproduction) of order No. R-1670 as amended.

Because of past high market demand from this area and the assignment of the allowables in some months to wells that were incapable of producing it, El Paso has had to overproduce capable wells to the extent that a number of wells representing substantial deliverability may be shut-in for unbalanced overproduction effective August 1, 1968. It appears that sufficient deliverability will be shut-in to create a hardship on El Paso in meeting its market demand for gas from the San Juan Basin area during certain periods of the winter of 1968-1969.

As these rules and this order pertain to wells in the prorated gas pools of northwest New Mexico in San Juan, Rio Arriba, and Sandoval Counties, we, therefore, request an August hearing date so that this matter can be heard prior to the time normal cancellation and redistribution of prorated pools in the San Juan Basin takes place in order to avoid the burden of reinstating underages and releasing for production wells that have been ordered shut-in for overproduction.

Yours very truly,

Robert A. Meyer

Robert A. Meyer
Attorney, Office of
General Counsel

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RAM/am

cc: F. N. Woodruff
H. P. Logan
A. M. Derrick
D. H. Rainey

DOCKET MAILED

Date 8-1-68

El Paso Natural Gas Company

El Paso, Texas 79999

November 6, 1968

New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr.

Gentlemen:

At the hearing concerning the suspension of balancing provisions in the San Juan Basin in Case 3834, August 14, 1968, El Paso was requested to keep the Commission informed as to the progress in our 310 M^2CF/D case.

This is to advise you that El Paso Natural Gas Company received a Certificate in Case CP67-217 et al. for the facilities applicable to moving gas from the Delaware Basin area which would have the result of helping to relieve the overbalanced condition which exists in the San Juan Basin area.

For your information, there is attached a copy of the order issued by the Federal Power Commission in Case CP67-217 et al.

If there is any further information which you need or any way in which we may be helpful concerning this matter between now and the time of the show-cause hearing provided in Order R-3479, please advise me.

Yours very truly,

D H Rainey

D. H. RAINEY
Assistant Manager
Gas Proration Department

DHR:ps
Attachment

UNITED STATES OF AMERICA
FEDERAL POWER COMMISSION

		Docket Nos.
Pacific Gas Transmission Company	)	CP67-187
	)	CP67-188
El Paso Natural Gas Company	)	CP67-217

OPINION NO. 549

OPINION AND ORDER ISSUING CERTIFICATES
OF PUBLIC CONVENIENCE AND NECESSITY
AND AUTHORIZING IMPORTATION OF NATURAL GAS

Issued: October 30, 1968)

UNITED STATES OF AMERICA
FEDERAL POWER COMMISSION

		Docket Nos.
Pacific Gas Transmission Company	)	CP67-187
	)	CP67-188
El Paso Natural Gas Company	)	CP67-217

OPINION NO. 549

APPEARANCES

Richard H. Peterson, Malcolm H. Furbush, John A. Sproul, Raymond N. Shibley, and William LeBuhn for Pacific Gas Transmission Company

Richard H. Peterson, F. T. Searls, Malcolm H. Furbush, and William LeBuhn for Pacific Gas and Electric Company

John Ormasa, K. R. Edsall, and Eric W. Martens for Southern California Gas Company and Southern Counties Gas Company of California

G. Scott Cuming, Walter G. Henderson, E. G. Najaiko, Allen R. Grambling, Charles V. Shannon, and Louis Flax for El Paso Natural Gas Company

Charles E. McGee, and John T. Ketcham for Cascade Natural Gas Corporation

Justin R. Wolf, Eugene E. Threadgill, and David B. Ward for Northwest Natural Gas Company

Stanley Jewell, Sherman Chickering, C. Hayden Ames, and Donald J. Richardson, Jr. for San Diego Gas & Electric Company

Thomas F. Brosnan, and George J. Meiburger for Washington Natural Gas Company

Richard M. Merriman, Peyton G. Bowman, III, and N. H. Powell for Arizona Public Service Company

William I. Powell for Independent Petroleum Association of America

Henry F. Lippitt, II for Independent Oil and Gas Producers of California and California Gas Producers Association

Roger Arnebergh, and Robert W. Russell for City of Los Angeles

Mary Moran Pajalich, J. Calvin Simpson, and Sheldon Rosenthal for the People of the State of California, and Public Utilities Commission of State of California

Richard W. Sabin, and John H. Socolofsky for Public Utility Commissioner of Oregon

Crawford C. Martin, Linward Shivers, and C. Daniel Jones, Jr. for the State of Texas

Robert E. Simpson for Washington Utilities & Transportation Commission

James W. McCartney for Transwestern Pipeline Company

R. Clyde Hargrove for Southern California Edison Company

Dean Zinn for New Mexico Public Service Commission

Iver E. Skjeie for State of California

Gary Nelson for State of Arizona

James N. Horwood, Robert L. Russell, David H. Schwartz, and John Joseph Keating, Jr. for the Staff of the Federal Power Commission

UNITED STATES OF AMERICA
FEDERAL POWER COMMISSION

Certificates (Pipeline) - Importation of Natural Gas - Pipelines (Construction)

Before Commissioners: Lee C. White, Chairman; L. J. O'Connor, Jr., Carl E. Bagge, and John A. Carver, Jr.

		Docket Nos.
Pacific Gas Transmission Company	)	CP67-187
	)	CP67-188
El Paso Natural Gas Company	)	CP67-217

OPINION NO. 549

OPINION AND ORDER ISSUING CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY AND AUTHORIZING IMPORTATION OF NATURAL GAS

(Issued October 30, 1968)

BAGGE, Commissioner:

This proceeding originated with applications filed in Docket Nos. CP67-187 and CP67-188 by Pacific Gas Transmission Company (PGT) requesting authorization to import from Canada an additional 200,000 Mcf 1/ of gas per day for sale to its affiliate Pacific Gas & Electric Company (PG&E) for resale in the latter's northern California distribution area. At present, PGT is authorized to import 615,000 Mcf per day. It proposes to import an additional 100,000 Mcf per day in 1968, increased by another 100,000 Mcf per day in 1969. PGT will transport these additional increments to PG&E at the California border through its existing 36-inch pipeline, but will require installation of additional compression at an estimated cost of approximately $21 million.

1/ All quantities of natural gas are expressed at a pressure base of 14.73 psia and at a temperature of 60° F.

On January 30, 1967, El Paso Natural Gas Company (El Paso) filed an application in Docket No. CP67-217 requesting authorization to increase by a total of 310,000 Mcf per day its gas deliveries from the Delaware Basin in Texas to its customers in New Mexico, Arizona, and California. Of this total, 103,000 Mcf would be delivered to PG&E for resale in northern California, 154,000 Mcf to Southern California Gas Company and Southern Counties Gas Company of California (Southern Companies) for resale in southern California, and 53,000 Mcf to distributors in Arizona and New Mexico. To deliver the gas, El Paso will be required to loop sections of its southern transmission line with 36-inch, 30-inch, and 24-inch pipeline plus necessary compression at an estimated cost of approximately $94 million plus approximately $24 million for gathering facilities.

Not a part of this consolidated proceeding, but of which the Examiner has taken official notice, is the application (Docket No. CP68-181) of Transwestern Pipeline Company (Transwestern) to deliver an additional 110,000 Mcf per day from the Delaware Basin to southern California. Transwestern proposes to construct a 30-inch pipeline at an estimated cost of approximately $51.5 million.

On March 10, 1967, the California Gas Producers Association and the Independent Oil and Gas Producers of California (California Producers) filed a motion to consolidate the applications of PGT and El Paso for hearing, which motion we granted on July 26, 1967. A prehearing conference in the consolidated proceedings was held September 6, 1967. Formal hearings commenced October 16, 1967, and concluded February 16, 1968.

In the course of the hearings Staff proposed that neither PGT's nor El Paso's application be granted, but rather that consideration be given to certificating a 42-inch pipeline from the Delaware Basin to the California border at an estimated initial cost of approximately $200 million. This proposed pipeline would be in lieu of PGT's proposal for 200,000 Mcf, El Paso's proposal for 310,000 Mcf, and Transwestern's proposal for 110,000 Mcf per day. It could immediately transport 650,000 Mcf per day and ultimately 1,500,000 Mcf per day with allegedly small additional costs.

Presiding Examiner Seymour Wenner, in his Initial Decision issued April 19, 1968, found that Staff's proposal contained some inherent risks relating to need and gas supply which were unlikely to be resolved in the near future and which were too great to warrant the large initial commitment involved. Accordingly, he adopted an approach which he characterized the "minimax" solution, seeking to minimize the risks and maximize the advantages of the Staff's proposal. He proposed to accomplish this objective by ordering the certification of PGT's proposals upon the condition that the imported gas be divided at reasonable rates between northern and southern California consumers, and deferring a decision on the application of El Paso by reopening the proceedings to permit comparative consideration of the minimax solution with the applications of El Paso and Transwestern. Briefs on exceptions were filed May 8, 1968, replies thereto were filed May 23, 1968, and oral argument before this Commission was heard on June 5, 1968.

HOLDING

For the reasons set forth below, we grant the applications of PGT and El Paso. We do not adopt the Examiner's minimax solution or the Staff's 42-inch pipeline proposal.

PACIFIC GAS TRANSMISSION COMPANY

PGT received its original certificate from this Commission on August 5, 1960, in Docket No. G-17350, et al., 24 FPC 134 (1960). It was authorized to construct and operate its portion of a larger proposal which connected the Alberta, Canada, reserves to serve the expanding California markets. PGT's project consisted of 614 miles of 36-inch diameter pipeline extending from the international boundary near Kingsgate, British Columbia, to the Oregon-California border, and was designed to transport an average of 415,000 Mcf per day to PG&E.

In Opinion No. 495, issued June 15, 1966, in Docket Nos. CP65-213 and CP65-214, we authorized PGT to expand its facilities and import additional volumes of gas from Canada to enable it to deliver an additional 200,000 Mcf of gas per day to PG&E. In so doing, we stated:

> We are concerned here with already existing pipeline facilities which are not yet being utilized to their fullest capacity. The increased use of the existing pipeline facilities will reduce the unit cost of the gas supplied to California and will also reduce the unit cost of transportation of gas transported for El Paso and destined for the consumers in Washington, Oregon and Idaho. To refuse to issue certificates authorizing the importation, transportation, and sale of this additional gas would mean that some of the capacity of presently existing facilities would remain unused with resultant higher costs to the consumers in four states. 35 FPC 1003, 1006 (1966).

In this proceeding PGT seeks authorization for the second expansion of the Alberta-California project, premised again upon the availability of additional transmission capacity (i.e., cheap expansibility) to bring gas to PG&E at a low incremental cost.

Among other intervenors, 2/ the California Producers were permitted to intervene in support of the

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2/ The following parties were granted leave to intervene in this proceeding: Texas Independent Producers & Royalty Owners Association, Permian Basin Petroleum Association, West Central Texas Oil & Gas Association, Northwest Pipeline Corporation, Cascade Natural Gas Corporation, El Paso Natural Gas Company, California Gas Producers Association, Pacific Gas & Electric Company, Independent Petroleum Association of America, Washington Natural Gas Company, Transwestern Pipeline Company, City & County of San Francisco, Independent Oil & Gas Producers of California, Southern California Gas Company & Southern Counties Gas Company of California, Arizona Public Service Company, San Diego Gas & Electric Company, City of Los Angeles, Public Utility Commissioner of Oregon, The People of The State of California and The Public Utilities Commission of the State of California, State of Texas and The Railroad Commission of Texas, Idaho Public Utilities Commission, Washington Utilities and Transportation Commission.

interests of northern and southern California gas producers. The California Producers contend that while a market exists for the volumes of gas proposed to be transported and sold in southern California, this is not true with respect to PGT's proposed deliveries to PG&E in northern California. Accordingly, they argue that PG&E's requested purchases of El Paso gas should be authorized on the basis of receiving not more than 50,000 Mcf per day during the initial year and 50,000 Mcf per day during the second year -- in conformance with the projected future annual increase in PG&E's demand for natural gas and its historical growth. Moreover, they argue that PG&E's request to import additional supplies of natural gas from Canada either should be denied or spread over the four years after 1969 at the rate of 50,000 Mcf per day for each of those years.

The California Producers argue that PG&E should include as part of its gas supply available for steam plants 1968 through 1972 estimates of deliverability from reserves which may be discovered in California in those years. The deliverability of gas from reserves yet undiscovered is at best a dubious matter. But even assuming that sufficient additional California reserves were discovered to meet PG&E's growing needs, the price PG&E pays to the California Producers is approximately 30 cents per Mcf whereas the record in this proceeding shows that the delivered price in the San Francisco area of the Canadian gas will be 26.74 cents per Mcf.

PG&E's contracts with California Producers require that the Producers be able to deliver, for a five day period on demand, three times the daily deliverability. Thus, in spite of the relatively high price per Mcf paid the Producers under these non-regulated contracts, PG&E and its customers benefit from the peaking capacity provided. The California Producers would have us require that PG&E satisfy its growing needs from their expensive gas, necessarily losing the peaking benefits which alone could justify the price charged. We are not prepared to sacrifice the interests of the California consumers for that purpose.

Counsel for the California Producers, subsequent to the closing of the record and the oral argument in this proceeding, submitted to this Commission three letters concerning matters in issue. The substance of these letters did not enter into our determination herein. In view of this incident, however, we are compelled to remind counsel for the California Producers and the bar of this Commission that such correspondence relating to contested issues of fact submitted after the closing of the record is contrary to section 1.20(k) of the Commission's Rules of Practice and Procedure.

The Public Utility Commissioner of Oregon (Oregon) takes the position that the Commission should issue a certificate of public convenience and necessity authorizing El Paso to construct and operate facilities as requested in its application. Similarly, Oregon asserts, the applications of PGT should be granted, subject, however, to a condition providing that PGT shall offer to sell 100,000 Mcf per day to El Paso (or to the successor in interest to El Paso's Northwest Division) to meet the market requirements of the Pacific Northwest. Delivery of that gas would be near Stanfield, Oregon, where the transmission lines of the two companies interconnect. The rate for such sale would be predicated upon the average cost of gas to PGT at the Canadian border plus PGT's cost of transportation to the point of interchange.

Oregon asserts that the growing gas markets of the Pacific Northwest are such that the imported gas should be utilized for the benefit of consumers in that area, and that the Examiner ignored the Commission's Order of July 26, 1967, which requires a finding of whether provision should be made for those markets. Oregon supports El Paso's application in order that PGT's capacity may be kept available to serve the Pacific Northwest.

In consideration of the Oregon contention we note that at the time El Paso's and PGT's applications were filed there was pending El Paso's proposal in Docket Nos. G-8932 and CP66-315 to import an additional 200,000 Mcf per day of Canadian gas at Sumas to meet the increased requirements of El Paso's Northwest Division market. The Sumas proceeding has since been concluded. El Paso's settlement proposal was approved by the Commission's Order of February 13, 1968, and by the Canadian National Energy Board and the Governor in Council of Canada on February 16, 1968.

El Paso is currently supplying approximately 150,000 Mcf of gas per day to the Pacific Northwest from the PGT pipeline at 16 separate delivery points. It also has the right, in accordance with the service agreement between it and PGT, to increase the volume of gas transported for it by PGT to delivery points in the Pacific Northwest to 300,000 Mcf of gas per day. El Paso states that "it remains acutely aware of the needs of the Northwest markets for additional gas supplies in the 1969-70 heating season and will timely file an appropriate application to satisfy those needs." 3/

The basic contention of Oregon is that the PGT gas is cheaper than that furnished and likely to be furnished Oregon by El Paso, either from domestic or Canadian sources, and that Oregon rather than California should get the benefits of the Canadian contracts which PGT has negotiated for its California customers. We find nothing in the record, however, to demonstrate that Oregon's immediate need is any greater than California's need.

We are of the opinion that the availability at minimal cost of additional transmission capacity to bring needed Canadian gas to northern California at a low incremental cost, coupled with the fact that there probably will not be sufficient northern California produced gas available, warrant our authorizing PGT to import an additional 200,000 Mcf of gas per day and to certificate the facilities thereby required.

3/ El Paso Brief on Exceptions, page 4.

EL PASO NATURAL GAS COMPANY

All parties agree that, absent a better alternative, El Paso's project meets all of the public convenience and necessity criteria. Staff's opposition is based not on El Paso's failure to meet these criteria, but on the premise that a better alternative exists, thereby precluding certification of the El Paso application.

El Paso's project was prompted by the needs of its Southern Division customers for additional natural gas supplies. At the western termini, the Southern Division serves PG&E at the Arizona-California boundary near Topock, Arizona, and Southern Companies at the Topock delivery point as well as south of Topock at the Arizona-California boundary near Blythe, California. Along its mainline route, the Southern Division serves forty-eight distributor and direct sale customers situated east of California in Texas, New Mexico, Arizona, and Nevada.

In early 1966, PG&E advised El Paso of its need to acquire additional firm gas supplies of 100,000 Mcf per day by November 1, 1967. El Paso was also advised by Southern Companies that the gas needs of the latter's customers would require additional firm supplies. Southern Companies expressed the need for an aggregate additional firm quantity from El Paso of 150,000 Mcf per day to be delivered by November 1, 1967. In the fall of 1966, forecasts of the east-of-California markets also reflected growth in requirements which indicated that they too would require additional deliveries in the near future approximating 50,000 Mcf per day.

Thereafter, commitments were made with PG&E and Southern Companies and El Paso's application was filed with the Commission on January 30, 1967. The proposed addition of facilities to the Southern Division mainline will increase El Paso's present daily design capacity of 3,229,800 Mcf by 310,200 Mcf, to 3,540,000 Mcf. With the proposed additional capacity the Southern Division daily design capacity utilized for El Paso's customers will be as follows: PG&E at the Topock delivery point, 1,140,000 Mcf per day; Southern Companies at the Topock and Blythe delivery points, an aggregate of 1,550,000 Mcf per day; east-of-California customers, 850,000 Mcf per day.

The El Paso project was reviewed by Staff to compare the cost of service for reinforcing the existing system, rather than employing the new route hypotenuse concept which El Paso used. The Staff concluded that although reinforcement would result in a lower cost of service for deliveries of 310,000 Mcf per day, El Paso's proposal would permit future expansibility at lower incremental cost.

At this time, El Paso proposes additional east-of-California (New Mexico and Arizona) capacity of 53,000 Mcf per day. This will represent the first east-of-California expansion since that approved in July 1964 in Docket No. CP63-296. El Paso claims that the additional increment is necessary to satisfy the requirements of resale customers and to continue service to direct sale customers in a manner in keeping with past service to them. Staff agrees that the level of service to the east-of-California customers that would be achieved by the expansion proposed by El Paso is reasonable. The proposed additional increment was designed to meet only market needs projected through 1968. There has been no issue raised with respect to the ability of PG&E and Southern Companies to absorb the amounts of gas specified in their committments with El Paso.

Gas Supply

El Paso proposes to utilize its general system sources of supply for the additional sales proposed by it in these proceedings, as augmented by new and additional reserves committed to El Paso in the Delaware Basin area. The additional reserves consist of Ellenburger reserves in the Gomez, West Waha, Lockridge, Hamon, and Toro Fields which are being attached by means of facilities proposed in this proceeding. Temporary certificates were issued to El Paso on August 18, 1967, and on October 19, 1967, authorizing construction and operation of facilities necessary to attach the Lockridge, Hamon, and Toro Fields. Gas is now flowing from the Hamon and Toro Fields, and on the date the record in this proceeding was closed the facilities for the Lockridge Field were nearly complete. Facilities necessary to attach the J. M. Field are the subject of El Paso's application pending in Docket No. CP66-306, and a temporary certificate was issued in that docket on April 20, 1967. Gas is now flowing from the J. M. Field.

El Paso's system relies on gas sources throughout the western United States and Canada. In addition to the

Permian Basin area, which encompasses the new, prolific Delaware-Val Verde Basin area, and the San Juan Basin area, El Paso's system draws upon the Texas-Oklahoma Panhandle area, various sources situated throughout the Rocky Mountain area north of San Juan, and, through connection with Canadian suppliers, sources in western Canada.

As of January 1, 1966, El Paso's proven dedicated reserves from these sources aggregated 42.4 trillion cubic feet. The reserve life index, or reserve production ratio, is 28.2 years. As such, it exceeds, by some 10.6 years, the reserve life index of all proven reserves in the United States. Measured by the deliverability life standard, such reserves permit satisfaction of El Paso's contractural sales obligations, including the additional sales proposed in this proceeding, for a period of 12 years from January 1, 1966.

Staff agrees that El Paso has maintained reserves at a level most recently found appropriate. 4/ As of January 1, 1968, the deliverability life of El Paso's reserves was 10 years. 5/ Staff agrees that El Paso has an adequate gas supply to meet the requirements of the current project.

Economic Feasibility

El Paso presented cost-of-service studies which establish the present and future economic feasibility of the facilities now proposed and as expanded to their ultimate economic level of deliveries of 775,000 Mcf per day.

At the initial capacity level of 310,000 Mcf per day, and based upon annual deliveries of the quantities now required by the Southern Division markets, the total cost of service for the project would average 27.61¢ per Mcf for the first year; 27.50¢ per Mcf for the second year; and 27.61¢ for the third year. The comparison with average revenues

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4/ See Transwestern Pipeline Company, et al., Opinion No. 500, 36 FPC 176 (1966).

5/ Even with divestiture to the successor of El Paso's Northwest Division of 1 trillion cubic feet of reserves additional to that contemplated at the time of filing El Paso's application, the deliverability life will not be reduced by more than one year.

attributable to the additional sales to be made by means of the proposed facilities is favorable: 27.04¢ per Mcf for the first year; 28.75¢ per Mcf the second year; and 28.68¢ per Mcf for the third year. At its initial stage of deliveries, the project revenues therefore more than recover the project costs. 6/

The record thus supports the conclusion that El Paso's proposed project is economically feasible. Additionally, the project offers the prospect of substantially increased economic benefits in the form of cheap expansibility as markets expand in the future. The record shows the facilities and costs required to expand El Paso's project in steps of 100,000 Mcf per day from its level of 310,000 Mcf per day proposed herein to its optimum level, which is 775,000 Mcf per day. Such an expansion of the project would result in a declining incremental unit cost of transportation from 9.18¢ per Mcf at the 310,000 Mcf per day level to 7.16¢ at a 775,000 Mcf per day level.

In his Initial Decision, the Examiner pointed out that there are certain problems relating to the advance payments and prepayments made by El Paso to its producer-suppliers.

El Paso's advance payments result from take-or-pay provisions in gas purchase contracts which El Paso has with some of its producer-suppliers and constitute payments made prior to commencement of initial deliveries. A major portion of the advance payments that have been made for new sources of Delaware Basin gas were made to Shell Oil Company. Shell and El Paso have received temporary certificates respecting these new sources and deliveries have been initiated by Shell. 7/ Subsequent to the commencement of these deliveries, El Paso has been making prepayments to Shell because it has been unable to take the contract minimums. Advance payments and prepayments have also been made to other producers in the Delaware Basin area.

6/ While not passing upon the merits thereof, we note that on September 6, 1968, El Paso filed a rate increase application proposing an increase of 10 percent or 2.9¢ per Mcf in its rates.

7/ El Paso's temporary certificates were issued in Docket No. CP66-306 on April 20, 1967 (J. M. Field) and in Docket No. CP67-217 on August 18, 1967 (Hamon and Toro Fields) and on October 19, 1967 (Lockridge Field). Shell's temporary certificates were issued in Docket No. CI67-897 on April 20, 1967 (J. M. Field); in Docket Nos. CI67-1095 and CI67-1084 on August 18, 1967 (Hamon and Toro Fields); and in Docket No. CI67-1096 on October 19, 1967 (Lockridge Field).

By Order issued December 21, 1966, we consolidated the application of El Paso in Docket No. CP66-306 and the application of Shell in Docket No. CI66-897 with regard to El Paso's purchase and Shell's sale of the J. M. Field gas. With reference to the advance payment provisions in the El Paso-Shell contract, we stated:

> . . . . The Commission feels that a provision in a contract of this nature requiring such advance payments warrants a strong examination by it. Hence, it will afford Shell a full opportunity to demonstrate on the record to be developed in the formal hearings scheduled to be conducted in connection with the above styled proceedings the justification for the inclusion of such a provision. (Order, page 3)

Subsequently, El Paso and Shell were granted temporary certificates for the J. M. Field production. These temporary certificate orders reserve the issues of the propriety and, if improper, the disposition, of the advance payments. The same issues have been preserved in temporary certificates issued to Shell and El Paso respecting the other new Delaware Basin sources proposed in these proceedings.

The Public Utilities Commission of California has requested that we condition the certificate issued to El Paso in this proceeding by preserving the advance payments and prepayments issues. El Paso stated that it does not oppose this request. Accordingly, the certificate we issue to El Paso herein will be conditioned appropriately.

THE STAFF PROPOSAL AND THE EXAMINER'S MINIMAX ALTERNATIVE

The PGT and El Paso applications consolidated herein, and the Transwestern application which is pending in Docket No. CP68-181, have each been put forward as separate propositions for meeting discrete needs for gas service. They are, however, interrelated; the PGT application and part of the El Paso application are directed to the needs of northern California for additional gas in the 1968-69 and 1969-70 heating season, and the Transwestern and part of the El Paso applications are directed to the needs of the southern California market for these years. Moreover, as Staff and the Examiner both point out, the El Paso and Transwestern proposals both seek to transport gas from the same general area of the Permian Basin of West Texas and New Mexico to the California border by means of facilities of a relatively small size, which, though least costly for the increments of service presently sought, could be considerably more costly over a period of time, assuming additional increments of gas needed for the California market can and will be secured from producers in the Permian area.

Staff has proposed, in answer to the proposals mentioned, a new 42-inch pipeline from the Delaware Basin to the California border. It is Staff's contention that, assuming only the market growth postulated by PG&E and Southern Companies (and accepted by the Examiner) through 1972 -- with no additional growth -- utilization of the 42-inch line could result in savings of $4,346,000 through 1972, and $23,570,000 over the ten-year period ending in 1978. This figure, however, which is based upon denial of the PGT application and eventual substitute of Delaware Basin gas therefor, is a composite one in which even larger savings for southern California are offset by increased costs to northern California (over the proposals set forth in the application) of $5,248,000 through 1972, and about $12,000,000 over the entire ten-year period. This results from the admitted fact that by far the cheapest increment of gas to California, irrespective of design improvements, is that proposed in the PGT application. The Examiner found that there were additional reasons for immediately granting the PGT application in a somewhat modified form -- namely, the need for additional gas to California during the necessary interim while the possibilities of constructing 42-inch facilities from the Delaware Basin area were canvassed. As indicated above, we agree with this assessment. But even if we did not, we would not be inclined to certificate any facilities in which the prospect of saving large sums to consumers in southern California over the ensuing five or ten years was at the expense of the large indicated additional costs to northern California consumers.

Staff argues that even if for one or both of these reasons the Commission deems it advisable to certificate the PGT proposal, its 42-inch line would still be the cheapest long-range method of bringing Delaware Basin gas to California, with savings over the ten-year period to 1978 -- still assuming no market growth after 1972 -- of $18,713,000, though only $1,091,000 would accrue through 1972. These savings are strongly disputed by some of the parties, the principal areas of contention being the proper evaluation of gathering costs in the Delaware Basin, the additional costs, if any, in getting additional supplies of gas to PG&E at its Topack terminus, and the extent of the increased costs to the distributors (in alternative fuel costs or sales lost) from the delay in effectuating any 42-inch line proposal.

The Examiner did not find it necessary to resolve these conflicts, since he found that, while the Staff's 42-inch line proposal "could offer many benefits over the long run", it "involves risks related to need and supply that are unlikely to be resolved in the immediate future and which are too great to warrant the large, initial commitment it would require" (Slip Op., p. 11). Specifically, he stated that the rate of expansion of the California gas market might diminish with the increasing availability of nuclear power, that there were real, if presently unmeasurable, prospects for large supplies of offshore gas coming on the California market within the next decade, and that while there was a reasonable basis for assuming considerable additional volumes of gas in the Delaware and Val Verde valleys of Permian near the eastern terminus of the proposed 42-inch line, "committing so much capacity without further detailed assurances on supply would be risky" (ibid.).

The Examiner, however, did not believe that these deficiencies he found in the basic Staff proposal should end all consideration of the possiblities of savings inherent in the use of large-diameter pipe. Instead, in his "minimax" proposal he proposed immediately to grant the PGT application, upon condition that the gas be shared, at least initially, with southern California. At the same time he would remand for further limited hearing the question of whether authorizing 42-inch looping by either El Paso or Transwestern in an amount sufficient to encompass the 420 MMcf increased capacity contemplated by the separate proposals, "plus such additional amounts as appears appropriate," would be more in the public interest than the grant of the separate proposals. He thought that this approach, though it might be more costly and less efficient than the Staff's 42-inch line proposal, assuming both were eventually built to full capacity, would retain the central advantage of the opportunity for economy from the use of large diameter pipe, while at the same time reducing the initial commitment of capital and retaining far greater flexibility to adjust to changes in supply and demand factors as they occur.

The Examiner's proposal rests on the assumption that grant of the PGT application alone will be adequate to meet the needs of California (and El Paso's east-of-California customers) until the new phase of this proceeding is completed. For, admittedly, there is no evidence in the record of 42-inch looping by El Paso -- to say nothing of Transwestern. The Examiner was of the belief that a new hearing devoted to the best way of bringing gas from Permian to California, even though it would involve potentially conflicting interests of the two pipelines which ran between the two points (and possibly additional pipeline groups as well), could be completed in time for operation of the certificated line in the 1969-70 heating season when additional gas admittedly would be required.

We cannot agree. Everything which has happened so far indicates that a further proceeding would not be limited to the single 42-inch looping alternative suggested by the Examiner, and that, even if it could and should, there would be no real prospect of completing the proceeding in time to permit the necessary construction for the 1969-70 heating season. In short, the minimax proposal is virtually certain to result in a serious gas shortage for at least one heating season. The Staff proposal now has become impracticable for the same reason. The comparative hearing which would be necessary would, if anything, be more complex than that which would be required for the consideration of the minimax proposal. The substantial costs and adverse impact of such delay are simply prohibitive in this case.

We wish to make clear that our rejection of the Staff's 42-inch line and the Examiner's minimax alternative does not indicate our approval of any practice by El Paso and Transwestern of seeking to meet the growing needs of the California market through relatively small scale facility increments to meet immediate market needs, which though initially less costly cannot hope to achieve available long range economies of scale. To the extent that any such tendency may reflect past actions of this Commission, the Staff's actions herein have forcefully brought to our attention the limitations of such a policy in providing optimum service to the growing California market. This proceeding has also demonstrated, however, that such considerations cannot usefully be brought into the proceedings at later stages thereof, and that it is imperative for the pipeline applicants themselves to explore the possibilities of economies of scale prior to filing their applications and to be prepared to demonstrate why the public interest would be served by utilization of comparatively small diameter pipe, if such is incorporated into their proposals.

The Dissent's Modification of El Paso's Proposal

The dissent argues that we should require El Paso to modify its proposal by substituting 36-inch pipe for all 30-inch pipe included in the design of its project, and should condition the certificate we issue to El Paso so as to permit us in the future to order El Paso to transport through its facilities the gas of another pipeline. Alternatively, the dissent argues that even if we authorize El Paso's project as proposed, we should annex this condition to El Paso's certificate. We are unable to agree with the dissent because these arguments are predicated upon a fundamental error in logic and upon errors of fact.

For the purpose of exposing the illogic of the dissenting view, we will assume, arguendo, that the statements and conclusions set forth in the dissent are correct. Accordingly, the dissent states that approval of either the 36-inch modification or El Paso's proposal "could have a substantial impact on the competitive situation, primarily with respect to Transwestern" (page 10). It continues, "appropriate steps" must be taken to preserve competition or else El Paso will be "in a superior position to bargain for future growth increments, thus tending to further enhance El Paso's already dominant position in California" (page 10). The "appropriate step" which the dissent proposes is the imposition of a novel condition on El Paso's certificate. Thus, the dissent finds, "considering El Paso's already dominant position in the market, its further expansion at this time must be conditioned to preserve competition and keep its competitors viable" (pages 10-11). The dissent concludes that this could be accomplished by a condition providing:

> that if the public interest is found to so require any other person certificated to transport gas from the Delaware-Val Verde Basins to California will be able to utilize El Paso's cheap expansibility, and that any additional looping or other construction on the El Paso facilities necessary to transport such gas as we may certificate will be installed. (page 11)

Thus, with respect to the 36-inch modification and the issue of competition the dissent makes two points. First, it proclaims that the certification of the 36-inch modification would be anti-competitive vis-a-vis Transwestern. Second, it concludes that to prevent this anti-competitive consequence a condition must be annexed to El Paso's certificate; but this condition would be exercised by the Commission in a future proceeding only "if the public interest is found to so require." On its face, therefore, the dissent appears objective, and purports simply to provide the Commission with an option it otherwise would not have. But, upon analysis this is not true.

The condition proposed in the dissent makes possible only two acts: namely, that in a future proceeding the Commission will exercise the condition or that it will not. If the Commission should choose the latter and should not exercise the condition, then according to the logic of the dissent El Paso would operate its 36-inch pipeline without the very condition which the dissent declares is indispensable in order to preserve competition. And thus, if we follow the logic of the dissent, by not exercising the condition the Commission would necessarily create the identical situation which the dissent has found to be anti-competitive (i.e., El Paso operating the 36-inch pipeline without the dissent's condition attached).

Because of its unequivocal tenor, we must conclude that the dissent would consider the anti-competitive consequences of not exercising the condition to be intolerable. Thus, we must further conclude that in order to avoid these consequences the thrust of the dissent would afford the Commission no choice but to exercise the condition in the future proceeding. What this means to the Commission is profound. For it means that if we were to accept the dissenting views as sound and accordingly to attach the condition, we would not create an additional option for the Commission as the dissent contends; but instead, we would eliminate future regulatory flexibility with respect to the California market and would, in fact, force the Commission to exercise the condition in the future proceeding. This, of course, would simply be imprudent regulatory policy.

In addition, the dissent would concurrently force upon us, through the instrumentality of the condition, the adoption of a new substantive principle of natural gas regulation. Thus, if we adhere to the logic of the dissenting opinion, the Commission would be compelled to exercise the condition and thus to create either a jointly owned and operated natural gas pipeline, a common carrier natural gas pipeline, or some other new phenomenon without the benefit of even a scintilla of evidence in this record or argument in briefs or oral argument with respect to the legality, feasibility, practicability, or desirability of any of these new concepts. We are indeed aware of the necessity to apprise ourselves of new philosophies of regulation, novel economic theories, and creative alternatives to existing regulatory methods. But, we are equally aware of the necessity to stand by legal principles and not decide issues without the benefit of an adequate record before us.

Aside from the foregoing illogic which would burden us if we were to accept the views and assume the validity of the dissenting opinion, the dissent has predicated itself upon errors of fact and conjecture. One error of the dissent is the conclusion that El Paso's proposal is anti-competitive. Many pages of transcript and briefs, and many hours of argument recorded before the Examiner and the Commission do not include even a remote suggestion that El Paso's proposal is anti-competitive. Moreover, the State of California, the Public Utilities Commission of California, and the Southern California Edison Company, all of whom are known for their persistent efforts over the years to establish and maintain competition for the California gas markets, have not argued that El Paso's proposal is anti-competitive. Neither has Transwestern, the company which competes directly with El Paso. On the contrary, each of these parties vigorously supports El Paso's proposal as the project which will best preserve competition for the California market.

There are but two references in the record with respect to the question of the competitiveness of El Paso's proposal. (Tr. 3499; Tr. 3735) Each relates to the proposition that competition for the California market must be encouraged. And, each was set forth by witnesses who supported El Paso's proposal. No evidence to the contrary exists on this record or in our reading of the principles articulated in the court decisions which have considered the issue of natural gas competition in California. Indeed, the only citation we can find for the proposition that El Paso's proposal is anti-competitive is such a statement in the dissent.

Another error of the dissent is the conclusion that the 36-inch modification of El Paso's project should, on the basis of this record, be required by the Commission. Although Exhibit 73, which relates to the 36-inch modification, is a matter of record properly before us, the dissent has taken that Exhibit out of perspective and has attributed to it significance which the record does not permit. The data in Exhibit 73 were submitted by El Paso in response to an informal request made by the Staff several weeks prior to the commencement of hearings. However, these data were ignored from the moment Exhibit 73 was received in evidence onward throughout the hearings, the briefs to the Examiner, the briefs on exceptions and replies thereto, and the oral argument. Indeed, no one, including the Staff, has suggested on the record or briefs properly before us that the 36-inch modification of El Paso's project is desirable. Moreover, it is clear on the record that we have not received evidence on financial and competitive matters which must be adduced and explored before we could conclude that the impact of requiring the 36-inch modification of El Paso's proposal is in the public interest.

On the other hand, what we know on the basis of this record is that El Paso's project satisfies the requirements of the public convenience and necessity. It is viable in all pertinent respects and will be of benefit to gas consumers in California and east of California.

The Commission further finds:

(1) Pacific Gas Transmission Company is a "natural gas company" within the meaning of the Natural Gas Act.

(2) The additional facilities proposed by Pacific Gas Transmission Company and more fully described in the Pacific Gas Transmission Company applications and the evidence herein, will be used in the transportation and sale of the additional quantities of natural gas in interstate commerce, subject to the jurisdiction of the Commission, and such additional facilities, together with the construction and operation thereof, are subject to the requirements of subsections (c) and (e) of Section 7 of the Natural Gas Act.

(3) Pacific Gas Transmission has an adequate supply of natural gas committed to it which will enable it to render the service herein authorized.

(4) The additional facilities proposed by Pacific Gas Transmission Company are adequate to render the service herein proposed.

(5) Pacific Gas Transmission Company is financially able to construct and operate the proposed additional facilities.

(6) A market exists for the proposed additional sales of natural gas by Pacific Gas Transmission Company to Pacific Gas and Electric Company.

(7) Pacific Gas Transmission Company is able and willing properly to do the acts and to perform the service proposed and to conform to the provisions of the Natural Gas Act and the requirements, rules and regulations of the Commission thereunder.

(8) The construction and operation of the facilities proposed by Pacific Gas Transmission Company and its sales and transportation of the additional quantities of natural gas, together with the construction and operation of any facilities subject to the jurisdiction of the Commission necessary therefor, are required by the present and future public convenience and necessity, and a certificate of public convenience and necessity should be issued therefor.

(9) The proposed importation of the additional quantities of natural gas proposed by Pacific Gas Transmission Company is subject to the jurisdiction of the Commission under the provisions of Section 3 of the Natural Gas Act.

(10) The importation of the additional quantities of natural gas proposed by Pacific Gas Transmission Company in its application is appropriate and consistent with the public interest and should be authorized.

(11) El Paso Natural Gas Company is a "natural gas company" within the meaning of the Natural Gas Act.

(12) The additional facilities proposed by El Paso Natural Gas Company and more fully described in the El Paso Natural Gas Company application and the evidence herein, will be used in the transportation and sale of the additional quantities of natural gas in interstate commerce, subject to the jurisdiction of the Commission, and such additional facilities, together with the construction and operation thereof, are subject to the requirements of subsections (c) and (e) of Section 7 of the Natural Gas Act.

(13) El Paso Natural Gas Company has an adequate supply of natural gas committed to it which will enable it to render the service herein authorized.

(14) The additional facilities proposed by El Paso Natural Gas Company are adequate to render the service herein proposed.

(15) El Paso Natural Gas Company is financially able to construct and operate the proposed additional facilities.

(16) A market exists for the proposed additional sales of natural gas by El Paso Natural Gas Company.

(17) El Paso Natural Gas Company is able and willing properly to do the acts and perform the services proposed and to conform to the provisions of the Natural Gas Act, and the requirements, rules and regulations of the Commission promulgated thereunder.

(18) The construction and operation of the facilities proposed by El Paso Natural Gas Company, as herein conditioned, and its sales and transportation of the additional quantities of natural gas, together with the construction and operation of any facilities subject to the jurisdiction of the Commission necessary therefor, are required by the present and future public convenience and necessity, for the purpose and subject to the conditions described in the attached certificate, and a certificate of public convenience and necessity should be issued therefor.

The Commission orders:

(A) Pacific Gas Transmission Company is hereby authorized to import from Canada an additional 100,000 Mcf of natural gas per day commencing on or about November 1, 1968, and an additional 100,000 Mcf of natural gas per day commencing on or about June 1, 1969, and a certificate of public convenience and necessity is hereby issued to Pacific Gas Transmission Company authorizing the transportation and sale of such natural gas to the Pacific Gas and Electric Company and the construction and operation of the facilities necessary for such importation, transportation, and sale, all as more fully described in the applications filed herein and the evidence received in this proceeding.

(B) The authorizations granted to Pacific Gas Transmission Company under paragraph (A) hereof are subject to the terms and conditions imposed upon the authorizations granted to Pacific Gas Transmission Company, et al., by the Order of the Commission issued August 5, 1960, 24 FPC 134, insofar as said terms and conditions are applicable, and the said terms and conditions shall apply with respect to the additional gas imported, transported and sold under the authorizations here granted.

(C) A certificate of public convenience and necessity is issued to El Paso Natural Gas Company authorizing the construction and operation of the facilities as more fully described in its application for increasing the capacity of its present system in order to effect the sale of additional natural gas upon the terms and conditions of this order.

(D) The certificates issued in paragraphs (A) and (C) and the rights granted thereunder are conditioned upon compliance by Pacific Gas Transmission Company and El Paso Natural Gas Company with all applicable Commission Regulations under the Natural Gas Act.

(E) The certificate issued to El Paso Natural Gas Company in paragraph (C) is on the following condition:

The advance payments included by El Paso in its rate increase application of September 6, 1968, and any advance payments hereinafter included in any filing made with the Commission prior to the determination of the propriety thereof are included by El Paso at its own risk as to the proper treatment for ratemaking purposes. The granting of a certificate of public convenience and necessity to El Paso in this proceeding shall not prejudice the isssue of the propriety of advance payments or the appropriate level of prepaid gas purchases in any future proceedings and shall not constitute waiver of any rights of any party to dispute the propriety of advance payments or to justify a different level of prepaid gas purchases in any future proceeding.

(F) The certificates issued to Pacific Gas Transmission Company and El Paso Natural Gas Company shall be void and without force and effect unless accepted in writing within thirty (30) days from the issuance date of the order issuing such certificate.

By the Commission. Chairman White dissenting in part filed a separate statement appended hereto.

(S E A L)

Gordon M. Grant,
Secretary.

Docket Nos.

Pacific Gas Transmission Co.	)	CP67-187
	)	CP67-188
El Paso Natural Gas Co.	)	CP67-217

WHITE, Chairman, dissenting in part:

I must dissent from the Commission's opinion and order insofar as it certificates El Paso's application in Docket No. CP67-217.

In an early order in this proceeding 1/ the Commission directed the parties to address themselves, *inter alia*, to the question whether there were preferable "alternative means available to meet the requirements of the customers proposed to be served." Consistent with this directive, staff introduced evidence on the 42-inch project which the Commission has found cannot be certificated on this record. With this I fully agree. But also in this record, in response to the Commission's directive, is evidence relating to a modification of El Paso's proposal which would substitute 36-inch-diameter pipe for the part of the project designed as 30 inch. This modified project is clearly superior to the project as applied for. Yet the Commission opinion fails to consider this modification on its merits.

One might reasonably ask, therefore, why the Commission has reached the result it has: Because it is the best way to meet the needs of the California market? Because it believes its hands are tied, thus preventing it from ordering the desired modifications? Or simply because it is the easiest solution to an obviously complex problem.

Having considered the record in its entirety, I cannot find, that the project as proposed by El Paso is the best way to meet the needs of California consumers.

Specifically, I find the Commission's decision deficient in at least three respects. First, it saddles California

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1/ The order of July 26, 1967, consolidating the Pacific Gas Transmission Co. application in Docket No. CP67-188, CP67-187 and the El Paso Natural Gas Co. application in Docket No. CP67-217.

consumers with a project which is considerably less desirable than an alternative project which would be far cheaper in the long run (over $2 million per year cheaper) and which could be certificated on the present record. Second, it completely ignores that even the inadequate project it is certificating has anti-competitive consequences which will further establish El Paso, presently the dominant supplier in the market, in the commanding competitive position condemned by the courts. And finally, the majority decision could well condemn Transwestern and any new competitor for the California market to a position of perpetual competitive subservience.

The Alternative Proposal

While it appears that El Paso's 30-36 inch proposal is a viable project, the record indicates that it is not the most economical way to meet the growth of the California market. This evidence relates to a modification of the 30-36 inch proposal which would result in lower cost and benefit the long-run interest of California consumers, as well as meet the deficiencies projected for the California market over the next few years. The Commission should be well aware that, as the examiner stated,

> ". . . The big opportunities for cost savings to consumers do not lie in the disallowing of particular costs in a rate case. Underlying costs are determined in the certificate case where the project is licensed." (Mimeo. page 21)

First, it should be clearly indicated what El Paso's 30-36 inch proposal is intended to do--to meet the incremental needs of its California and east-of-California market. If the El Paso market grows significantly beyond the 310 MMcf/d additional facilities would be needed to be added to El Paso's system. In short, consistent with the Commission's holding in Gulf Pacific, El Paso has tailored its proposal to provide only the facilities needed for its next increment of growth. The holding in that case, however, was not a direction to El Paso or any other pipeline to abdicate its responsibility to look ahead to the future needs of its market and to plan to meet those needs in a most economical manner. Indeed, as said in support of the tailored supply program in the Gulf Pacific case, "It is precisely an objective review of the long-term market which leads us to this conclusion" (mimeo. page 26). Therefore, if the record supports a more economical way of meeting the prospective growth of the California market, and if the market evidence indicates that such a proposal would be viable, certification of the proposed 30-36 inch project would be inconsistent with the dictates of the Natural Gas Act to provide for an adequate supply of gas at the lowest reasonable rates.

Exhibit 73, introduced early in the proceeding by El Paso at the request of staff, contains evidence as to the consequences of modifying El Paso's proposal to provide that the portion of the proposal designated "Hypotenuse II" (toward the California end of the system) like "Hypotenuse I" be constructed with 36-inch pipe and that the specified portions of the existing system being "reenforced", i.e., "looped", utilizing 36-inch pipe rather than the 30-inch pipe El Paso had proposed. This modification would not increase the capacity of 310 MMcf/d proposed in El Paso's application; it would, however, provide substantially cheaper expansibility should market growth necessitate the addition of further capacity in the future.

Exhibit 73 compares service under El Paso's 30-36 inch proposal at various levels up to its optimum capacity of 775,000 Mcf, with the 36-inch modification at the same levels of service. At the initial level of service (310 MMcf/d under either project) the 36-inch modification would increase the costs from 9.18 cents to 9.83 cents; but this differential in favor of the smaller project rapidly decreases and then becomes markedly in favor of the larger line. The applicant's figures show that at throughput of 510 MMcf per day there is only 0.06 cents per Mcf difference in favor of the smaller project and that at 775 MMcf the balance has strongly tipped to the larger project, 7.15 cents for the smaller versus 6.39 cents for the 36-inch modification.

Table 1

Average Transportation Costs

	Mcf		
	310,000	510,000	775,000
El Paso's 30-36 inch proposal (¢/Mcf)	9.18¢	7.18¢	7.15¢
El Paso's 36-inch modification (¢/Mcf)	9.83¢	7.24¢	6.39¢

In order to arrive at these costs, Exhibit 73 assumes that starting from the initial capacity of 310,000 Mcf under either proposal, capacity additions of 100,000 Mcf would be added in the first and second years; no capacity additions in the third year and 265,000 Mcf added in the fourth year. 2/ On this basis, the total cost of service of operating the 36-inch modification through the fourth year when it is being operated at 775,000 Mcf would be approximately $541,000 lower than under the 30-36 inch proposal. When operated at 775,000 Mcf, the cost of operating the 36-inch modification would be in excess of $2,000,000 per year less than the 30-36 inch proposal and every year thereafter, the annual cost of service would remain significantly less than the 30-36 proposal.

While those savings are not in themselves insubstantial, they do not constitute the entirety of savings associated with the 36-inch modification. This is due to the constraining factors built into the Exhibit 73 comparison. First, the comparison stops at 775,000 Mcf, the maximum throughput of the 30-36 inch proposal, while additional savings would be associated with the greater throughput of the 36-inch modification, which is in the order of 1,000,000 Mcf per day. **Although** the incremental costs of this greater throughput are not contained in this record, it is a well-established **engineering fact that the unit costs of providing equivalent volumes of capacity decline substantially toward the end of a looping program relative to those which would be incurred at the start of the looping program.**

The second constraining factor to be considered is the pattern of the capacity additions in Exhibit 73. Advancing the incremental capacity addition of 265,000 Mcf/d (775,000 - 510,000) by one year, for example, would increase the savings from the 36-inch modification to a minimum of $1.2 million, at the same level of capacity, namely, 775,000 Mcf/d. More importantly, as noted above, the 36-inch modification would still provide for cheap expansibility since at least another 200,000 Mcf/d or 26 percent more capacity would still be available from the 36-inch line at very low incremental costs. The 30-36 inch proposal on the other hand, would require the start of a new high cost looping project at the 775,000 Mcf/d level. The critical considerations, therefore, in arriving at a decision whether El Paso's project as proposed should be certificated or the 36-inch modification

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2/ Exhibit 73 does not relate additional investment to specific years, but relates all increment investment and associated costs to the first year's operation of the initial 310,000 Mcf of capacity.

with its substantial potential savings is approved, is how much additional capacity will be required to meet the future demand for gas in the California market over and above the volumes of gas we are herein certificating and when such additional capacity will be required.

Both staff and the various parties presented market projections in this proceeding; the examiner accepted both Pacific Lighting's and Pacific Gas and Electric's. Pacific Lighting also estimated the volumes of gas to be purchased from California sources to meet part of its market requirements and staff estimated the volumes of gas to be purchased from California sources to meet part of PG&E's market requirements. Further, the volumes of gas identified as GX-2 available to both the Pacific Lighting and PG&E companies from El Paso, are shown in staff Exhibit 155. On the basis of these estimates, it appears that over and above the volumes now being certificated the California market will have annual deficiencies for each of the years 1969 through 1972 as follows: 3/

	1969	1970	1971	1972
	(Millions of Mcf)			
Annual Deficiency with Interruptible Curtailment	26	87	170	225
Interruptible Curtailment	111	114	120	132
	137	201	290	357

In order to meet the above deficiencies by means of pipeline capacity, the following additional capacity operating at 100 percent capacity factor, at January 1 of each year, would be required:

3/ Interruptible curtailment for the Pacific Lighting market is based on serving 90 percent of the total interruptible market, consistent with the Commission's findings in Gulf Pacific. As the charts indicate, the interruptible curtailment is substantial.

	January 1			
	1969	1970	1971	1972
Additional Pipeline Capacity				
With Interruptible Curtailment	71,233	238,356	465,753	616,438
Without Interruptible Curtailment	375,342	550,685	794,520	978,082

Thus, even with certification of El Paso at the 310 MMcf/d level, additional pipeline capacity would be required in the near future to meet the growing California market demand. The need for additional capacity would grow year by year and as of January 1, 1972, hardly 3 years from now, a full 616,000 Mcf per day or 150,000 Mcf more capacity per day than that achievable from El Paso's 30-36 inch proposal would be required. Further, the volumes of gas curtailed of the interruptible market demand would continue to grow so that in 1972 even with an increase in pipeline capacity of 615,000 Mcf, the interruptible market would be curtailed by 132,000,000 Mcf, the equivalent of 361,644 Mcf of pipeline capacity.

Any delays in the timing of capacity additions, of course, would affect the savings from the 36-inch alternative, since it would postpone the crossover date at which the larger proposal becomes cheaper. While the record does not provide evidence for the specific crossover point between the 30-36 inch proposal and the 36-inch alternative, it appears that such point would occur somewhere between 510,000 and 775,000 Mcf; a straight extrapolation of the market growth would place the crossover point at between 510,000 and 540,000 Mcf. In any event, whatever the time period in which the incremental growth takes place, unless it is assumed that the market will stop growing at the crossover point, it is clear that the long-range savings associated with the 36-inch modification, due to its greater expansibility, will result in savings over and above those realized under the 30-36 inch proposal.

While the market evidence suggests that the growth to be expected is more than adequate to support the 36 inch modification, its feasibility does not depend upon its future expansion. Even though the full economic savings associated with the 36-inch modification are not realized at the lower levels of service, the fact is that it is economically viable right from the start, since the average revenues attributable to the additional sales to be made by means of the proposed facilities are greater than the project costs even at the 310 MMcf/d level. Thus the average revenues per Mcf are: 29.04¢ for 1968, 28.75¢ for 1967 and 28.68¢ for 1970. Total cost of service per Mcf, however, would only be 28.40¢ for 1968, 28.15¢ for 1969 and 28.20¢ for 1970. The project, therefore, more than recovers its costs even at the initial level of service.

On the basis of the foregoing, it must be concluded that the future requirements of the California markets would be more economically served by the substitution of 36-inch pipe for the mainline facilities in lieu of the 30-36-inch line proposed.

The Procedural Question

Since it has been established on this record that the 36-inch modification is superior to the proposed project, the Commission should not certificate the lesser project. The courts have made it clear that the Commission must investigate alternatives, Scenic Hudson Preservation Conference, et al., v. F.P.C., et al. 354 F.2d 608 (CA 2 1965) cert. denied sub nom. Consolidated Edison Co. v. Scenic Hudson Preservation Conference, 384 U.S. 941 (1966), and that it must reject an application if a better alternative is available, even if the better alternative cannot be required by the Commission. In such a case, however, the Commission does have the authority to offer a certificate for the better alternative, although not require it. Sunray Oil Co. v. F.P.C., 364 U.S. 137 (1960); City of Pittsburgh v. F.P.C., 237 F. 2d 741 (CADC 1956). See also, F.P.C. v. Transcontinental Gas Corp., 365 U.S. 1 (1960). This assumes, of course, that the alternative has sufficient support in the record, as it does here. As indicated above, the Commission's order of July 26, 1967, directed the parties to address themselves to alternatives to the proposed project. Transwestern had intervened in the case several months earlier, and was necessarily aware of the order. Indeed staff subsequently requested studies from both El Paso and Transwestern, and in its August 10, 1967, letter to Transwestern set forth its intention to conduct a "full and complete analysis of all alternatives." As noted in the Transwestern Brief on Exceptions the requested studies were submitted:

> "El Paso offered evidence regarding alternatives it had considered (Tr. 2:199). Both Transwestern and El Paso introduced evidence regarding the cost of looping their respective systems to higher levels--El Paso to 3,155 M^2cf per day, Transwestern to 1,270 M^2cf per day. . . Staff offered extensive studies relating to both 36-inch and 42-inch pipeline alternatives. These were examined in detail." (pp. 3-4)

Later in its brief, recognizing the Commission's continuing responsibility to consider alternatives, Transwestern said, "In this proceeding alternatives to the pending applications were, in fact, exhaustively reviewed." (p. 9)

Exhibit 73, which sets out the 36-inch modification, was introduced early in the record by El Paso at staff's request. This is, of course, different from staff's 42-inch proposal which was not introduced until long after all other parties had put in their evidence. Exhibit 73 was available for cross-examination and rebuttal since there was no limiting ruling by the examiner with respect to it. However, no party chose to attack the alterations in the project set out therein. While the reason for this lack of interest by El Paso's competitors in an obviously superior proposal is not apparent in this record, one possibility is that Transwestern's upcoming step in the "minuet" noted by the Examiner did not call for a challenge to a proposal which El Paso, in its current step, was not seeking. The Commission's reluctance to certificate the clearly superior project envisioned by Exhibit 73 unfortunately will be to the long-range detriment of the California consumers.

On the basis of the foregoing, it is evident that the parties, including El Paso's competitors, 4/ were fully aware that alternatives to the proposal would be considered by the Commission and that they were specifically aware of the 36-inch modification contained in Exhibit 73. It seems clear that the Commission has the authority, if the application of the standards of the Natural Gas Act require it, to issue a certificate providing for such reasonable variations from the

4/ Transwestern, of course, intervened in the proceeding. Other potential competitors had notice that alternatives would be considered but did not seek to intervene.

parties proposals as may be said to be fairly within their contemplation and are necessary and appropriate to carry out the provisions of the Act. As the Commission said in *Natural Gas Pipeline Company of America*, 17 FPC 85, 87, "A contrary holding would exalt mere procedural incidents above substantial public interest."

Effect on Competition

Transwestern, at present the only competitor of El Paso in the rich Permian Basin to California market, is afflicted with all of the ills which face any comparatively small company competing with a giant in an industry where economies of scale are important. The market in California, while substantial, is controlled in effect, by very few buyers. While it is in the interest of those buyers to maintain some competition by keeping Transwestern alive, it is not in their interest to give Transwestern large contracts until it can sell gas as cheaply as El Paso, something it is presently not able to do. But this results in a vicious circle, for low unit gas transportation costs cannot be achieved without large pipelines, and large pipelines cannot be economically built or utilized without large contracts. The action of the majority today condemns Transwestern, or any new competitor, to a repetition of the same dreary cycle--a compromise by building a pipeline which, while too small for eventual use in reducing unit costs low enough really to compete, is initially too large for the small amounts of gas Transwestern will furnish. I cannot understand why the majority would permit this to occur.

Having determined that the 36-inch modification should be certificated, it is necessary to consider whether such a project would have an adverse effect on the balance of competition in the California market. In this regard, official notice can be taken of Transwestern Pipeline Company's application in Docket No. CP68-181 for a 30-inch pipeline with an initial capacity of 110 MMcf/d. Additionally, as the Commission said in Opinion No. 399 (30 FPC 77), "antitrust considerations are relevant to the issue of public convenience and necessity."

The Commission's casual treatment of antitrust considerations with respect to its certification of the El Paso project is a serious deficiency since its immediate competitive impact will be virtually the same as the 36-inch modification. Both projects are designed at initial capacity levels of 310 MMcf/d and in either case additional facilities would need to be added to accommodate future growth. Similarly, both projects would be expansible up to 775 MMcf/d.

This means that, so far as capacity is concerned, both would be equally expansible to meet the incremental market growth for the next few years. In addition, the 36-inch modification would thereafter be expansible up to an ultimate capacity of about 1 million Mcf. It is in this additional increment of expansibility and the fact that at these higher levels of service the costs associated with the 36-inch modification are substantially cheaper than the 30-36 inch proposal that the essential differences between the projects lie. Nevertheless, either alternative could have a substantial impact on the competitive situation, primarily with respect to Transwestern. In either case, unless appropriate steps are taken to preserve competition the cheap expansibility will definitely put El Paso in a superior position to bargain for future growth increments, thus tending to further enhance El Paso's already dominant position in California.

In considering the effect on competition of either the project as certificated by the Commission or the 36-inch modification, it should be noted that El Paso also introduced evidence (Exhibit 9) which shows that the cheapest way to transport the 310 MMcf/d to California is with a straight 30-inch project (as contrasted with the 30-36 inch project here certificated), but that project would have left no room for future expansion. Thus, implicit in opting for either the proposed project or the 36-inch modification, is the desirability of having cheap expansibility in a growing market. The majority, of course, conveniently overlooks this ramification of its decision.

The dilemma facing the Commission is a real one. On the one hand, any rational decision in this proceeding, considering the projected growth in the California market, must provide for expansibility at the lowest cost; on the other hand, provision of such expansibility can act to the detriment of El Paso's competitors. Stated differently, the problem is whether there is a way to preserve the fruits of competition and at the same time optimize the construction of pipeline facilities so as to achieve the benefits of scale. I am convinced there is.

While competition in the California market in the past has been less than perfect, it has been beneficial on occasion (see, e.g., *El Paso Natural Gas Company*, *et al.* ("Rock Springs"), 30 FPC 77, 85, *et seq.*) and may be beneficial in the future. Therefore, considering El Paso's already dominant position in the market, its further expansion at this time must be conditioned to preserve competition and keep its competitors viable. Such a condition should, I believe, make it clear that should it develop in some future proceeding that utilization by some other person of the excess capacity or expansibility of the facilities which are the subject of this proceeding is required to ensure that optimum service is not at the expense of competition, such facilities will be available. This can be accomplished by a condition providing that, if the public interest is found to so require any other person certificated to transport gas from the Delaware-Val Verde Basins to California will be able to utilize El Paso's cheap expansibility, and that any additional looping or other construction on the El Paso facilities necessary to transport such gas as we may certificate will be installed.

It is neither necessary nor advisable in any such condition to prescribe the exact means by which such joint utilization or additional construction would be accomplished. The total additional construction might be undertaken by El Paso, with the other party paying an appropriate transportation charge (which might well be on an incremental basis). Or the other party might itself wish to finance any necessary additional construction, or even acquire a proportionate interest in the facilities. It is not necessary to attempt to determine which of these institutional arrangements or methods of calculating charges for services performed, or other possible alternatives, would be most appropriate under circumstances which cannot now be fully foreseen. Instead, such considerations are more appropriately left initially to negotiation between the parties, in the event the condition comes into play, with the Commission only retaining authority to accept or reject the terms or decide the matter if the parties cannot agree.

Imposition of such a condition would not guarantee that Transwestern, or some other party other than El Paso, would in fact be certificated to provide some of the additional service to California from Permian; in any future proceeding the applicant, be it El Paso, Transwestern, or some third party, would have to demonstrate that the public convenience and necessity requires certification of its proposal. Similarly, such a condition would not mean that until the certificated line is fully loaded Transwestern, or some other party, could only be certificated upon their willingness to utilize the line. In any future proceeding it will be open to such parties to show that certification of separate facilities will best serve the public interest. The condition would act only to preclude a denial of an application by a party other than El Paso, if the record in such proceedings were to show that it would be more in the public interest to transport the gas through El Paso's lines. In short, it would reserve to the Commission an option which would not otherwise be available to it in its future consideration of competition in the California market.

While I favor certification of the 36-inch modification appropriately conditioned to preserve competition, I believe the Commission is in error in not attaching the condition to the grant of the 30-36 inch project as applied for. One need not accept the proposition that the competitive impact of either alternative is virtually the same in order to understand the need for such a condition; rather, it is sufficient simply to recognize that even the proposed project provides El Paso with very substantial cheap expansibility--enough to carry the projected increments to the California markets for the next several years, quite possibly at incremental costs cheaper than any other viable alternative. Thus, the Commission's failure to impose an appropriate condition on the grant of its certificate to El Paso may well seriously unbalance the competitive positions of the California suppliers for many years to come, if not permanently. Whether or not El Paso would, in the course of the "minuet" oppose future applications by Transwestern or others to transport Permian gas to California, we would, I am sure, expect the staff to adduce evidence in any future certificate proceeding in which Transwestern or some other party sought to make a sale to California to demonstrate the cost of furnishing such gas through El Paso's line as one of the obvious alternatives, so long as cheap expansibility remains. Indeed, the majority order appears to anticipate that the parties themselves will address themselves to this question. If, as one can properly anticipate will be the case, it turns out that the use of the cheap expansibility of El Paso's line will be significantly cheaper than the new construction of the applicant, what will the Commission then do? It will at this stage not be able to require El Paso to make available the excess capacity on its facilities. Only two unsatisfactory alternatives will be available. The Commission may be forced to ignore the cost savings involved, and certificate another duplicative and expensive pipeline, thus burdening the California consumers with not one but two uneconomic pipelines, both uneconomically utilized for several years, or it will have to deny the application because the use of El Paso's expansibility would be cheaper, thus strengthening El Paso's competitive position even further. These are, in my view, simply intolerable alternatives.

El Paso's dominance in the California market has been called to the Commission's attention in a series of court cases, e.g., California v. FPC, 369 U.S. 482 (1962); Cascade v. El Paso, 386 U.S. 129 (1927). That this Commission has an affirmative duty to protect competition among pipelines and that the antitrust laws are plainly to be applied in reaching its result, I should not have supposed would be necessary to point out again. See, e.g., Northern Natural Gas Pipeline Co. v. FPC (Great Lakes), ___ F. 2d ___ (CADC, June 21, 1968); City of Pittsburgh v. FPC, 237 F.2d 741, 751 (CADC 1956).

It is regrettable that the majority's failure to adopt the proposed competitive condition is based on what it believes is a logical inconsistency which would leave it no alternative in future proceedings but to implement the condition. No one, of course, wants to be on the other side of "logic" but sound regulatory experience indicates that it is not necessarily a substitute for record evidence. Thus, while it is clear on this record that the cheap expansibility in El Paso's project will further strengthen El Paso's already dominant competitive position in the California market, its future effect cannot be precisely delineated at this time, nor can we at this time know precisely what regulatory actions will need to be taken in the future to maintain viable competitors in that market. It is for this very reason that the proposed condition maintains the Commission's flexibility by reserving the question of whether the expansibility in the El Paso line, now being certificated, should in a future proceeding be utilized to carry gas for others. The majority's refusal to adopt this condition here may preclude us from effective consideration of the impact of cheap expansibility on competition for the California market, at least for the foreseeable future. However, there may be other circumstances in which such a condition or a variant thereof would be appropriate and I would then expect that the Commission would consider adopting such a provision. Moreover, I would hope that, even considering the California market, today's action may not prove controlling.

I would emphasize that I am not proposing a boiler-plate condition to be incorporated in all future pipeline certificates for it clearly would not be appropriate in most situations, although it may be adaptable in a number of other circumstances, perhaps in modified form. Most pipelines which serve competitive market areas also serve other major markets along their route, have multiple purchasers even in the competitive market, and different sources of supply. Southern California, on the other hand, is unique in many respects. Both principal pipeline suppliers serve primarily the same market at the end of their line, sell to the same customers and get their gas in the same area. Moreover, the differences in their relative share of the market, their costs, rates and potential for sharing in future market growth necessitate special consideration.

Conclusion

In summary, I believe the Commission should certificate the 36-inch modification set out in Exhibit 73 rather than the 30-36 inch project proposed by El Paso. The record is complete with respect to the modification and all interested parties have had adequate notice that it would be considered. Moreover, there is no question that the growing California market will require, in the next few years, more gas than the presently certificated line expanded completely can supply. It is inconsistent with our responsibilities to certificate this line, to do the job which the 36-inch modification could do better and far more cheaply. Even if the Commission was acting properly in certificating the project as applied for, it is in error in not taking appropriate steps to mitigate the obvious adverse effect it will have on the competitive balance in the California market.

Certification of the 36-inch modification, conditioned as I proposed above, would permit El Paso's line to be built large enough to give the California consumer the benefits of the demonstrated economies of scale. The line would, moreover, if it turned out to be in the interests of the consumers to do so, be filled to an economically desirable capacity more rapidly than it would be without the condition, thus cutting down on the excess costs which the consumers must otherwise bear. And the use by Transwestern, or others, of the El Paso line, if found to be desirable, on a less than fully distributed cost basis, would allow El Paso's competitors to offer a lower price for their gas than they could otherwise do. This, in turn, could lead to their obtaining larger contracts. To the extent these competitors might obtain contracts for substantial blocks of gas, these blocks could provide the basis for a pipeline of their own large enough to be economically sound, when the expansibility of the El Paso line was fully utilized. Thus, the proposed condition would resolve much of the anti-competitive problem, allow Transwestern or other potential competitors in this market to compete meaningfully with El Paso, and would ensure all parties and the consumers the benefits of the economies of scale of which the majority talks but in the end ignores.

Lee C. White

Lee C. White
Chairman

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. 3834
Order No. R-3479

APPLICATION OF EL PASO NATURAL GAS COMPANY FOR THE SUSPENSION OF CERTAIN PROVISIONS OF RULES 14(A), 15(A), AND 15(E) OF ORDER NO. R-1670, AS AMENDED, OF THE GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF NORTHWESTERN NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 14, 1968, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 20th day of August, 1968, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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 applicant, El Paso Natural Gas Company, seeks suspension, for a period of one year from August 1, 1968, of certain provisions of Rules 14(A), 15(A), and 15(E) of the General Rules and Regulations for the Prorated Gas Pools of Northwestern New Mexico promulgated by Order No. R-1670, as amended.

(3) That the applicant seeks suspension of that provision of Rule 14(A) that provides that any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled; that provision

of Rule 15(A) that provides that any well which has not made up the overproduction carried into a gas proration period by the end of said gas proration period shall be shut in until such overproduction is made up; and that provision of Rule 15(E) that provides that any allowable accrued to a well at the end of a proration period due to the cancellation of underage and the redistribution thereof shall be applied against the overproduction carried into said proration period.

(4) That El Paso Natural Gas Company is the owner and operator of a pipeline connected to many gas wells in the aforesaid prorated gas pools.

(5) That the aforesaid company is connected to many non-marginal wells in said prorated gas pools that have accumulated underproduction which is subject to cancellation August 1, 1968.

(6) That the aforesaid company is connected to many non-marginal wells in said prorated pools that have accumulated underproduction which, if not produced during the proration period beginning August 1, 1968, will be subject to cancellation February 1, 1969.

(7) That the aforesaid company is connected to many wells in said prorated gas pools which are currently overproduced and were not brought in balance during the proration period beginning February 1, 1968, and that such wells are subject to being shut in and their current monthly allowable credited against said overproduction until they are in balance.

(8) That the aforesaid company is connected to many wells in said prorated gas pools which are currently overproduced and if not brought in balance during the proration period beginning August 1, 1968, will be subject to being shut in February 1, 1969, and their monthly allowable credited against said overproduction until they are in balance.

(9) That there has been and will continue to be, for a period of time, an extremely heavy demand for gas from said prorated gas pools due to a delay in the planned expansion in the capacity of the applicant's Southern Division Mainline System facilities and the sale of gas to Transwestern Pipeline Company during an emergency situation.

(10) That planned expansion in the capacity of the applicant's Southern Division Mainline System facilities should lessen the

[illegible] demand on the overproduced wells and enable the applicant to bring said wells into balance during the next two proration periods beginning August 1, 1968.

(11) That the applicant has a present and continued need for gas which cannot be satisfactorily met if the aforesaid overproduced wells referred to in Findings Nos. 7 and 8 are not allowed to continue producing.

(12) That studies are being conducted by the applicant to determine the necessary compression facilities for the orderly depletion of reserves in said prorated pools, in order to better enable the applicant to produce the aforesaid underproduction referred to in Findings Nos. 5 and 6 in addition to the normal allowables.

(13) That the applicant has a present and continued need for gas which should enable the applicant to produce the aforesaid underproduction in addition to the normal allowables during the next two ensuing proration periods beginning August 1, 1968.

(14) That in order to protect correlative rights, prevent waste, promote conservation, and allow each producer in the prorated gas pools of Northwest New Mexico the opportunity to produce his just and equitable share of the reserves underlying said gas pools, the provisions of the aforesaid Rules 14(A) and 15(A) that provide, respectively, for the cancellation of unproduced allowables and the shutting in of overproduced wells should be suspended for a period of one year from August 1, 1968.

(15) That in order that the Commission and all interested parties may be kept informed as to the progress being made to bring the subject wells in balance, this case should be reopened in February, 1969, at which time all interested parties should appear and show why this order should or should not be rescinded.

(16) That suspension of said Rule 15(E) is unnecessary to accomplish the aforesaid and the request therefor should be dismissed.

IT IS THEREFORE ORDERED:

(1) That Rule 14(A) of the General Rules and Regulations for the Prorated Gas Pools of Northwest New Mexico, promulgated by Order No. R-1670, as amended, is hereby suspended for a period of one year beginning August 1, 1968, insofar and only insofar

as said rule requires the cancellation of gas allowables remaining unproduced and carried forward into the gas proration periods beginning February 1, 1968, and August 1, 1968, and subject to cancellation August 1, 1968, and February 1, 1969, respectively.

(2) That Rule 15(A) of the General Rules and Regulations for the Prorated Gas Pools of Northwest New Mexico, promulgated by Order No. R-1670, as amended, is hereby suspended for a period of one year beginning August 1, 1968, insofar and only insofar as said rule requires that overproduced wells shall be shut in until such overproduction is made up.

(3) That the request to suspend that provision of Rule 15(E) that provides for the redistribution of cancelled allowable is hereby <u>dismissed</u>.

(4) That this case shall be reopened in February, 1969, at which time all interested parties may appear and show why this order should or should not be rescinded.

(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/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF CASE NO. 3834 BEING REOPENED PURSUANT TO THE PROVISIONS OF ORDER NO. R-3479, WHICH ORDER SUSPENDED FOR A PERIOD OF ONE YEAR BEGINNING AUGUST 1, 1968, CERTAIN PORTIONS OF RULES 14(A) AND 15(A) OF THE GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF NORTHWEST NEW MEXICO, PROMULGATED BY ORDER NO. R-1670, AS AMENDED.

CASE No. 3834
Order No. R-3479-A

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 8:30 a.m. on February 19, 1969, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 28th day of February, 1969, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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 by Order No. R-3479, dated August 20, 1968, Rule 14(A) of the General Rules and Regulations for the Prorated Gas Pools of Northwest New Mexico, promulgated by Order No. R-1670, as amended, was suspended for a period of one year beginning August 1, 1968, insofar and only insofar as said rule requires the cancellation of gas allowablesremaining unproduced and carried forward into the gas proration periods beginning February 1, 1968, and August 1, 1968, and subject to cancellation August 1, 1968, and February 1, 1969, respectively.

(3) That by said Order No. R-3479, Rule 15(A) of said General Rules and Regulations was suspended for a period of one year beginning August 1, 1968, insofar and only insofar as said rule requires that overproduced wells shall be shut in until such overproduction is made up.

(4) That pursuant to the provisions of said Order No. R-3479, this case was reopened to allow all interested parties to appear and show cause why said Order No. R-3479 should or should not be rescinded.

(5) That the conditions that brought about the issuance of said Order No. R-3479 have not substantially altered.

(6) That the planned expansion of the applicant's Southern Division Mainline System facilities is progressing and said expansion should enable the applicant to bring overproduced wells into balance substantially as anticipated in the prior hearing.

(7) That the installation of compression facilities as planned by the applicant should better enable the applicant to produce underproduction that has accrued to wells in the subject area.

(8) That in order to protect correlative rights, prevent waste, promote conservation, and allow each producer in the prorated gas pools of Northwest New Mexico the opportunity to produce his just and equitable share of the reserves underlying said gas pools, Order No. R-3479 should be continued in full force and effect.

IT IS THEREFORE ORDERED:

(1) That Order No. R-3479 is hereby continued in full force and effect until August 1, 1969.

(2) 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

ALEX J. ARMIJO, Member

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

esr/

OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
P. O. BOX 2088 · SANTA FE
87501

March 3, 1969

Mr. Richard S. Morris
Montgomery, Federici, Andrews,
Hannahs & Morris
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

Re: Case No. 3834
Order No. R-3479-A
Applicant:
El Paso Natural Gas Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC x
Other Mr. Charles White, Mr. Jason Kellahin & Mr. Louis C. Ross

Docket No. 5-69

DOCKET: REGULAR HEARING - WEDNESDAY -FEBRUARY 19, 1969

OIL CONSERVATION COMMISSION - 8:30 A. M. - MORGAN HALL, STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

ALLOWABLE: (1) Consideration of the oil allowable for March, 1969;

(2) Consideration of the allowable production of gas for March, 1969, from thirteen prorated pools in Lea, Eddy, and Roosevelt Counties, New Mexico; consideration of the allowable production of gas from nine prorated pools in San Juan, Rio A. riba and Sandoval Counties, New Mexico.

CASE 3834: (Reopened):

In the matter of Case No. 3834 being reopened pursuant to the provisions of Order No. R-3479, which order suspended for a period of one year beginning August 1, 1968, certain portions of Rules 14 (A) and 15 (A) of the General Rules and Regulations for the prorated gas pools of Northwest New Mexico, promulgated by Order No. R-1670, as amended. All interested parties may appear and show why said Order No. R03479 should or should not be rescinded.

CASE 3996 (Continued from the January 15, 1969, Regular Hearing)

Application of Martin Yates, III, for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, after January 1, 1969. Said exception would be for the applicant's Cordie King Well No. 1 located in Unit L of Section 22, Township 23 South, Range 26 East, Kark Canyon (Delaware) Pool, Eddy County, New Mexico. Applicant seeks authority to continue to dispose of produced salt water in an unlined surface pit located in the aforesaid quarter-quarter section.

CASE 4026 (Continued from the January 15, 1969, Regular Hearing)

Application fo Fred Pool Drilling Company for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant in the above-styled cause, seeks asn exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, after January 1, 1969. Said exception would be for the applicant's leases located in Sections 8 and 9, Township 25 South, Range 30 East, Corral Canyon-Delaware Pool, Eddy

(Case 4026 continued)

County, New Mexico. Applicant seeks authority to continue to dispose of produced salt water in three unlined surface pits located in the SW/4 NW/4 and the SE/4 SE/4 of said Section 8, and the SW/4 SW/4 of said Section 9.

CASE 4027: (Continued from the January 15, 1969, Regular Hearing) Application of MacDonald Oil Corporation for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, after January 1, 1969. Said exception would be for the applicant's Sinclair Yarke Well No. 1 located in Unit F of Section 22, Township 17 South, Range 30 East, Jackson Abo Pool, Eddy County, New Mexico. Applicant seeks authority to continue to dispose of produced salt water in an unlined surface pit located in the aforesaid Unit F.

CASE 4046: Application of Texaco, Inc., for an exception to Order No. R-3221, as amended, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil or gas on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, after January 1, 1969. Said exception would be for the applicant's New Mexico State CR Lease located in Section 32, Township 19 South, Range 32 East, Lusk Field, Lea County, New Mexico. Applicant seeks authority to continue to dispose of produced salt water in an unlined surface pit located in Unit F of said Section 32. In the alternative, applicant seeks the extension of that area excepted from the provisions of Order (3) of said Order No. R-3221 by Order No. R-3221-B to include the aforesaid Section 32.

CASE 4047: Application of Larry C. Squires for an exception to Order No. R-3221, as amended, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil or gas on the surface ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, after January 1, 1969. Said exception would authorize the applicant to dispose of produced salt water into three natural salt lakes located in Lea County, New Mexico, as follows:

(Continued Case 4047:)

Laguna Plata, sometimes referred to as Laguna Grande located in Sections 2, 3, 9, 10, and 11, Township 20 South, Range 32 East;

Laguna Gatuna, sometimes referred to as Salt Lake, located in Sections 7, 17, 18, 19, and 20, Township 20 South, Range 33 East;

Laguna Tonto, located in Sections 32 and 33, Township 19 South, Range 33 East, and Section 4, Township 20 South, Range 33 East.

CASE 4048: Application of C. W. Trainer for an exception to Order No. R-3221, as amended, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil or gas on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, after January 1, 1969. Said exception would be for the applicant's leases located in Section 24, Township 19 South, Range 33 East and in Sections 19, 20, 29, 30, Township 19 South, Range 34 East, undesignated Queen pool, Lea County, New Mexico. Applicant seeks authority to dispose of salt water produced by wells completed on said leases in unlined surface pits on said leases.

CASE 3993: (De Novo)

Application of Coastal States Gas Producing 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 Pennsylvanian oil pool to be designated the North Baum-Upper Pennsylvanian Pool comprising the following-described lands:

TOWNSHIP 13 SOUTH, RANGE 33 EAST, Lea County, N.Mex.
Section 19: E/2
Section 20: NW/4 and S/2
Section 21: SW/4

and for the promulgation of temporary special rules therefor, including a provision for 160-acre spacing and proration units and the assignment of 80-acre allowables.

Applicant further seeks the contraction of the Lazy J-Pennsylvanian Pool by the deletion from said pool of the E/2 of Section 20 and the W/2 of Section 21, both in the aforesaid Township and Range.

(Case 3993 continued)

Upon application of Max W. Coll, II, this case will be heard De Novo under the provsions of Rule 1220.

CASE 4049: Application of Standard Oil Company of Texas for an exception to Order No. R-3221, as amended, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil or gas on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, after January, 1969. Said exception would be for the applicant's wells located in Section 5, Township 24 South, Range 38 East, and in Section 32, Township 23 South, Range 38 East, Stateline-Ellenburger Pool, Lea County, New Mexico. Applicant seeks authority to continue to dispose of produced salt water in an unlined surface pit located in the NE/4 of said Section 5.

CASE 4050: Application of Texaco Inc. for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil or gas on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, after January 1, 1969. Said exception would be for the applcant's T. W. Heflin Federal Well No. 1 located in Unit O of Section 24, Township 23 South, Range 31 East, Cotton Draw Brushy Canyon Pool, Eddy County, New Mexico. Applicant seeks authority to continue to dispose of produced salt water in an unlined pit located in said Unit O.

CASE 4051: Southeastern nomenclature case calling for an order for the creation, extension, and contraction of certain pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico:

(a) Create a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Revelation-Delaware Pool comprising the following:

TOWNSHIP 22 SOUTH, RANGE 25 EAST, NMPM
Section 18: NW/4 SE/4

Further, for the assignment of approximately 18,120 barrels of oil discovery allowable to the discovery well Marathon

(Case 4051 continued)

Oil Company's Miller Ranch Unit Well No. 1, located in Unit J of said Section 18.

(b) Create a new pool in Lea County, New Mexico, classified as an oil pool for San Andres Production and designated as the West Sawyer-San Andres Pool comprising the following:

<u>TOWNSHIP 9 SOUTH, RANGE 37 EAST, NMPM</u>
Section 33: SW/4 SW/4

Further, for the assignment of approximately 24,720 barrels of oil discovery allowable to the discovery well Coastal States Gas Producing Company's Santa Fe Well No. 1, located in Unit M of said Section 33.

(c) Create a new pool in Eddy County, New Mexico,classified as a gas pool for Cisco production and designated as the Fordinkus-Cisco Gas Pool. The discovery well is Charles B. Read's Anderson State Well 1 Y, located in Unit G of Section 14, Township 18 South, Range 24 East. Said pool should comprise:

<u>TOWNSHIP 18 SOUTH, RANGE 24 EAST, NMPM</u>
Section 14: E/2

(d) Create a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production and designated as the Midway-Devonian Pool. The discovery well is Union Oil Company of California's Midway State Well No. 1, located in Unit F of Section 12, Township 17 South, Range 36 East, NMPM. Said pool should comprise:

<u>TOWNSHIP 17 SOUTH, RANGE 36 EAST, NMPM</u>
Section 12: NW/4

(e) Create a new pool in Chaves County, New Mexico, classified as a gas pool for Grayburg-San Andres production and designated as the Sams Ranch Grayburg-San Andres Gas Pool. The discovery well is Midwest Oil Corporation Federal A No. 1 located in Unit L of Section 10, Township 14 South, Range 28 East, NMPM. Said pool should comprise:

<u>TOWNSHIP 14 SOUTH, RANGE 28 EAST, NMPM</u>
Section 10: SW/4
Section 15: NW/4

(f) Contract the Inbe Permo-Pennsylvanian Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM
Section 15: S/2, NE/4, and E/2 NW/4

(g) Extend the Vada-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM
Section 15: All

(h) Extend the Baum-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM
Section 31: NE/4

TOWNSHIP 14 SOUTH, RANGE 32 EAST, NMPM
Section 1: SE/4

(i) Extend the East Benson-Yates Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM
Section 18: N/2 SW/4

(j) Extend the East Bluitt-San Andres Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 38 EAST, NMPM
Section 18: SW/4

(k) Extend the Bluitt-Wolfcamp Gas Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 37 EAST, NMPM
Section 32: E/2

(l) Extend the Cato-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 30 EAST, NMPM
Section 5: SW/4

(m) Extend the West Henshaw-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM
Section 4: Lot 8

(n) Extend the North Indian Hills-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM
Section 8: All
Section 16: All
Section 17: All

(o) Extend the Lazy J-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM
Section 19: NE/4
Section 20: NW/4

(p) Extend the McMillan-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 19: All

(q) Extend the Quail-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 11: E/2

(r) Extend the Sulimar-Queen Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM
Section 13: S/2 SE/4
Section 24: NW/4 NE/4

(s) Extend the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

<u>TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM</u>
Section 24: SE/4

(t) Extend the vertical limits of the North Baum-Upper Pennsylvanian Pool in Lea County, New Mexico, to include all of the Upper Pennsylvanian formation in the interval from 9554 feet to 9814 feet on the log of the Coastal States Federal "20" Well No. 2, located in Unit N of Section 20, Township 13 South, Range 33 East, NMPM.

GOVERNOR
DAVID F. CARGO
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 2088
SANTA FE

August 20, 1968

Re: Case No. 3834
Order No. R-3479
Applicant:
El Paso Natural Gas Co.

Mr. Richard S. Morris
Montgomery, Federici, Andrews,
Hannahs and Morris
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

DOCKET MAILED
Date 2-10-69

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Carbon copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC x
Other F. Norman Woodruff, Booker Kelly, Don Fieldsted, Louis C. Ross, Henry F. Straw, Charles Ramsey, Al Wiederkehr, Jay E. Morgan
Robert Meyer

Docket No. 24-68

DOCKET: REGULAR HEARING - WEDNESDAY - AUGUST 14, 1968

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

ALLOWABLE: (1) Consideration of the oil allowable for September, 1968;

(2) Consideration of the allowable production of gas for September, 1968, from thirteen prorated pools in Lea, Eddy, and Roosevelt Counties, New Mexico. Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for September, 1968.

CASE 3834: Application of El Paso Natural Gas Company for the suspension of certain provisions of Rules 14 (A), 15 (A), and 15 (E) of Order No. R-1670, as amended, of the General Rules and Regulations for the prorated gas pools of Northwestern New Mexico.

Applicant, in the above-styled cause, seeks suspension, for a period of one year from August 1, 1968, of those provisions of Rules 14 (A), 15 (A), and 15 (E) of the General Rules and Regulations for the prorated gas pools of Northwestern New Mexico promulgated by Order No. R-1670, as amended, that provide, respectively, for the cancellation of unproduced allowable, shutting-in of over-produced wells and redistribution of cancelled allowable.

CASE 3835: Application of Sinclair Oil & Gas Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Upper Pennsylvanian formation in the perforated interval from approximately 9637 feet to 9682 feet in its State 251 Well No. 1 located in the SE/4 SE/4 of Section 28, Township 13 South, Range 33 East, Lazy J-Pennsylvanian Pool, Lea County, New Mexico.

Booker

CASE 3836: Southeastern nomenclature case calling for an order for the creation, extension, abolishment and contraction of certain pools in Lea and Chaves Counties, New Mexico:

(a) Create a new pool in Chaves County, New Mexico, classified as an oil pool for Queen production and designated as Sulimar-Queen Pool comprising the following:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM
SECTION 24: NE/4 NE/4

Further, for the assignment of approximately 10,155 barrels of oil discovery allowable to the discovery well, the Jack L. McClellan Lisa Federal "C" Well No. 1 located in Unit A of said Section 24.

(b) Create a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Dogie Draw-Wolfcamp Pool. The discovery well is the Southland Royalty Company Gulf Federal Well No. 1 located in Unit D of Section 20, Township 25 South, Range 35 East, NMPM. Said pool should comprise the following:

TOWNSHIP 25 SOUTH, RANGE 35 EAST, NMPM
SECTION 20: NW/4

(c) Create a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production and designated as the West King-Pennsylvanian Pool, the discovery well is the Southwest Production Corporation Harmon No. 1, located in Unit M of Section 5, Township 14 South, Range 37 East, NMPM. Said pool should comprise the following:

TOWNSHIP 14 SOUTH, RANGE 37 EAST, NMPM
SECTION 5: SW/4

(d) Create a new pool in Lea County, New Mexico, classified as an oil pool for Drinkard production and designated as the East Warren-Drinkard Pool. The discovery well is the Mobil Oil Corporation New Mexico "F" Well No. 1, located in Unit D of Section 36, Township 20 South, Range 38 East, NMPM. Said pool should comprise:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
SECTION 35: NE/4
SECTION 36: NW/4

(e) Contract the Warren-Drinkard Pool in Lea County, New Mexico, by deletion of the following-described area:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
SECTIONS 25 and 26: All
SECTION 27: E/2
SECTION 35: NE/4
SECTION 36: NW/4

TOWNSHIP 20 SOUTH, RANGE 39 EAST, NMPM
SECTION 30: S/2

(f) Extend the Flying "M"-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
SECTION 33: SE/4

(g) Abolish the Simanola-Pennsylvanian Pool in Lea County, New Mexico, described as:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM
SECTION 16: SW/4
SECTION 17: E/2
SECTION 20: All
SECTION 21: NW/4

(h) Contract the Inbe Permo-Pennsylvanian Pool in Lea County, New Mexico, by deletion of the following described area:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM
SECTION 18: SW/4

(i) Extend the Vada-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM
SECTION 4: SW/4
SECTION 5: SE/4
SECTIONS 7 and 8: All
SECTION 16: SW/4
SECTIONS 17 and 18: All
SECTION 20: All
SECTION 21: NW/4

ATWOOD & MALONE
LAWYERS

JEFF D. ATWOOD (1883-1960)
CHARLES F. MALONE
RUSSELL D. MANN
PAUL A. COOTER
BOB F. TURNER
ROBERT A. JOHNSON
JOHN W. BASSETT
ROBERT E. SABIN

P. O. DRAWER 700
TELEPHONE 505 622-6221
SECURITY NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO
88201

AUGUST
12th
1968

Mr. A. L. Porter, Jr.
Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Case 3834

Re: Application of El Paso Natural Gas Company for Suspension of Certain Provisions of Order No. R-1670

Dear Mr. Porter:

In behalf of Pan American Petroleum Corporation, we enclose our Entry of Appearance in the above captioned case, to be heard August 14, 1968.

With best regards, I am,

Very truly yours,

for ATWOOD & MALONE

R
D
M

*

v

'68 AUG 13 AM 8 07

Encls.
Cc: J. K. Smith, Esquire (w/encl.)
Louis C. Ross, Esquire (W/encl.)

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR SUSPENSION OF CERTAIN PROVISIONS OF ORDER NO. R-1670.	))))	No. 3834

ENTRY OF APPEARANCE

The undersigned, Atwood & Malone, licensed to practice law in New Mexico, hereby enter their appearance herein as co-counsel with Louis C. Ross, Esquire of Denver, Colorado, in behalf of Pan American Petroleum Corporation.

DATED at Roswell, New Mexico this 12th day of August, 1968.

ATWOOD & MALONE

By [signature]
Post Office Drawer 700
Roswell, New Mexico

'68 Aug 13 AM 8 07

Docket No. 24-68

DOCKET: REGULAR HEARING - WEDNESDAY - AUGUST 14, 1968

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

ALLOWABLE: (1) Consideration of the oil allowable for September, 1968;

(2) Consideration of the allowable production of gas for September, 1968, from thirteen prorated pools in Lea, Eddy, and Roosevelt Counties, New Mexico. Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for September, 1968.

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Applicant, in the above-styled cause, seeks suspension, for a period of one year from August 1, 1968, of those provisions of Rules 14 (A), 15 (A), and 15 (E) of the General Rules and Regulations for the prorated gas pools of Northwestern New Mexico promulgated by Order No. R-1670, as amended, that provide, respectively, for the cancellation of unproduced allowable, shutting-in of over-produced wells and redistribution of cancelled allowable.

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TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM
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Further, for the assignment of approximately 10,155 barrels of oil discovery allowable to the discovery well, the Jack L. McClellan Lisa Federal "C" Well No. 1 located in Unit A of said Section 24.

(b) Create a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Dogie Draw-Wolfcamp Pool. The discovery well is the Southland Royalty Company Gulf Federal Well No. 1 located in Unit D of Section 20, Township 25 South, Range 35 East, NMPM. Said pool should comprise the following:

TOWNSHIP 25 SOUTH, RANGE 35 EAST, NMPM
SECTION 20: NW/4

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TOWNSHIP 14 SOUTH, RANGE 37 EAST, NMPM
SECTION 5: SW/4

(d) Create a new pool in Lea County, New Mexico, classified as an oil pool for Drinkard production and designated as the East Warren-Drinkard Pool. The discovery well is the Mobil Oil Corporation New Mexico "F" Well No. 1, located in Unit D of Section 36, Township 20 South, Range 38 East, NMPM. Said pool should comprise:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
SECTION 35: NE/4
SECTION 36: NW/4

(e) Contract the Warren-Drinkard Pool in Lea County, New Mexico, by deletion of the following-described area:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
SECTIONS 25 and 26: All
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SECTION 35: NE/4
SECTION 36: NW/4

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(f) Extend the Flying "M"-San Andres Pool in Lea County, New Mexico, to include therein:

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(h) Contract the Inbe Permo-Pennsylvanian Pool in Lea County, New Mexico, by deletion of the following described area:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM
SECTION 18: SW/4

(i) Extend the Vada-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM
SECTION 4: SW/4
SECTION 5: SE/4
SECTIONS 7 and 8: All
SECTION 16: SW/4
SECTIONS 17 and 18: All
SECTION 20: All
SECTION 21: NW/4

BEFORE THE

NEW MEXICO OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

February 19, 1969

REGULAR HEARING

IN THE MATTER OF:

Case No. 3834 being re-opened pursuant to the provisions of Order No. R-3479.

Case No. 3834

BEFORE: A. L. Porter, Jr., Secretary-Director
Alex J. Armijo, Land Commissioner
George Hatch, Counsel

TRANSCRIPT OF HEARING

MR. PORTER: We will take up Case 3834.

MR. HATCH: Case 3834, reopened, in the matter of Case No. 3834 being reopened pursuant to the provisions of Order No. R-3479, which order is suspended for a period of one year beginning August 1, 1968, certain portions of Rules 14(A) and 15(A), of the General Rules and Regulations for the prorated gas pools of northwest New Mexico, promulgated by Order R-1670 as amended.

MR. MORRIS: If the Commission please, my name is Dick Morris, of Montgomery, Federici, Andrews, Hannahs and Morris, Santa Fe, appearing for El Paso Natural Gas Company. Associated with me in the presentation of this case is Mr. Robert A. Meyer of the El Paso Natural Gas Company, and a member of the Texas Bar, who will handle the presentation of the evidence.

(Whereupon, Applicant's Exhibits 3-R, 6-R, 7-R, 8-R, 9 and 10, were marked for identification.)

F. NORMAN WOODRUFF

called as a witness by the Applicant, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MEYER:

Q State your name.

A My name is F. Norman Woodruff.

Q Where are you employed?

A With El Paso Natural Gas Company.

Q Are you the same witness who testified before the Commission in this case when it was originally heard on August 14, 1968?

A I am.

MR. MEYER: If it please the Commission, Mr. Woodruff's qualifications as a witness before the Commission were recognized in the prior hearing. I now move that he be here qualified to testify as an expert relevant to this matter.

MR. PORTER: The Commission considers Mr. Woodruff qualified to testify in the case.

Q Mr. Woodruff, I direct your attention to El Paso's Exhibit marked 3-R, and by way of explanation to the Commission, in the original case we had several exhibits marked 1 through 8. In the present instance this is a continuation or in the nature of a continuation of that case, and those exhibits which are relevant to this matter have been revised, and that includes Exhibit 3 now offered as 3-R, Exhibit 6 offered now as 6-R, 7-R, and 8-R. There are two additional exhibits which we will mark as 9 and 10, since they will all form a part of the exhibits which are to make up the evidence of El Paso Natural Gas in the form of exhibits for this case.

Mr. Woodruff, I direct your attention to El Paso Exhibit 3-R, and ask you to interpret in detail and to bring the Commission up to date as to what that exhibit is intended to reflect.

A As indicated by the title, this exhibit graphically reflects the gas requirements of El Paso Natural Gas Company for the years 1967-1968, and it has a projection for 1969 requirements through the month of July.

It may be noted on the right half of the graph, the upper curves, that we have a heavy dashed line. This heavy dashed line reflects the actual average daily requirements of El Paso Natural Gas Company during the last portion of 1968. This may be compared with the short dashed line in its vicinity, which was our estimate at the time of the August, 1968 hearing, an estimate of what the requirements by months for the rest of 1968 would be.

Now, starting on the left hand side of the graph for the month of January, I will call your attention to the double dot dashed line there. The January point of approximately 1,255,000,000 cubic feet of gas a day is the actual figure for January. The points for the other months through July are our best estimate of what the demand will be for the remaining months between this time and August 1, 1969.

I think it is interesting to note from this graph that our anticipated demand between now and August 1st of 1969 for the most part will be less than the demand for the same months of 1968.

Q I direct your attention to El Paso Exhibit 6-R, Mr. Woodruff. Would you kindly express to the Commission what that reflects?

A At the time of our original hearing, we pointed out to the Commission two major factors which had caused volumes of gas to be taken by El Paso Natural Gas Company out of the San Juan Basin in excess of what had been anticipated to be needed. And this was reflected in what we refer to as best efforts deliveries to California.

Above the line, about the middle of the page, are the figures that we showed you at the time of our August hearing. The data below the line reflects the circumstances that have existed since the August hearing and through January, 1969, and shows on the average that we have delivered to our California customers 120,000,000 cubic feet of gas a day of the best efforts category.

It would be well to visualize that this best efforts gas is the gas sale that will be terminated when the new facilities are completed out of the Delaware, Valverde, and Permian Basin areas, which will enable El Paso to increase its takes from that area.

Q Now I direct your attention, Mr. Woodruff, to El Paso's Exhibit 7-R, as revised. Will you please explain that?

A At the time of the hearing we pointed out that we had had unanticipated sales to Transwestern Pipeline Company, as a result of a fire in their Roswell compressor station, which limited their ability to deliver gas to their California customers. At that time we advised you that our agreement provided for a termination on August 25, 1968.

Transwestern found that the repairs to their facilities were not completed at that time. They had a continuing need for more gas, and this agreement was extended beyond that time.

Below the dotted line is the information which reflects first the actual August conditions which, if I may refer you to the next to the last column, shows that we delivered 60.8 million cubic feet of gas per day during the month of August, which may be compared with the figure above the line of 87,000,000 a day which we had predicted at the time of the August hearing that would be delivered during that month.

Following that, in the month of September, you can see we delivered on the average day 43 million. There was a continuing need for gas for various problem conditions on Transwestern's system subsequent to this each month, until a termination of deliveries to Transwestern on February 7, 1969.

Without going into the details, we can see for each month in the intervening period, the volumes of gas that were delivered to Transwestern. It is particularly interesting to note in the lower righthand corner that the total volumes of gas delivered to Transwestern exceeded 6.3 billion cubic feet of gas.

I think it is well to note, too, that this gas went to the California customers of Transwestern, who are also our California customers. By helping Transwestern in this manner, we were able to better satisfy the needs of our California customers.

However, as testified at the August hearing, in doing this we further aggravated the need, we further aggravated the production of large volumes of gas by El Paso in the San Juan Basin area, resulting in the over-production of wells that were our concern and which we testified to previously.

Q Will you please refer to El Paso Exhibit Number 8-R, and interpret this exhibit with specific reference to the over-produced wells in each of the prorated pools in the San Juan Basin for the balance of the period since August 14th?

A Exhibit 8-R is a study of the over-produced wells in the prorated pools in the San Juan Basin during that period, and for ease in visualizing the meaning of this exhibit, we would suggest that you refer to Exhibit 8 submitted at the time of our August hearing. I have made copies of that, and have distributed that also for your ease in making a comparison.

This exhibit is worked to reflect the same information that the original exhibit was, except that it reflects the status as of January 31, 1969, rather than the status as of July 31, 1968, which was true on the original exhibit.

Without going into detail on the individual pools and the wells in them, I think it is well to note in the group of figures on the left hand side of the page that at the end of July there were 1,171 wells in the prorated pools of the San Juan Basin that were over-produced, an aggregate volume of 25 billion-plus, averaging 21.7 million per well, and which on the average was an equivalent of over-production of 45 days.

The figures on the righthand side of the exhibit reflect the condition that would exist were the Commission to terminate the suspension to the over- and under-production rules as of the February 1st bouncing date. Were this to be done, we would find there would be cancellation of underage and redistribution to all prorated wells, with the result that there would still be 516 over-produced wells, which would not have been bounced in the intervening period.

These wells would have been over-produced an average of 13 million cubic feet, which is an equivalent of approximately 30 days over-production. It can easily be visualized, as you look at the individual fields above there, that the number of days varies from pool to pool. By comparing the two exhibits, you can note that the circumstances reflected on this new exhibit as of January 31, 1969, are somewhat more severe than the conditions that existed at the end of July, 1968. These are the circumstances essentially as we have predicted at the August hearing that would occur. We expected a more severe condition to exist at this time, and this reasonably reflects what we had expected to occur.

Q Turning for a moment, Mr. Woodruff, to the testimony that you offered the Commission in the August 14, 1968 hearing, would you bring us up to date on the relevance of your testimony at that time regarding the Federal Power Commission's consideration of El Paso's application for certificate of public convenience and necessity in CP-67217, and how that affects this case?

A Yes, I will. As we testified in that hearing, El Paso had before the Commission a request for additional facilities out of the Permian Basin -- when I say Permian, I mean Permian-Delaware-Valverde Basin areas -- in Docket CP-67217, which would permit 310 million additional volumes of gas to come from that area, and with this ability to deliver gas we would then be able to decrease our withdrawal out of the San Juan Basin area. We testified that we expected the certification to be granted at any moment. Well, two and a half months later it was granted on October 30, 1968 by opinion number 549 of the Federal Power Commission.

Immediately upon receiving this certificate, we found that it was an acceptable certificate, and we initiated the acquisition of materials, and initiated construction, to the end that we are well along now in the construction of these facilities, with a predicted completion date of May 1, 1969.

Q Is that date within the date that you represented to the Commission at that time that these facilities would be completed?

A Yes, at the time of our August hearing, we indicated that at the outside that we thought the facilities would be completed within an eight-month period. I think it is reasonable to assume that had we got all our certificates as we expected in the middle of August, that we would have had two and a half months more time for an earlier completion, two and a half months before the May 1st date that we now project. This, of course, would have been a significant thing in that we will have the period from May 1, 1969, assuming that our facilities are complete and in operation at that time, we will have the period from May 1 through July of 1969 to bounce the wells that are subject to being shut in on August 1, 1969, when, as we anticipate, the Commission will put back into effect the proration orders that provide for over-production and under-production.

Had we had the certificate earlier, we would have had more time to have done this naturally. However, a review of our figures causes me to conclude that there will be very few wells that will be subject to shut in on August 1, 1969.

Following the completion of our facilities, we believe that most of the wells can be brought into bounce. That is not to say that there is a great variety of over-production. Some of them are slightly over, some of them are more over, and I am sure that some wells may have to be shut in at that time, but not to a degree that we consider will be of concern.

Q Are we presently in a position, Mr. Woodruff, to say then that the conditions that you anticipated have now occurred?

A Yes, sir.

Q And that your representations to the Commission made in August of 1968 have been accurate, and have proved to be accurate by what has transpired in the interim?

A I consider them to have been.

Q Is it your considered opinion then that the balancing provisions of the rules granted by the Commission, and the suspension of them which El Paso has requested, is necessary?

A Yes, I consider that it is necessary that they be continued to the August 1, 1969 date, as originally requested.

Q Are you still of the opinion expressed at the original meeting and hearing that the continuation of the exception of the rules will neither create waste nor cause a violation of correlative rights?

A That is my opinion.

Q Would you explore how the failure of the Federal Power Commission to grant timely the 310 certificate created any problems for El Paso?

A I think I may have fairly adequately described that. I would say that as to the conditions that exist today, the delay had no influence because we had not anticipated a completion of the facilities so as to gain relief by this time. But the delay until October 30, 1968 has decreased the amount of time that El Paso will have to bounce their wells after their completion, and the August 1, 1969 resumption of bouncing rules.

Q So the original application for El Paso's request for a one-year suspension from August 1, 1968 to August 1, 1969 is still valid?

A Well, I consider it to be. The need is still valid, and we are certainly here requesting that the Commission continue the application of that rule in accordance with our initial request.

Q Mr. Woodruff, I refer you to El Paso's Exhibit Number 9. Will you explain to the Commission what this exhibit reflects?

A Exhibit Number 9 is an application. Exhibit 9 is a copy of the application to the Federal Power Commission by El Paso Natural Gas Company, Docket CP-69203, requesting authorization for the construction of an additional 33,000 horsepower of compression at the cost of approximately $10 million to be installed in the San Juan Basin for the purpose of reducing land pressure for the wells in the Basin.

The exact location of these compressors are still under study. However, it is anticipated that the average conditions resulting from this installation will be a reduction in land pressure for a reduction of 60 to 70 pounds.

Q When did you anticipate that these facilities will be installed?

A We anticipate that these facilities will be installed in time to be in service by this coming winter, the winter of 1969-1970.

Q I refer you to Exhibit Number 10. Will you explain to the Commission what this exhibit reflects?

A I might say in order to acquaint the Commission with all the circumstances that have existed or occurred since the time of our last hearing, we are also filing with them this copy of an application to the Federal Power Commission, Docket CP-69140, requesting a certificate which will permit the installation of compression and upgrading of other compression on the system which takes gas north out of the San Juan Basin into the northwest division. This docket reflects the application of El Paso Natural Gas Company for facilities which will increase the capacity to deliver gas northward out of the San Juan Basin by an additional 50 million cubic feet of gas a day.

Q Were Exhibits 3-R, 6-R, 7-R, and 8-R prepared either by you or under your direction and supervision?

A They were.

Q Were Exhibits 9 and 10 prepared by you or by El Paso Natural Gas Company?

A Exhibits 9 and 10 were prepared by El Paso Natural Gas Company, and are copies of the official documents filed with the Federal Power Commission reflecting their applications as described.

MR. MEYER: If it please the Commission, I would like to offer these exhibits in evidence.

MR. PORTER: If there is no objection, the exhibits will be admitted.

(Whereupon, Applicant's Exhibits Numbers 3-R, 6-R, 7-R, 8-R, 9, and 10 were admitted into evidence.)

MR. PORTER: Does anyone have a question of Mr. Woodruff?

Q Do you have anything further, Mr. Woodruff?

A I know of nothing further, other than to say that at this time we believe that these facilities requested for the additional 50 million capacity going north out of the San Juan Basin will be installed in time for them to be in service this coming winter.

MR. WHITE: I am Charles White, appearing on behalf of Tenneco, and I have a few questions.

MR. PORTER: All right, sir.

CROSS EXAMINATION

BY MR. WHITE:

Q Mr. Woodruff, referring to your demand shown on Exhibit 3-R, to what do you attribute the reduction in demand for 1969?

A The reduction is attributable to two things. One is a decision on El Paso's part that we must restrict our deliveries to California in order to bring our wells back into balance; and the results of the completion of the 310, so-called 310 facilities, which will enable us to take gas from other sources. In other words, a dropoff in May and June, and July here, are the dropoffs resulting from the cutting back due to the gas coming from other sources.

Q After the August period, next August, and assuming there is a good balance, what effect will this new line have on the San Juan Basin?

A Now you are asking about our 310 line out of the Permian Basin area?

Q Yes, sir.

A This 310 line will have capacity so as to minimize the need of taking best efforts gas out of the San Juan Basin area. The volumes that I testified to and exhibited on my Exhibit Number 6-R, were volumes of gas which were taken by El Paso from the San Juan Basin and delivered to our customers, which could come from no other source. Upon the completion of our 310 facilities, these volumes can be supplied from that source.

Q Is it your opinion that after the period has been reached as to the future there will be less take from the San Juan Basin?

A I didn't understand all of your question. Would you be good enough to repeat it? I didn't hear it all.

Q After August of next year, you anticipate that the takes from San Juan Basin will be less than they were in the past.

MR. PORTER: Is that August of 1969?

Q That's correct.

A I consider that the takes from the San Juan Basin will be less than they were in 1968.

Q As the West Coast demand increased, will the San Juan share rateably be increased?

A There is no way of knowing that, Mr. White. As California customers' demands increase, their suppliers attempt to meet that, but are privileged to do so on any firm basis only upon a showing that they have the reserves that substantiate the building of the facilities necessary to deliver that gas.

MR. PORTER: Who places these restrictions on you?

THE WITNESS: The Federal Power Commission does. And since the supplies of our California customers may come from El Paso, or Transwestern, or from Pacific Gas Transportation out of Canada, we have no assurance, of course, what our share will be. However, to the extent that they have a demand and we have a capacity for delivering best efforts gas, and it is not available from these other sources, it is entirely possible that again best efforts gas at some time in the foreseeable future will be delivered.

Q I believe you testified at the last hearing that your contract with Transwestern was an outright sale?

A That's correct.

Q Now, you have had new contracts with them since then. Are those outright sales?

A That is outright sales.

Q Did you read this morning's paper about El Paso entering into a contract out on the West Coast for some additional gas?

A No, sir, I did not.

Q Since last August, have you attempted to renegotiate hard gas with Southern Union Gas Company?

A Since last August have we attempted to negotiate? Not to my knowledge.

MR. PORTER: From Southern Union Gas Company?

MR. WHITE: Yes, sir.

THE WITNESS: And I assume you mean in the San Juan Basin area?

Q (By Mr. White) That's correct.

A Not to my knowledge.

Q Have you any plans to rework any of the wells in the San Juan Basin and improve their deliverability?

A That does not fall within my responsibility, and I cannot say one way or the other, though I would not be surprised that would be done along with other means of maintaining deliverability capacity of other wells.

Q Do you expect the last half of demand of 1969 to be approximately the same as 1967?

A I have no projection available to me. However, I would not be surprised to have it be somewhat consistent with that type of demand.

MR. PORTER: Was that a comparison between 1969 and 1967?

MR. WHITE: Yes, sir. That is all.

THE WITNESS: Just to be sure that I don't mislead in my answer, in thinking about the data that was submitted on Exhibit 6-R in 1967, on that exhibit, as you can see, we delivered substantial volumes of best efforts gas. And it may well be that during the last half of this year that our deliveries to the California companies out of the Permian Basin area will be less, commensurate with these best efforts deliveries which we expect to be coming out of the Permian Basin area.

MR. MEYER: Mr. Woodruff, you said the Permian Basin. You meant the San Juan Basin as compared with the Permian Basin?

THE WITNESS: Well, I am not sure what it was, so let me restate what I attempted to import. On Exhibit 6-R, we showed during 1967 best efforts gas volumes delivered to the California customers out of the San Juan Basin. Now, I am saying that during the rest of 1969, it would not be unreasonable to assume that deliveries of gas out of the San Juan Basin will be less, commensurate with these best efforts gas volumes which would be coming out of the Permian Basin area upon the completion of the 310 facilities.

MR. PORTER: What do you mean by best efforts, Mr. Woodruff?

THE WITNESS: Best efforts gas is gas which you have no firm committment to deliver, but which you deliver to your customers in response to a demand on their part, if you have the ability to do so. Your obligation is not firm, it is on a best efforts. You do it if you can.

MR. PORTER: Mr. Utz.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Woodruff, it is my understanding, this question was brought up due to a question asked by Mr. White, it is my understanding that you actually called on Southern Union Gas and they were unable to deliver, is that true?

A I believe my answer to that must ask you to refer to the statement by Mr. Whittaker at the last hearing, as well as what I may have said. We did ask Southern Union Gas to enter into an extension of the agreement that we have, which would have permitted them to have made available to us more of their underproduction. They considered it was not in the best interest of their company to do so at the time, and as I understood Mr. Whittaker's testimony, and such an agreement was not entered into.

Q Do you have a specific contract with them on a volume basis, or do they deliver you what they feel like they ought to deliver?

A There is a volume set out in the contract on which a demand commodity charge is based. However, in my visualization of the agreement, the overall purpose of it is to take volumes of gas from them which will enable them to maintain rateable takes from those wells under the agreement, with the takes of El Paso from their wells, in other words, to let them take their allowables from all of their wells.

Without this agreement, since their demand is less than ours, their wells would be severely underproduced. Consequently, they deliver to us from these wells covered by the agreement the allowables which they had no demand for.

Q Would you have purchased more gas from Southern Union Gas had they offered it to you?

A Yes, we would have.

MR. UTZ: That is all.

MR. PORTER: Any further questions?

MR. KELLAHIN: Jason Kellahin of Kellahin and Fox, Santa Fe, appearing for Continental Oil Company.

CROSS EXAMINATION

BY MR. KELLAHIN:

Q On your Exhibit 3-R, you have for your anticipated demand for 1969, your estimate, you said something like 200 million below the actual 1968 production, is that right?

A Certainly not on the average, Mr. Kellahin. I have no positive figure.

Q Well, the end of July would show that?

A Right. These figures show for each individual month, and the month of July appears to be approximately 200 million less.

Q During the past years, say from 1959 through 1967, the figures would seem to indicate that the San Juan Basin has increased, the outlets have been increased by about nine per cent. Would you agree with that, per year?

A Your question was 1959 to 1967?

Q Yes. The outlets have increased by about nine per cent per year?

A I don't know.

Q Well, would you agree they have increased, would you not?

A Yes, sir.

Q What would your forecast then be -- of course, you can explain the reduction in takes here for 1969 by your balancing period. What would your forecast be for the following year?

A Are you asking me for a forecast for the year 1970?

Q Yes.

A I don't have such a forecast at this time.

Q How about the remainder of 1969?

A I have already testified there, too, that I have no forecast for that, but I thought it would be reasonable to assume somewhat paralleling 1967, with an anticipated reduction equivalent to the best efforts gas that was delivered in 1967.

Q You mean the best efforts of 1968?

A No, the best efforts of 1967. If I may refer you to my Exhibit 6-R, you notice we have a group of figures February through July, 1967, and then August, 1967 through January, 1968, and then showing the totals. For the period February through July, we delivered 102.4 million cubic feet of gas a day on the average. That is the best efforts gas I referred to for that period.

Then for the next period, we delivered 117.5 million cubic feet of gas per day on the average, and those are the volumes I have reference to.

Q In response to a question by Mr. White as to the San Juan Basin, I believe your answer was based to the extent that El Paso would participate in the supply. I would like to ask you this: to the extent that El Paso fills the demand for gas, will the San Juan Basin share rateably with your sources of supply, limiting this to El Paso Natural Gas facilities?

A I should say yes, but it really should be explained why I say that. That is a big question, Mr. Kellahin.

Q I understand it is.

A Your term rateably could have many facets, so let me explain it. We are currently certificated to take certain volumes out of the San Juan Basin, and we have the built facilities to accommodate that volume of gas. Now, we have no plans for building additional facilities out of the San Juan Basin. Any plans to do that would have to be supported by reserves which we considered would support the additional facilities over a long period of time. Now, if we did not have those reserves, but we had new reserves in other areas, we could then expect to supply additional customer demand by building facilities to those new reserves in other areas.

So to the extent that they went to that area, there would be no additional increase out of the San Juan Basin. But it is not our plan to build facilities from other areas to take gas at the expense of the San Juan Basin. It would be built in order to supply increased customer demand.

MR. KELLAHIN: That is all I have. Thank you.

MR. PORTER: Does anyone else have a question of Mr. Woodruff? You may be excused.

If there is no further testimony to be presented in this case, we will now hear the statements.

MR. ROSS: My name is Louis C. Ross. I appeared at the last hearing for Pan American Corporation, and am making a reappearance now. At that hearing I made a statement that Pan American was sympathetic with El Paso's predicament, and I went on further to say that we would hate to see this particular order that might be forthcoming at that time be an opening wedge to destruction of proration in the San Juan Basin, and that is still our position.

It looks to us now like the present order will expire on August 1, 1969, if it isn't extended by the Commission or not revoked.

We also are still concerned with the facilities in the San Juan Basin, an increase in those facilities, if it isn't accomplished according to Mr. Woodruff's testimony, we would like to see more production be taken from low pressure wells that are in the area so as to increase the volumes of gas that can come out of the Basin.

Now, Pan American may not be as much concerned now about proration terminating as a result of this hearing, because we now see that this particular order because of its being based on such a special situation, might not be a precedent, because we don't really think that another similar type circumstance like this will ever come up again. We hope not. But on account of this special situation, we are concerned very much with Rule 15-B, which is not presently before the Commission, but everyone recognizes that come August 1, 1969, there will be a number of these highly productive wells that have been supplying this gas to the California markets actually shut in under 15-B.

Pan American feels that these operators that have been forced to supply this gas through no fault of their own might be entitled to some relief either in one of two ways, number one, if it were possible for the Commission to do so, we think the special situation might permit the Commission to put all of these operators back in the same position that they were in on September 1, 1968, when the order commenced. That is a thought. Number two would be perhaps some exception to the existing order whereby it might be possible for the Commission to extend the takes from these over-produced wells, and perhaps allow a workable percentage of production from these wells to be produced, with the resulting or remaining production being allocated toward alleviating the over-produced situation, if the Commission follows me. It would extend the period that some of these wells would be shut in. I realize very well at this time that none of the operators here, including us, are perhaps in the position to fully evaluate what their situation is going to be on August 1, 1969, as far as wells being shut in. But I would like to more or less leave this matter open, with the thought that perhaps any interested party might again petition the Commission toward giving these operators some relief.

If a number of wells are shut in, it is going to cause pretty much of an imbalance in the economics of the San Juan Basin, at least it will as far as some of the larger operators are concerned that have these wells that have been putting in the bulk of the over-production.

That is Pan American's position at this time. It is perspective, more than anything else, I realize, but we didn't want to let this hearing pass without again stating that we are still fully in favor of continuing proration, we insist on it, but we believe that special circumstances merit perhaps some further reconsideration if 15-B is actually going to cause somebody some trouble come August 1, 1969.

MR. PORTER: Mr. Ross, I believe that I understand you with your reference to this rule, that your concern is for those wells which have become or which have been over-produced in order to meet this high demand, and which will be subject to shut-in at the end of this period that we are talking about. Your concern is that they not be shut in altogether, or that there might be some relief afforded whereby they could produce a percentage of their allowable, so as not to be shut in completely. Is that it?

MR. ROSS: Yes, that is basically one of our positions, and I realize that 15-B is not before the Commission, and perhaps the matter would have to be readvertised. But I don't want to just let this present order go out peacefully on August 1, 1969, and have somebody in trouble. Some of these operators have been fulfilling these needs.

MR. PORTER: So I anticipate that you are going to be keeping a pretty close watch on what is going to be happening to your wells out there.

MR. ROSS: Yes, sir. I know now we have 30 wells in that six-month category now, with a number of others coming up that will be, even under this projection, will probably be in that category. But I couldn't tell the Commission right now what our situation is going to be on August 1, 1969.

MR. PORTER: That has to do with the rules on wells that are six times over-produced.

MR. ROSS: Yes, that are automatically shut in.

MR. PORTER: Does anyone else have a statement?

MR. WHITE: Mr. Charles White, representing Tenneco. Tenneco is in sympathy with the proposition of El Paso, and we have no objection to the suspension of the balancing period until August 1, 1969. However, we are very concerned that the San Juan Basin receive its fair share of the increase of the market demand in California, and that continued efforts be made to put up gas reserves in the San Juan Basin.

MR. PORTER: Does anyone else have a statement?

MR. ROSS: Mr. Porter, we are also concerned with Tenneco with getting our fair share of the market out of the San Juan Basin to the California market. There is one other little point that I am sure that the Commission is aware of. Under 15-B, there is going to be a lot of applications, I feel sure, to produce small amounts of gas, 500 Mcf, I believe, in order to keep some leases alive. And I anticipate a number of leasehold problems if some sort of a partial relief isn't made available to these over-produced wells.

MR. PORTER: You fellows wouldn't mind having an unfair share, if it was in your favor, would you?

MR. ROSS: Well, I know that a difference could be made, because it has been made. That is not our position. We want to stretch out some kind of relief that won't shut us down entirely.

MR. PORTER: All right. We certainly appreciate all of these comments. We will certainly, and particularly Mr. Utz will be keeping an eye on the thing. We don't like to shut in wells, and we hope that we can keep that to a minimum.

In regard to this case, if there is nothing further to be offered, I, as the Director of the Commission, will recommend that the order be extended as requested by the applicant. We will proceed.

I N D E X

STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

I, SAMUEL MORTELETTE, Court Reporter 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.

Samuel R. Mortelette
COURT REPORTER

FORM 497 5-65

PAN AMERICAN PETROLEUM CORPORATION

SECURITY LIFE BUILDING
DENVER, COLORADO 80202

JAN 3 1969

December 30, 1968

Mr. Louis C. Ross, after reviewing the transcript, believes that these attached sheets will more accurately reflect the testimony.
GMH

Re: Case No. 3834
Application of El Paso Natural Gas Company for Suspension of Rules, held August 14, 1968

State of New Mexico
Oil Conservation Commission
State Land Office Building
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. George M. Hatch, Attorney

Dear George:

Thank you for your letter of December 20, 1968.

Since the corrected pages have been attached to the record, I thought that perhaps they should be neater and have therefore prepared new typed copies of pages 41, 42, and 59.

You may want to substitute these pages for the ones heretofore furnished.

Seasons Greetings to you.

Yours very truly,

Louis C. Ross

Louis C. Ross
Attorney

LCR:ga

if they consider it is in their best interest to enter into an agreement, to enable them to dispose of their excess allowable and I'm sure if they find it's to their advantage to do so, that such can be accomplished through the mechanism currently available to El Paso and Southern Union for accomplishing this.

Q Has anyone ever worked up a figure showing the percentage of underage that is concelled with Southern Union compared to the cancellation of El Paso; would there be a possibility of coming up with the solution where the wells will be equally produced?

A Yes, it's a possibility.

Q Does Southern Union have enough wells to offset your underproduction, the gas that you need to produce?

A I'm not sure I understand your question. Are you asking me whether we would be able to meet our needs were we to have full access to Southern Union Company's gas wells?

Q That is correct.

A Let me first say that we're able to fill our needs with the wells currently tied to our system, so we would be better able to do so if we had this additional gas available to us.

LOUIS C. ROSS: Louis C. Ross, I haven't any

(Corrected Page)

questions of the witness. I came prepared to appear and with local counsel, I have a statement to make after the witness is excused.

MR. PORTER: Does anyone else have a question of the witness? Mr. Utz.

CROSS EXAMINATION

BY MR. UTZ:

Q I have one after thought. Do you have any figures that would show the amount of cancellation due to the classification?

A Due to classification of wells from non-marginal to marginal?

Q That's right.

A No, I don't.

Q This difference in these figures that you showed to overproduced wells on your Exhibit 8, that doesn't include any cancellations due to classification from non-marginal to marginal?

A It would not include the underproduction accumulated to wells that would be classified as marginal that was accumulated during the period February 1st, 1968 through July 1968. Since under normal circumstances that underage accumulated to a prorated well would still be available to be made up during the next proration period.

(Corrected Page)

MR. PORTER: Does that conclude your testimony?

MR. MEYER: Yes, sir, that concludes the testimony of El Paso Natural Gas. Thank you very much.

MR. ROSS: Louis C. Ross, Pan American Petroleum Corporation. First of all, I would like to say we are somewhat sympathetic with the El Paso F. P. C. problem. On the other hand, we hate to see this come up if it is an opening wedge to destruction of prorationing in the San Juan Basin. Nextly, we would like to reinforce the cross examination of Tenneco and say that they brought out the two principal points that we see here which are that there is a partial solution available by increasing the purchases of gas, and secondly that there probably could be considerably more done toward, perhaps, a change in their mechanical facilities so as to enable them to take more gas. Our principal point is, my company would not like to see an Order of this type become a permanent type order that would be a precedent in other areas. We feel that while temporary relief is probably in order, that it ought to be a continuing matter for the Commission extending throughout the period of time in question.

MR. PORTER: You don't oppose a temporary order of the nature that El Paso has applied for?

MR. ROSS: No, we do not oppose it because we can

(Corrected Page)

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 14, 1968

IN THE MATTER OF: Application of El Paso Natural Gas Company for the suspension of certain provisions of Rules 14 (A), 15 (A) and 15 (E) of Order No. R-1670, as amended, of the General Rules and Regulations for the prorated gas pools of Northwestern New Mexico.	Case No. 3834

BEFORE: A. L. PORTER, JR.,
Secretary-Director

TRANSCRIPT OF HEARING

OIL CONSERVATION COMMISSION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

December 20, 1968

COPY

Mr. Louis C. Ross
Attorney
Pan American Petroleum Corporation
Security Life Building
Denver, Colorado 80202

Re: Case No. 3834
Application of El Paso Natural
Gas Company for Suspension of
Rules August 14, 1968

Dear Mr. Ross:

Thank you for your letter of December 5, 1968, concerning errors in the Transcript of Hearing in the subject case.

The copies of the pages with the corrections have been attached to the transcript in the case file.

Very truly yours,

GEORGE M. HATCH
Attorney

GMH/esr

FORM 487 5-65

PAN AMERICAN PETROLEUM CORPORATION

SECURITY LIFE BUILDING

DENVER, COLORADO 80202

December 5, 1968

GMH file in case 3834

Re: Case No. 3834
Application of El Paso Natural Gas Company for Suspension of Rules August 14, 1968

New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico 87501

Attn: Mr. George M. Hatch, Attorney

Dear George:

I have just today had the opportunity to review a copy of the Transcript of Hearing in the above case before A. L. Porter, Jr., Secretary-Director.

There are certain errors in this Transcript particularly in the two statements I made at pages 41, 42, and 59. So that these errors may be corrected, I have made copies of these pages with the corrections. Copies thereof are attached. Perhaps the only material corrections, other than the matter of identity, are those on pages 42 and 59. On page 59 the use of the word "construction" instead of "destruction" completely distorts what I know that I actually said.

The reporter is not to blame as perhaps I should have had the foresight to come down to the front or to the table rather than speaking from the midst of the audience from away back.

In any event, I would appreciate the record being corrected.

Yours very truly,

Louis C. Ross

Louis C. Ross
Attorney

LCR:ga

MR. PORTER: We will proceed to Case 3834.

MR. HATCH: Application of El Paso Natural Gas Company for the suspension of certain provisions of Rules 14 (A), 15 (A) and 15 (E) of Order No. R-1670, as amended, of the General Rules and Regulations for the prorated gas pools of Northwestern New Mexico.

MR. MORRIS: If the Commission please, I am Dick Morris, of Montgomery, Federici, Andrews, Hannahs and Morris, Santa Fe, appearing for the Applicant El Paso Natural Gas Company. I would like to introduce to the Commission Mr. Robert L. Meyer, attorney for El Paso. Mr. Meyer is a member of the Texas, Wyoming, Indiana and Ohio Bars and is assiciated with me in the presentation of this case. Mr. Meyer will handle the presentation of the evidence in this matter.

MR. MEYER: If it please the Commission, the El Paso Natural Gas will call as its first witness Mr. Norman Woodruff.

MR. PORTER: How many witnesses do you have?

MR. MEYER: We have only one.

MR. PORTER: So he will be your first and last one?

MR. MEYER: Yes.

(Witness sworn.)

(Whereupon, Applicant's Exhibits 1 through 8 marked for identification.)

F. NORMAN WOODRUFF, called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MEYER:

Q Will you please state your name?

A F. Norman Woodruff.

Q By whom are you employed?

A El Paso Natural Gas Company.

Q How long have you been so employed?

A Eighteen years.

Q And what is your present job title?

A Manager, gas proration operations.

Q Have you had the opportunity of testifying before this Commission on a prior occasion on matters generally relevant to this application?

A Yes, I have.

Q Were your qualifications as an expert witness accepted by the Commission at that time?

A They were.

MR. MEYER: At this time, if it please the Commission, I would like to move the acceptance of this witness as an expert by the Commission.

MR. PORTER: The Commission considers the witness qualified to testify.

MR. MEYER: Thank you.

Q (By Mr. Meyer) As Manager of Proration, El Paso Natural Gas Company, are you familiar with the operations of the Company and how such operations are implemented in compliance with the Rules and Regulations of this Commission?

A I am.

Q For the record, will you please read, or briefly summarize, the provisions of Rules 14 (A), 15 (A), 15(E) of Order R-1670, as amended?

A Rule 14 (A) provides that wells may accumulate underproduction during a balancing period and provides that they can make up this underproduction during the next six-month balancing period.

15 (A) provides that wells may accumulate overproduction during one balancing period and make up that overproduction during the next six-month balancing period.

Rule 15 (E) provides the manner of distribution of cancelled underage to wells and the manner of accounting for it against allowables.

Q Is it the thrust of El Paso's application in the instant case that these rules be suspended?

A Yes, it is.

Q In the event the Commission, in its discretion, deems such request to be in the public interest that they will not infringe on correlative rights or occasion the occurrence of waste and such Order for suspension is granted, how would overproduction and underproduction be handled by El Paso?

A It is El Paso's intention and it is the recommendation in this case that the overproduction or underproduction accumulated to wells as of August 1, 1968, may be made up during the year's period ending August 1st, 1969. In other words, the wells will have a year's period of time to make up the imbalance existing as of August 1st, 1968.

Q Can you explain, Mr. Woodruff, the basic and fundamental necessity for the requested exception to the aforesaid Rules by the Company?

A After a careful analysis of our market demand, both so far this year and what we anticipate for the rest of this year, it is our conclusion and my conclusion that there will be times over the winter of 1968-69 when it will be necessary to call on wells that would be shut in under the normal provisions of the Commission Orders during peak demand periods and we are seeking this suspension of the Rules so as to avoid the loss of sales during this period.

Q Is there any other source from which this gas could be supplied?

A No, there is not, other than sources of supply, and other facilities for taking gas from other sources will be utilized fully before gas from the San Juan Basin will be taken which may require the turning on of the wells, the overproduced wells which cause us concern.

Q Can you describe the circumstances which have resulted in the overproduced status of these wells which is the subject of this application?

A This overproduced status has been caused by an unanticipated increased demand for gas out of the San Juan Basin because of a delay in authorization of the building of additional facilities by El Paso which will enable us to take gas out of the Permian and Val Verde Basins of West Texas.

Q You mentioned an El Paso application to the Federal Power Commission for a Certificate of Public Convenience and Necessity. Describe how that application is involved in the matter before the Commission this morning.

A On the 28th of January, 1967, El Paso applied for a Certificate authorizing it to build facilities for the taking of the gas out of the basins previously mentioned in volumes of 310,000,000. At the time that this application was made it was not anticipated that it would be a controversial hearing. We had anticipated at that time that it would be granted and that facilities would be installed so that gas volumes would be available by the winter, 1967-1968. Following the filing of this application, an application was filed by a transporter requesting the privilege of bringing gas into California, our principal market from Canada. Upon the filing of this other application, producer organizations in the State of California, who were concerned about the possibility that their sales of gas might be diminished with two new increases in out-of-state gas being received, petitioned the Federal Power Commission to consolidate these two hearings to determine the necessity for either one or both. The Commission did consolidate these hearings and as a result a rather long and complicated hearing resulted and as of this time, a decision has not been handed down by the Commission, though it is expected any day.

Q Are you prepared to document, at least in an informal way, the scope of the Federal Power Commission application in the course of the 310 case filed by El Paso which you have just referred to? Before you answer that question, at this time, I would like to say that Exhibits 1 through 8 marked by the reporter here for purposes of identification, have been submitted not only to the reporter, but I think to each member of the Commission.

MR. PORTER: Yes.

Q (By Mr. Meyer) Would you please comment, Mr. Woodruff, on the preparations of any documentation that you have in connection with the 310 case?

A Yes, I will. May I say, first, that Exhibits 1 and 2 which I will now refer to, are not in the hands of most of the people who are here listening to this testimony. We were unable to put together enough copies for everyone; however, our Exhibits 3 through 8 are in the hands of the entire group here, I believe.

Exhibit 1 is the introduction to our application for Certificate of Public Convenience and Necessity in Docket C P 67217, that was filed, as I indicated, with the Federal Power Commission in January, 1967.

Exhibit 2 is a map showing the location of the facilities that are discussed in this introduction. They are filed with the Commission for information purposes and to substantiate my testimony in this hearing.

Q Does El Paso have some reason to believe an order will issue in the 310 case favorable to it, and if so, when?

A We do think that a favorable order will be issued and we anticipate its issuance just any day.

Q Mr. Woodruff, can you describe any other factor or circumstance which influenced or affected the demand for gas produced in the San Juan Basin?

A Yes, there was another significant factor to prevent us from balancing wells as we anticipated we would. Transwestern Pipeline had a fire in the early part of June at a compressor station in Roswell which prevented them from delivering to their customers their full volumes of gas, which our California customers desired. They approached El Paso Natural Gas Company requesting that we furnish them gas in order to aid them in meeting their customers' requirements. We entered into an agreement to do this and beginning on the 3rd of July, we started delivering gas to Transwestern. These volumes have varied from about 30 million a day to 120 million cubic feet per day and during the 29 days that the gas was delivered in July, it averaged 84 million cubic feet of gas a day.

Q Was this during July of 1968?

A July of 1968. May I say, too, that this is continuing too, at this time. However, we do anticipate, and the agreement so stated that their facilities would be completed and their need for gas from El Paso would terminate no later than the 25th of this month, August, 1968.

Q Would you please enlarge upon how the Transwestern fire created special problems for El Paso relative to the application that is the balancing overproduction and the creating of certain instances of underproduction?

A When we made our nominations at the first of June for July's need for gas from the San Juan Basin, we, of course, had no way of knowing that this unexpected need, this emergency need on Transwestern's part would exist. As a result, our nominations for the month of July were less than what was actually produced. In order to meet Transwestern's needs, we had to overproduce allowables and in doing this, it made it more difficult for us to bring wells in balance during the month of July which is the month when we normally experience a maximum amount of well balancing, particularly of the overproduced wells.

Q At this time, Mr. Woodruff, I would like to refer to El Paso's Exhibit No. 3, and request the witness to explain fully what it shows relative to the application.

A If the Commission please, I will just remain seated, and discuss these exhibits, since they are in the hands of everyone here and I believe in this manner everyone can follow my testimony. Exhibit 3 is a graphic plotting of the average daily volumes by months taken out of the prorated pools of the San Juan Basin for the year 1967, for the year 1968, through July, with an estimate of the volumes that will be taken from these pools during the balance of 1968. This exhibit and the next two exhibits are offered in order to aid those present in understanding the nature and extent of El Paso's demand for gas out of the San Juan Basin and to show the way that this demand has varied as we have found it necessary to supply on a best efforts basis the demands of our customers during the periods that we have experienced delay in construction of facilities, enable us to supply this demand out of other sources.

Q Will you please refer to El Paso's Exhibit No. 4 and discuss with particularity what it shows relative to gas requirements for prorated pools in the San Juan Basin by monthly average, peak and day?

A Exhibit 4 shows for the proration periods, August 1967 through January 1968 and February 1968 through July 1968, the average daily volumes experienced each month and connects with a line the maximum daily volumes supplied during that month and minimum daily volume supplied during the month and is offered for the purpose of aiding those present to understand better the nature of the demand supplied by El Paso out of the San Juan Basin. I think, just as an example, it may be well to point out the extent of these figures and we might take the month of October, 1967, where the horizontal line representing the average daily volume during that month is 998.4 million cubic feet of gas a day. The peak volume represented by the top of the vertical line was one billion, 305.9 million cubic feet of gas a day. The minimum volume at the bottom of that line was 818.6 million cubic feet of gas a day.

Q Mr. Woodruff, in relation to El Paso Exhibit No. 5, can you explain volume changes occurring during a typical month and interpret this exhibit?

A Exhibit No. 5 shows for the month of September, 1967, the number and degree of changes in market demand met out of the San Juan Basin. There are actually 44 different changes reflected by the lines shown on this exhibit. They all start from the zero line and are not cumulative. For instance, on the second day of September, there were four calls met for decreases in demand. The first line downward was for 77 million; the second line downward was for 55 million; the third line downward was for 153 million; and the fourth line downward was for 110 million. During that 24 hour period the decreased demand for gas aggregated 395 million. Going on to the 5th of September, there were three calls for increases in demand on that day. The first call was for 153 million, the second call was for an additional increase of 252 million, and the third call was for an additional increase of 110 million, aggregating during the 24-hour period 515 million cubic feet of gas a day. This exhibit also shows other significant decreases and increases and they may be associated with week-ends. There were five week-ends during the month of September and you can see five periods of significant decline.

Q Do you think the first day of September and the first week-end that Labor Day was involved?

A It was. I had meant to indicate that for the period, the second through the fifth, the Labor Day week-end was involved and it is very characterisitc of the circumstances that we find to exist during long holiday week-ends.

Q Please refer, Mr. Woodruff, to El Paso Exhibit No. 6 and discuss the resulting high and the unanticipated demand of the delay expressed or shown in this exhibit.

A Exhibit 6 is a tabulation of volumes delivered on a best efforts basis to our California customers during three proration periods, February through July 1967, August '67 through January 1968, and February through July 1968. As previously testified, we had anticipated at the time that we made our filing for the additional facilities which I referred to as our Three-Ten case, we had expected those facilities to be in operation by the winter of 1967-68, and this, I think, shows very realistically the nature of the demand supplied out of the San Juan, both before and after the time that we had expected those facilities to be in operation. I believe the most significant volumes are represented by the average daily totals, decrease periods were delivered on a best efforts basis one hundred two million during the first proration period mentioned, a hundred seventeen million during the August '67 through January '68 period, and a hundred and seventy-three million cubic feet of gas averaged per day during the February through July 1968 proration period.

Q Mr. Woodruff, will you please refer to El Paso Exhibit No. 7 and explain the significant points in this exhibit?

A Exhibit No. 7 is a tabulation showing the volumes delivered to Transwestern under our temporary sale resulting from the agreement entered into by El Paso and Transwestern to aid them during the period of repair from the fire in their compressor station near Roswell, New Mexico. It shows that during the month of July, 1968, we delivered to them 84 million cubic feet of gas a day during the 29 days of delivery.

It shows that during August of 1968, we expect to deliver on an average day, 87 million cubic feet until our agreement terminates on the 25th of August. It also shows that for the first six days of August, we averaged deliveries of 101.3 million cubic feet of gas a day.

Q Will you please refer to El Paso Exhibit 8 and interpret this exhibit with specific reference to over-produced wells in each of the prorated pools in the San Juan Basin for the balancing period February 1 to July 1, 1968?

A El Paso maintains a continuing analysis of their balancing of overproduced and underproduced wells month by month in the San Juan Basin, and this tabulation is to show the condition which, according to our calculations, existed at the completion of production in July, 1968, in the first group of figures, which I will go into in more detail, and then shows our projection of what would occur for these wells after cancellation and redistribution of allowable as of the end of the balancing period terminating July 31, 1968, if the normal procedure of the Commission is utilized. Under the column entitled "wells" in the first group of figures is listed for each of the prorated pools in the San Juan Basin a number of wells, according to our records which had not balanced at the completion of July production in 1968. In the next group of figures under "wells" is the number of wells that would still be unbalanced as of July 31, 1968, after normal cancellation and redistribution. As can be seen from this tabulation, the number of wells and the number of days that these wells were still overproduced relative to balancing is shown and our best estimate is that we are talking about 370 wells which would be subject to shut-in by the Commission, the aggregate amount of overproduction is 2.3 billion average, a little over 66 million cubic feet of gas per well and on the average requiring 27 days of shut-in in order to balance.

This, I think, very effectively, I hope, shows the nature and degree of the overproduced situation that has led us to come before the Commission and ask for this suspension of the rules.

Q What is your best estimate as to when additional volumes of gas will be available from other sources that will enable you to cut back on your San Juan Basin purchases?

A After discussing this matter with our engineers, who are responsible for accomplishing the construction of new facilities, our best estimate is that it will take no more than eight months to put the additional facilities requested into operation, following an acceptable Certificate by the Federal Power Commission.

Q Do you anticipate any problem in balancing the overproduced wells, once El Paso is able to cut back on it's takes out of the San Juan Basin?

A I anticipate no problem in overproducing them and I think if we don't have them produced by the August 1st, 1969 date that they will be balanced within a few months after that, with the possible exception of a few extreme overproduced wells.

Q Is there any advantage to the underproduced wells when and if this suspension application is granted?

A I consider that it is. It will permit those wells that are underproduced and capable of making up that underproduction to have an additional year to make it up without suffering any cancellation.

Q Do you propose that the overproduced wells will be brought back into balance eventually?

A Yes, sir, I do; that is our proposal.

Q Well, under these circumstances, will there be any nonrateable withdrawals resulting?

A I consider that there will not. We will bring all of the wells back into proration balance which will result in a rateable balance.

Q How will the wells be scheduled to produce during the period of the requested suspension?

A We will follow our normal procedure of scheduling wells with which, I think most are acquainted, which results in all marginal wells being turned on and all underproduced wells turned on before, well, and then following that any balanced wells before any overproduced and unbalanced wells will be turned on. In this manner we will minimize the need for calling on the overproduced wells.

Q Will this balancing of overproduced and underproduced wells involve any waste?

A I consider that it will not.

Q Is it your opinion that the application of El Paso can be granted without the impairment of correlative rights or the causing of waste?

A I consider that that will be what will occur. May I be sure that my answer is clear? I conside that if our application is granted that there will be no waste or impairment of correlative rights.

MR. MEYER: Thank you. At this time, if it please the Commission, I would like to move the admission of El Paso's Exhibits 1 through 8.

MR. PORTER: If there are no objections, the exhibits of El Paso will be admitted.

(Whereupon, Applicant's Exhibits 1 through 8 offered and admitted in evidence.)

Q (By Mr. Meyer) Mr. Woodruff, were Exhibits 3 through 8 prepared by you or under your supervision and direction?

A They were.

Q And as to Exhibits 1 and 2, will you please make a statement in connection as to how they were prepared?

A Exhibits 1 and 2 are copies of official documents prepared by El Paso Natural Gas Company and filed with the Federal Power Commission in the Docket No. C P 67,217.

Q But they were prepared by other El Paso engineers or personnel?

A That is correct.

MR. MEYER: Thank you, Mr. Woodruff. Mr. Comissioner, this completes the testimony on direct for El Paso Natural Gas Company and we hold the witness for any questions that the Commission may have or any other interested party. Thank you very much.

MR. PORTER: At this point, may I ask if anyone else desires to present testimony in the case this morning? Before we begin cross examination, we'll take a ten-minute break.

(Whereupon, a short recess was taken.)

MR. PORTER: The hearing will come to order, please.

Does anyone have a question of Mr. Woodruff? Mr. Utz.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Woodruff, is it your intention to, I know you haven't mentioned this, to seek relief from the six times overproduction feature rules?

A That, I believe is Rule 15 (b), and I think to the extent that our market demand may require the calling on those wells during periods of peak need, particularly during the winter where we have so much trouble with freezing and liquid accumulation and difficulty getting to wells, that they should be available to be produced. They will be produced only under such circumstances but I would recommend that as to that provision, it not be enforced. We would still propose that those wells be brought into balance; they would just take longer to be brought into balance than the other wells.

Q You didn't specifically ask for relief from that provision in your request, did you?

A That's right, that was not a portion of our application.

Q In your opinion, you should have those six times wells available if they're needed?

A I think it would be well to have them available in case they are needed.

Q Now, I note that in your application, you did not request any relief from classification. Now, what is your opinion in regarding to classifying the wells?

A You are referring to the classification of wells from non-marginal to marginal category?

Q That's right.

A I would recommend that the Commission go ahead with their normal classification of wells into a marginal category so we can know as currently as possible what the status of allowables is and have as good an idea as possible what the nature of overproduction or underproduction is during this period.

Q You mentioned that the underproduced wells might have some advantage later on in the year's period. The advantage, I presume, was that they might be able to produce some of that underage. Would it not be true that some of the wells that would go from non-marginal to marginal have that same advantage?

A I'm not sure that I understand your question, but may I answer it this way, and see if it satisfies your request. A marginal well is privileged to produce a hundred percent of the time and there will be no restriction on its production under those circumstances and it will be able to produce everything that it would be able to produce were it prorated, so I can visualize no loss or restriction or penalty to a marginal well under those circumstances.

Q Well, don't the non-marginal underproduced wells have that same advantage, aren't they on the line continuously in an effort to make up that underage?

A That is correct.

Q Then the only difference between the underage on a non-marginal well and the underage cancelled due to reclassification from non-marginal to marginal, is that the marginal wells' underage is cancelled and redistributed?

A That's all. The only purpose in going ahead and classifying the wells as marginal as I said, would be to get the allowable assigned to those wells that which they can't produce, reassigned to wells that can produce it so we would have a more realistic status.

Q So that underage would go to the overproduced wells and help balance?

A That's correct.

Q Does El Paso have any applications in mind or have they made any applications for additional market demand out of the Basin?

A No, there are none that I am aware of; certainly we have made none and I know of none pending.

Q It would follow then, that you would have no intentions of installing any more of a pressure capacity than an effort to lower line pressures and help take some of this underage?

A El Paso has under continuing study the need for adding compression into the San Juan Basin and many other places it operates. Pressures, I am sure, will be lowered in the San Juan Basin as is necessary to effectuate an orderly depletion of the reserves there.

Q Wouldn't that be somewhat of an answer to this dilemma you are in now, not being able to produce the underage?

A Certainly if we had higher deliverability from these wells that would be an answer, but the need is immediate and the answer through this mechanism that you discuss is something that would require a sustained or prolonged F. P. C. application and hearing and our relief would not be available by the time that it is needed.

Q Well, what concerns me a little is that if you have no anticipation of requesting any more capacity there, that is pressure capacity or larger lines or whatever it takes to lower your field line pressures and you end up this year with a lot of unproduced underage then what is going to happen from that date on?

A You mean to the underproduced underage?

Q That's right.

A Well, under the normal application of the rules which would be effective on August 1st, 1969, underage which had been accumulated as of August 1st, 1968, and had not been made up would be cancelled.

Q Then at the end of July of 1969, it's your opinion that you will be in a position to curtail the market demand out of the San Juan Basin so that you can properly balance these wells?

A That is correct.

Q In other words, that's the only relief that you have in mind? Your relief isn't through lower line pressures or more capacity out of the Basin?

A That's all that we anticipate at this time because we see no need for relief through lowering line pressure at this time. This demand that we are seeking to be able to supply out of the San Juan Basin on a continuing basis is something that will not exist possibly over another seven to eight months, so at the end of that time, we will have a lessening demand out of the San Juan until it again builds up in accordance with our customer demand.

Q Your Exhibit No. 8, referring to the volume of underage subject to cancellation and redistribution on the Blanco Mesa Verde Pools and the Basin Dakota Pools, I notice that the Basin Dakota has a few less wells that are subject to cancellation and yet almost four times the amount of volume. Can you explain why the volume in the Basin Dakota is so much higher than it is in the Mesa Verde?

A I have no ready answer. I could theorize with you, but it would just be thinking out loud rather than any positive answer on it. For one thing, the wells in the Basin Dakota are better wells than other wells. Their allowables are higher on the normal as is indicated in the average monthly allowable column shown on this exhibit. The Basin Dakota has an average allowable and may I explain that this average monthly allowable represents our best estimate of the average monthly allowable during the proration period ending July the 31st, 1968, for the overproduced wells in each of these pools. This is the allowable that we think these wells would normally be working against, on the average. We can see in that column that the Basin Dakota average monthly allowable is 21.6 million cubit feet of gas a day; in the Blanco Mesa Verde, average allowable is 13.5 million cubic feet, I think I said a day. Those are monthly allowables. We can see, looking at the column on the right of this exhibit that with that allowable and with the average volume of overproduction shown for the 77 wells, that we believe would be shut in, an additional 21 days of shut in would have brought these wells into balance. So when you look at the average volume of overproduction for your Mesa Verde well and your Basin Dakota well, it's a little over two to one, but the allowables approach that same relationship.

Q As I interpret your answer, then, you are saying that the volume of underage per well is greater in the Basin Dakota because of the higher allowables to the wells?

A I can't give you any specific answer as to why they are not as near in balance as the Blanco Mesa Verde wells.

Q Now, in the event that you had not had this unusual circumstance in regard to delivering gas to Transwestern for their West Coast needs, would you have been in this predicament if that hadn't happened? Are you saying that aggravated it or actually caused it?

A I am saying that the Transwestern circumstance aggravated; if we had not delivered the 84 million a day during the 29 days involved, I estimate that we could have probably balanced an additional one hundred fifty or two hundred wells.

Q In that event, you still had quite a number of wells that would have been out of balance?

A That's right.

Q Approximately two hundred twenty?

A That's right.

Q Would that have been too many, in your opinion, to prevent you from meeting your market demand this winter?

A I haven't looked at it in detail, on that basis, but I would not be surprised to have had days of peak demand where we would have needed to call on those wells that would still have been shut in.

MR. UTZ: I believe that's all I have.

MR. PORTER: I have been enjoying these discussions between Mr. Woodruff and Mr. Utz for about fifteen years. Sometimes Mr. Utz has been on the stand and sometimes Mr. Woodruff. Sometimes I learn something and sometimes I am confused; for instance this morning, we have a term here, "unproduced underage", and I thought all underage was unproduced. Does anyone else have a question? Mr. Nutter.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Woodruff, I don't know if I'm reading this number correctly or not, but now on your Exhibit No. 8, in the column "volume", are we talking about that these pools here have a total of 12 billion cubic feet overproduction as of July the 31st, 1968?

A That is the total amount of underproduction.

Q Is this underproduction or overproduction?

A Overproduction.

Q And it would be 12 billion cubic feet?

A It is the total amount of overproduction accumulated to these wells that existed as of the beginning of the balancing period, February 1, 1968, that had not been balanced as of the end of production in July, 1968.

Q In other words, this is the status last February and the amount that would be subject to cancellation now?

A That is the portion of last February status that is subject to cancellation.

Q Right.

A That is subject to be made up by shutting in wells that have not balanced in the intervening proration period.

Q How does this compare for a year ago for the same figure?

A I do not have a figure with me, or I do not have it in mind, but I would suspect that this is a more severe condition than we had a year ago and I would draw that conclusion by referring to Exhibit 3 which showed the amount of production from El Paso's, the amount of production taken by El Paso, during the months at the beginning of 1967, at the beginning of 1968.

Q Well, now, while we're on Exhibit 3, we find that this dashed line for 1968 commences to be higher than the 1967 line back in April, correct?

A Well, I believe it may be May that -- I believe April of '67 was higher than April of '68.

Q But then, starting with May, then --

A Right.

Q -- the dashed line is higher than the other. This continues for some several months before the Transwestern affair?

A Yes, that is correct.

Q Regarding this Transwestern deal, as I understand your Exhibit No. 7, during the 29 days that you were selling to Transwestern you averaged 84 million a day to them?

A That is correct.

Q And the total, then, would be approximately two billion cubit feet of gas that was sold to Transwestern during July?

A That would be approximately correct.

Q Now --

A It may be correct, you may have worked out the figure. I don't have it before me.

Q I multiply 29 times 84 and this gave me 2,400,000,000. I don't know if I am using billions or millions or what on this, but I think it's billions of cubic feet.

A Billions is right.

Q If we take your figure in volume as of July 31st, 1968, before cancellation of the redistribution, and then take your balancing status on the other side of the page after cancellation and redistribution, we find that you have reduced the overproduction from 12 billion 290 million feet to two billion three hundred million feet?

A Right.

Q In other words, by the cancellation and redistribution you knocked it down by ten billion and the two billion three hundred million that remains is actually just about the amount that you have sold to Transwestern, then?

A That is correct.

Q Now, what is the deal with Transwestern, is this a straight sale or is that an arrangement that they are going to pay you gas back?

A Straight sale.

Q And it will never be returned to El Paso then?

A It was not contemplated in the agreement.

Q And the F. P. C. approved that arrangement?

A Yes, they have.

Q Now, the application that you have got before the F. P. C. at this time calls for expanded facilities in Val Verde and Delaware Basins of Texas. How is this going to effect the situation insofar as El Paso Natural Gas Company is concerned in Southeast New Mexico?

A I anticipate no change of consequence in our Southeast New Mexico purchases.

Q In other words, right now, we're in a period of considerably depressed market conditions down there in the Southeast, which I understood were due to your overtaxed facilities, but the expansion of these facilities in the Puckett Area and on down through there isn't going to help Southeast New Mexico?

A I should correct my statement to this extent. Our current outlook for takes in Southeast New Mexico are lower than what we think we will be averaging after these new facilities are in, so we do anticipate an increase in our Southeast New Mexico purchases following the time that these facilities are completed.

Q Well, now, your application is to increase --

A If I may --

Q Yes.

A -- and I would expect this demand to be in line with our 1967 demand for gas out of the Southeast New Mexico pools.

Q Well, now, your application is to increase your design capacity by three hundred ten million cubic feet. Is this the amount you expect to take from the Val Verde and Puckett area, three hundred ten million additional?

A Approximately, yes.

Q So any benefit to Southeast New Mexico from these improved facilities is just going to be coincidental if at all?

A Well the thing I think I should elaborate on is that we have had to cut back in the Permian Basin Area including Val Verde and Delaware Basin, on all existing sources in order to accomodate some takes from the new sources that have been tied into our system and the Lea County in Southeast New Mexico area has been cut back along with our other sources. What I am saying is that once our new facilities are installed, we will be able to return Southeast New Mexico to its normal level of production which I consider to be exhibited by the 1967 production. '68 is low in order to be able to handle not only the additional sources that we have tied into our system but also to handle the high volume of residue gas that has been delivered to our system as a result of the increased oil production due to the Suez Crisis, the Middle East Crisis.

Q Are the physical facilities in Southeast New Mexico being produced in their maximum rates?

A They are not.

Q But the facilities west of Southeast New Mexico are, is this correct?

A The facilities, the transmission facilities out of the Permian Basin area are being produced at capacity at all times and the gas from South East New Mexico shares these main pipeline facilities.

Q How about the Transwestern facilities that go from Southeast New Mexico up toward Gallup? Were they normally used pretty much at their capacity?

A I believe that to be the case. Of course, during this period of the fire they were unable to handle it at that rate, but so far as I know, their customers' demand requires them to operate their facilities at a high load factor.

Q How about the load factor on El Paso's facilities from Southeast New Mexico up to Gallup?

A A hundred percent load factor to the best of our ability to maintain it.

Q When Transwestern had their fire, was all the gas that you sold to Transwestern produced from the San Juan Basin?

A Yes, it was, there was no other place to get it from.

MR. NUTTER: That's all.

MR. PORTER: Mr. Kelly.

CROSS EXAMINATION

BY MR. KELLY:

Q Booker Kelly, appearing on behalf of Tenneco. Mr. Woodruff, you stated that you were expecting almost daily certification from the F. P. C. What is the present status right now, of the application?

A The hearing has been completed; the examiner decision has been handed down, and oral argument has been completed and it is before the Commission for the issuance of an order.

MR. PORTER: The examiner has made a recommendation?

THE WITNESS: Yes.

MR. PORTER: For approval?

THE WITNESS: He has made recommendations for an approval. It is not on the identical basis that we applied for in our application.

Q (By Mr. Kelly) Would it be possible then, that their appeal procedures would be required before you could get your certification?

A Other appeal?

Q Yes.

A I would say it would depend on the nature of the Order handed down by the Commission. If they give us a certificate as requested, I don't anticipate any appeals; if they give us a different one, it wuld have to depend on that.

Q Well, how about the certificate as recommended?

A I can't answer that. I really do not know what the attitude of the parties would be, with the certificate of the nature recommended by the Examiner.

Q Well, at any rate, it's very possible that the daily anticipation might drag on for sometime before the certificate is issued?

A It's possible, but we have no reason to believe that to be the case.

Q Then after you get the certificate you'll actually start construction of the line?

A That's right.

Q Isn't it true then you can really not count on much of the next year as far as getting relief from the Texas gas?

A It's possible. We think the certificate will be issued any day now. I said eight months; I think that is, at the outside a high time for completion of the facilities.

Q But it could go over a year if the certificate does not issue in the form you want it or doesn't issue immediately?

A Yes, under those circumstances that would be true.

Q Now, referring to your Exhibit No. 3, you show on that your estimated 1968 gas requirements coming in almost identical with your 1967 gas requirements. Is that 13 hundred or 13 billion? Whatever the figure we are talking about, does that represent the capacity of the present line out of the San Juan Basin?

A That one billion, three hundred million is the approximate capacity and that's the reason why we get up to a maximum during those periods which is fairly consisten both in 1967 and '68.

Q Well, then that doesn't reflect the increase or it doesn't take into account the normal increase in the California demand which has been going up?

A This does not reflect or is not intended to reflect, necessarily, supplying one hundred percent of what California may be able to take during the days covered during the rest of 1968 or in the past. It does reflect our best estimate of what we think we will be able to supply to them in fulfilling their needs.

Q That is based on the present compression facilities in the San Juan Basin?

A And the present pipeline capacity for taking gas out of the San Juan Basin.

Q I notice on your Exhibit No. 6 that February through July, 1967, you have a total of 18 million, is that right?

A That's 18 Billion. Are you referring to the figure -- you are talking about the total volume delivered for the February through July, 1967, proration period to the California customers, of 18.5 billion cubic feet of gas.

Q Then the comparable period in 1968, that goes up to 31 billion?

A That is right.

Q So there is a substantial increase in California demand?

A That is right.

Q And there's no reason to think that that increase will slack off?

A That is right.

Q Isn't it a distinct possibility, then, that after this one year extension, if granted, that the San Juan Basin wells could be in worse shape than they are now, if you do not have the relief from the Permian gas?

A I think that is a reasonable assumption. If we don't have the relief from the Permian gas and if we continue to supply as much of our customers' California demand as it's physically possible for us to do, the condition could be worse.

Q Since we know that there is at least eight months before you could get that, you are talking about three-fourths of your one-year period before you can get the minimum?

A Well, I might quarrel only with your arithmetic.

Q Or two-thirds.

A What you are saying is right, but I believe that with the completion of the facilities that we will be able to have the wells substantially in balance by the end of the suspension period that we have asked for, by the August 1st, 1969 date or within a few months after that time.

Q But based on the increase in Califonria demand the situation could revert back to where it is now in two or three years, isn't that correct?

A Am I to understand that you are premising the situation where we have continued increase in the future after the 310 case is in, in California demand, without any facilities enabling us to supply from other sources?

Q That's right.

A I would say your assumption is correct.

Q Would you agree that a more permanent solution to your problem would be an increase in deliverability of San Juan gas?

A Let me say that is a solution to the problem which you have pointed out is possible to occur. The most ideal solution, over a long period of time, would be to meet increased demand with increased new sources of supply and increased facilities to meet those. El Paso has not contemplated any, to my knowledge, and I think that I am correct, any increased sales out of the San Juan Basin over that presently certificated.

Q Well, I am thinking of the situation of some of the best gas wells in the San Juan Basin being shut in for a considerable length of time in a year unless deliverability is increased.

A Were we faced with the conditions that you have used in your example, I am sure we would realize the desirability for increasing the deliverability out of the San Juan, which I am sure you know could be accomplished with additional compression. I think it would be prudent on our part under the circumstances, to give consideration to adding them and

I am sure we would. We have every desire to meet our customer demand in whatever manner is available to us.

Q This is not a decision that has been made at this time by El Paso?

A We don't have those conditions facing us.

MR. KELLY: That's all I have.

MR. PORTER: Anycne else have a question of Mr. Woodruff?

MR. FELDSTEAD: Mr. Woodruff --

MR. PORTER: Would you identify yourself for the record?

MR. FELDSTEAD: Don Feldstead with Sunset International.

CROSS EXAMINATION

BY MR. FELDSTEAD:

Q Has the possibility of purchasing or procuring the gas from, say, another pipeline company, been looked into where the other wells in the San Juan Basin could also produce their allowables and catch up the underage or will they be left sitting there while the wells hooked to El Paso pipeline are depleted?

A Yes, we have given consideration to that; we have had informal discussions with Southern Union Gas Company, whom I assume you are alluding to, and indicating our willingness if they consider it is in their best interest to enter into an agreement, to enable them to dispose of their excess allowable and I'm sure if they find it's to their advantage to do so, that such can be accomplished through the mechanism currently available to El Paso and Southern Union for accomplishing this.

Q Has anyone ever worked up a figure showing the percentage of underage that is concelled with Southern Union compared to the cancellation of El Paso; would there be a possibility of coming up with the solution where the wells will be equally produced?

A Yes, it's a possibility.

Q Does Southern Union have enough wells to offset your underproduction, the gas that you need to produce?

A I'm not sure I understand your question. Are you asking me whether we would be able to meet our needs were we to have full access to Southern Union Company's gas wells?

Q That is correct.

A Let me first say that we're able to fill our needs with the wells currently tied to our system, so we would be better able to do so if we had this additional gas available to us.

LOUIS C. RHODES: Louis C. Rhodes, I haven't any questions of the witness. I came prepared to ask local counsel. I have a statement to make after the witness is excused.

MR. PORTER: Does anyone else have a question of the witness? Mr. Utz.

CROSS EXAMINATION

BY MR. UTZ:

Q I have one afterthought. Do you have any figures that would show the amount of canceliation due to the classification?

A Due to classification of wells from non-marginal to marginal?

Q That's right.

A No, I don't.

Q This difference in these figures that you showed to overproduced wells on your Exhibit 8, that doesn't include any cancellations due to classification from non-marginal to marginal?

A It would not include the underproduction accumulated to wells that would be classified as marginal that was accumulated during the period February 1st, 1968 through July 1968. Since under normal circumstances that underage accumulated to a prorated well would still be available to be made up during the next proration period.

Q Well, when you reclassify, you cancel all underage.

A That's right, and to that extent these figures do not reflect all of the underage that would be available for redistribution to overproduced wells and underproduced wells, the prorated wells.

Q In other words, you actually didn't go through a reclassification procedure in order to determine the redistribution?

A That is correct.

Q So that the underage, the normal underage that is subject to carrying over to the following period is not included in these figures, if I understand you correctly?

A That is correct.

Q And the underage that is shown here is only that that would be redistributed to the overproduced wells?

A I am sorry, I didn't understand your question.

Q The underage that is shown on this Exhibit 8, is that underage that would only be redistributed to overproduced wells?

A Actually, I believe I'm correct in saying that there are no figures here reflecting underproduction, but the volume of overproduction reflected here showing for the 370 wells, 2.3 billion would be the overproduction remaining after the cancellable underproduction had been cancelled and redistributed to all wells that were prorated both over and underproduction, both overproduced and underproduced wells. Of course, as you know, it should be stated that the allowable goes to all wells regardless of overproduced or underproduced status.

Q It goes to all non-marginal wells?

A All non-marginal wells.

Q All you are showing on Exhibit 8 is overproduced non-marginal wells?

A That is right and this is what would still be remaining in the nature of unbalanced overproduction for the overproduced wells after cancellation of underage and redistribution.

Q In other words, the volume of 8.2 shown for the Basin Dakota is a balancing status of July 31 before cancellation and redistribution minus the 1.1 shown after cancellation and redistribution is the amount of underage that would go to overproduced wells?

A That is right.

MR. UTZ: That's all I have.

MR. PORTER: Does anyone else have a question?

MR. MEYER: If it please the Commission.

MR. PORTER: Go ahead, Mr. Meyer.

REDIRECT EXAMINATION

BY MR. MEYER:

Q I would like to ask Mr. Woodruff whether the graph he used and called Exhibit No. 3 is cumulative or whether it shows an average monthly volume.

A It's the average daily volume for each month during the period shown.

Q Further, if it please the Commission, I would like to depart from the statement I made earlier to the effect that we would only have one witness. In light of the fact that certain factors or features of the 310 case have come to light in this matter, I think it would be appropriate for us at this time to present Mr. A. M. Derrick, Assistant Vice President of Gas Supply who is more prepared to talk about the 310 case and it's involvement here. I would ask Mr. Derrick, please, to stand and be sworn, if Mr. Woodruff is excused.

MR. PORTER: First I would like to ask if there are any other questions of Mr. Woodruff before we excuse him. Mr. Nutter.

RECROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Woodruff, now, your Exhibit No. 3 shows the average daily volume of gas taken for each of these months from all wells, all prorated pools in the Basin. Now, I picked off the points on the graph for February, March, April, May, June and July of 1967, and added them up and I don't know how accurately I picked them off or how accurately I added them up, but I get about 11 billion cubic feet of gas, I guess.

A I would think that to be in error.

Q What would it be, it's 11 what, or 1.1 hundred --

A Are you asking me how much gas would have been delivered out of the Basin during the first six or seven months of 1968?

Q No, I'm talking about 1967.

A 1967? Is your question how much gas was actually delivered?

Q Now, what I did, I picked these points right here and this would be 1.287.

A Yes.

Q Million a day, average.

A Right.

Q And I picked them for each of the six months in the first period of 1967.

A Right.

Q And I got this sum for the averages for the month and then multiplied that by the number of days in the period because these are daily averages, are they not?

A Right.

Q If I multiply them by the daily average, I get this amount as being the total amount that was taken. Would that be correct?

A No, that wouldn't be correct. What we would need to do would be to divide this six month total by six and then multiply that average by the 181 and I think we can eyeball it here by saying that 481 days we would be producing in excess of a billion cubic feet of gas a day and in round numbers we're probably talking about something in excess of 200 billion cubic feet of gas during that six month period.

Q Well, then I was trying to correlate the figures on this Exhibit No. 3 with the figures that are shown on Exhibit No. 6, the G X two best efforts delivery to California. Is this delieveries from your entire system?

A No, this is the deliveries which have been met through gas which has had to come from the San Juan Basin.

Q Well, now, in other words eighteen and a half --

A It looks like about ten percent of the total deliveries during that proration period was attributable to best efforts deliveries.

Q I see. Well, that's what I was attempting to do, correlate those two together and the totals on the two, are not supposed to meet each other?

A No, no, they are not.

MR. NUTTER: That's all.

MR. PORTER: Does anyone else have a question? If not, we will excuse this witness, and you may call your other witness.

(Witness excused.)

MR. MEYER: I would like to call Mr. A. M. Derrick to be sworn, please.

(Witness sworn.)

* * * * * * *

A. M. D E R R I C K , called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MEYER:

Q Mr. Derrick, will you please state your name?

A A. M. Derrick.

Q And by whom are you employed?

A El Paso Natural Gas Company.

Q How long have you been so employed?

A Fifteen years.

Q And what is your present job and title?

A I am Assistant Vice President and I work with the Vice President in charge of gas supply. In that field, we have charge of gas proration, reservoir engineering, and gas purchases.

Q Have you ever testified before this Commission on a prior occasion?

A Yes, I have.

Q At that time, were you qualified as an expert witness?

A Yes, sir.

MR. MEYER: I would like to move the admission of this witness as an expert.

MR. PORTER: His qualifications are accepted.

Q (By Mr. Meyer) Certain points have been brought up this morning in connection with the so-called El Paso 310 case wherein they made an application for certification under Certificate of Public Convenience and Necessity to the Federal Power Commission. I'm aware that you are acquainted with this matter in some detail, and I would appreciate it if you would make a detailed statement in connection with this insofar as you think it affects our application here for the suspension of overproduction and underproduction in the San Juan Basin.

A Yes, sir. I have worked on this F. P. C. case which has been referred to here as C P 67-217 and I testified in that case as regards the gas supply.

Before I get into this particular case, however, I think we need to go back a little bit to the previous certificate application of El Paso's which had El Paso's Docket No. C P 64-76, and that was commonly referred to as the Gulf Pacific case. El Paso filed its application in that case in September of 1963. In that particular application we asked for additional facilities out of the San Juan Basin for 250 million cubic feet per day. That was in September, recall, of 1963. It was shortly thereafter that the Gomez Field in Pecos County, Texas, came in and this together with the Coyanosa Field also in the Delaware Basin in Texas was the beginning of the development of the Delaware Val Verde Basin deep gas play.

About the time that we filed our application in September of 1963, we contract[illegible] for two trillion cubic feet of gas from the Gomez and Coyanosa Fields, and including the Worsham, also. Now, we filed a supplement to that application to take gas from the Waha Plant and if we may refer to Exhibit 2 in this particular case, you can see that there is a 20 inch line from the Waha Plant up to Keystone. That was built in conjunction with our docket C P 64-76, but I think we need to keep in mind that the only main line facilities that were granted to El Paso in the Gulf Pacific case, was the 250 million additional from the San Juan Basin of New Mexico.

Now, since that time and as I mentioned, we picked up two trillion cubic feet that we filed as an amendment to the 64-76 application. Since that time we have a total of about five trillion cubic feet that we have contracted for in the Delaware Basin Area.

Now, I think, also, we need to keep in mind that the last main line facilities that we built out of the Permian Basin Area, was in Docket G 12-580, and that, as I recall, the certificate or the application was filed in 1957, and we got a certificate, I believe it was either in late 1959 or early 1960. So for all the gas that we have contracted for in the Permian Basin Area, we have not had any mainline facilities for about eight years.

Now, that brings us up to our present application of C P 67-217 and the status of that is that we had oral argument on June the 5th of this year. We anticipate that we'll get a certificate just any day. Now, all the intervenors and all the other applicants, nobody opposed the application as we made it. That application called for a 36-inch, what we referred to as a high pot used line from the Waha plant which is on the Reeves-Pecos County line over to our Cornudas Station, that is a 36-inch line. Now, you will see in red on west of the Cornudas which is in Hudspeth County, Texas, on west of there, we have quite a bit of 30-inch loop, that is El Paso's application and not one party in that hearing objected to it and as I understand the rules of the Commission, any Order granting us that certificate would not be appealable.

I think I should also point out, however, that the Federal Power Commission staff put in a plan where they proposed a 42-inch line all the way from Waha out to the California-Arizona border to be built by El Paso. Now, Transwestern Pipeline also has an application on file with the Federal Power Commission which calls for an additional 110 million cubic feet per day. Keeping in mind that this was a recommendation of the staff, the Examiner in this particular case, he studied it, he felt that maybe a 42-inch line all the way was going too far so he hedged it to the point that instead of building the 36-inch high pot use, and then you can see it on out in Western New Mexico and Central and Eastern Arizona, we have a 30-inch high pot use. He proposed that instead of the 36 30, that we build a 42-inch loop. Of course, El Paso and all parties in that proceeding opposed that.

That's the status of the case at this particular time.

I want to go back to the 64-76 case and state that we built the 20-inch line from Waha up to the Kermit area, the Keystone Plant, that is the only relief that we have had for the Delaware Basin gas and we can move something like 200 million cubic feet per day through that. Now, what that does when we bring that gas up to the Keystone Area, it backs off other gas including the Southeast New Mexico gas. In addition, the problem, as Mr. Woodruff stated the problem, has been further compounded in this area through the increase in residue gas, both in Southeast New Mexico and in West Texas, and this was caused by the closing of the Suez Canal. So everything has worked together in this instance to work against a constant outlet from the Permian Basin area, or our Permian System as we referred to it, and the gas volumes both as to reserves and daily volumes, have increased significantly over the last eight years.

Now, to get back to the compressor study for the San Juan Basin Area, I have directed that we make a complete study of all six thousand wells connected to El Paso's system in the San Juan Basin area. That study is presently under consideration. It's in the mill right now.

Now, as Mr. Woodruff pointed out also, even if we had that completed and filed it today, we wouldn't have any relief for the winter of '68-69.

Now, we don't have any plans to increase the capacity out of the San Juan Basin; however, if we orderly deplete the reserves through the installation of compression, we will increase the ability of many of the wells to produce, so even though we don't have additional capacity out of the San Juan Basin, I'm sure that this compressor study will reveal where we need to put the compression to more nearly bring our underproduced wells into line. So from this standpoint, I think it will assist us in balancing our overproduction problem.

Q Is there anything else that you wish to add to that, Mr. Derrick?

A No, I believe that brings it up to date.

MR. MEYER: I would refer the witness to the Commission for further questioning.

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

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Derrick, you said the study was in the mill, do you mean the decision was under way to make the study --

A No, it has been under way for six months in our Reservoir Engineering Department.

Q If the study reveals that you do need additional compression facilities, and I presume that you probably thought you would or you wouldn't have initiated the study --

A That's correct.

Q -- then would you have to get F. P. C. approval to put the compression facilities in?

A Yes, we anticipate making the filing with the Federal Power Commission.

Q How long do you think it would be before the study is completed?

A I would think it would be toward the end of this year.

Q How soon after that would you file for the F. P. C. if you determine that you did need compressors?

A We would file almost immediately. However, we do have the F. P. C. procedure that we have to go through and then we have to affect the construction after we get the certificate. Hopefully, we would get some relief for the '69-70 heating season. I might point out in relationship to the best-efforts gas that we are producing now; as we sign service agreements with our California companies, we firm up a certain volume of gas, then after these certificates are granted, we normally sign up best efforts agreements with our California customers and under these, under these best efforts agreements, El Paso uses its best efforts to deliver the gas and the California companies, of course, use their best efforts to take the gas. Now, much of this gas which we are presently selling, it is shown on Exhibit 6, once we firm up our 316, or once we get our certificate and get the construction in, then this best efforts gas from the San Juan Basin will be somewhat diminished inasmuch as we will be providing the gas through our Permian System.

Q Well, Mr. Derrick, aren't you being awfully optimistic if you think the study won't be completed before the end of this year; aren't you being awfully optimistic in thinking that you would have the facilities in operation by the beginning of the '69-'70 season?

A I don't think we would have nearly all of them in; however, we want to deplete these reservoirs in an orderly fashion. We don't anticipate that we are going to go in with great amounts of compression. We want to do it each year as needed in order to orderly deplete the reserves.

Q Would the application be made for anticipated compression facilities throughout the Basin or only piecemeal as you saw the immediate need?

A It would be throughout the Basin. We would have an overall plan and I don't know for sure how our application would be worded. I don't know if we would say, have a three-year plan that we would file or if we would do it each year. I don't know for sure how we would handle that.

Q At any rate, you anticipate that it would be possible to have compression facilities installed in certain areas and in operation even prior to getting the facilities that you are talking about here for the Delaware Basin?

A No.

Q Installed?

A No, once we get the certificate in the 67-217 application we think at the most it would take eight months to get those facilities in. Now, the compressors or the additional compression in the San Juan would be, hopefully, installed toward the end of 1969 which would be at some later date instead of our 310 facilities.

Q As I understand the recommendation of the Examiner, he gave you not what you wanted, but more than what you wanted?

A That's correct.

Q And instead of a 36-inch line, he says a 42-inch?

A That is correct, instead of 36.30, he said 42.

Q Now, when Mr. Woodruff was on the stand, there was some question as to whether this Order would be appealed. If the Commission comes out with an Order to install a 42-inch pipeline, will El Paso appeal that order?

A I can't answer that, but I feel sure that some party in the proceedings probably would.

Q MR. PORTER: I believe he testified that all partie objected to that feature of the recommendations.

Q (By Mr. Nutter) And you'd rather appeal the Order and delay the construction than build the six-inch bigger line?

A No, I didn't say that El Paso would appeal it. I said I felt that some party in the proceeding other than El Paso, would. I don't know what El Paso's position will be; as far as I know, no decision has been reached on that yet.

Q The Commission hasn't ruled on it yet?

A That's right, they haven't ruled on it.

MR. NUTTER: All right, thank you.

MR. PORTER: I like the term "best efforts". I'm surprised some of our candidates haven't picked that up. If there are no further questions of this gentleman, we will excuse him.

(Witness excused.)

MR. PORTER: Does that conclude your testimony?

MR. MEYER: Yes, sir, that concludes the testimony of El Paso Natural Gas. Thank you very much.

MR. ROSS: Curtis C. Ross, Pan American Petroleum Corporation. First of all, I would like to say we ware somewhat sympathetic with the El Paso F. P. C. problem. On the other hand, we hate to see this as an opening wedge to construction of prorationing in the San Juan Basin. Nextly, we would like to recognize the cross examination of Tenneco and say that they brought out the two principal points that we see here which are that there is a partial solution available by increasing the purchases of gas, and secondly that there probably could be considerable done toward perhaps a change in their mechanical facilities so as to be able to take more gas. Our principal point is, my company would not like to see an Order of this type become a permanent type order that would be a precedent in other areas. We feel that while temporary relief is probably in order, that it ought to be a continuing matter for the Commission attending the period of time in question.

MR. PORTER: You don't oppose a temporary order of the nature that El Paso has applied for?

MR. ROSS: No, we do not oppose it because we can see the problems.

MR. PORTER: Mr. Kelly.

MR. KELLY: On behalf of Tenneco, Tenneco basically supports the application,of a temporary necessity, but would like to point out the following: It is a real possibility that within a year from now, the now overproduced wells will be even more overproduced with many wells being over six months overproduced resulting in long shut in periods. Further, even when the Texas gas is available, we are going to be faced with the situation where some of the best, some estimates have been over two hundred, of the gas wells in San Juan Basin will be shut in and with 15 (B) now being considered, the shut-in periods could go from six to nine months on many of these wells.

Again, even assuming the Texas gas source, we believe that the California market will continue to increase and grow and in a couple of years we will be back in the same situation unless steps are now taken. Accordingly, we believe that a serious and continuing study should be made of ways to increase the deliverability of existing wells and the development of additional deliverability from the San Juan Basin. We feel this could be done by the installation of compression facilities in the San Juan Basin. The reworking of existing wells with modern treating and fracturing facilities, I might add that this has been done by Tenneco on their operated wells, with great success. Full development of all potentially productive zones in the Basin, higher takes from the systems of Southern Union Gas and gathering companies which do not appear to have taken as much available gas as El Paso has. Therefore, we do support the application.

However, we feel the Commission should review this situation by the use of a Show Cause Order in approximately six months time, to see if there has been any improvement and to see if the affirmative steps necessary to solve this problem have been initiated.

We also would like to strongly state that Tenneco fears that continuing overproduction and continuing suspension of overproduction could result in a solution of cancellation of this overproduction which would in effect, end proration in the San Juan Basin and we would strongly oppose any steps in that direction.

MR. PORTER: Mr. Kelly, as I understand your recommendation, you would support this application for the temporary order with a requirement that there be a progress report by the applicant, say, at the end of a six-month period?

MR. KELLY: That's right.

MR. PORTER: Where they would come into a formal hearing?

MR. KELLY: Show cause why the balancing period should be suspended for another six months so we can find out how we're doing and what is being done to correct the situation and to avoid further and more drastic overproduction.

MR. PORTER: Thank you.

MR. STRAW: Henry Straw, Texaco in Farmington, New Mexico. Texaco, as operator of several gas wells in the San Juan Basin of New Mexico, has no objection to El Paso Natural Gas Company's request for the one year period to bring all gas wells back to balancing according to the rules and regulations governing Northwestern New Mexico. Texaco is in favor of gas proration and therefore this suspension of certain rules and regulations, if granted, should not be taken as an initial step for the elimination of gas prorationing in Northwestern New Mexico.

MR. PORTER: Anyone else like to make a statement of position?

MR. RAMSEY: Charles Ramsey with Pubco Petroleum in Albuquerque. Pubco also, as an operator of gas wells in the San Juan Basin, will be affected by the outcome of this case.

After consideration of all testimony today, we concur with El Paso, that the Commission should suspend on a temporary basis for one year, these balancing provisions in the Order R-1670 affecting the gas wells in the San Juan Basin.

MR. PORTER: Before we call on the applicant, does anyone else have a statement of position they would like to give for the record?

MR. WIEDERKEHR: Al Wiederkehr, Southern Union. Since our name has been brought into this thing in vain a couple of times, I think the record should show that El Paso has cooperated with Southern Union in trying to make proration work. The fact that they have a significantly greater load factor than we do has complicated things. We do not believe, for all present to understand, that either the Commission or the operator has a right to tell us how we should operate insofar as our business dealings with El Paso are concerned. We're doing the very best we can. We have transferred some three hundred wells into a gathering company and sales of that gas are going to El Paso, in order to attempt to balance. But the remainder of the gas is presently going to the gas company and is dedicated to a New Mexico market. We feel that in all fairness to our New Mexico customers, both now and in the future, that we probably should not transfer any additional properties into the gathering company facilities. That has been under a continuing study. Mr. Woodruff, as he mentioned, offered us that opportunity last week, and we so declined because we feel that in our overall operations, looking at not only now, but in the future, once this gas is transferred to a gathering company, it is then a jurisdictional sale and might not be available for our New Mexico customers.

MR. PORTER: Anyone else?

MR. MORGAN: Mr. Chairman, Jay Morgan, Continental Oil Company. We are a non-operator, interested in the Tenneco properties. We have only had a brief period to review the situation in this case, but we would strongly recommend that this Show Cause Hearing be considered if this exception is granted.

MR. PORTER: Mr. Meyer, you may proceed.

MR. MEYER: I would like to ask Mr. Woodruff to address himself to the Show Cause Order which Tenneco has proposed to be called for in six months, and the effect that would have on our application here, now. Mr. Woodruff.

MR. WOODRUFF: As testified, we do not anticipate within six months, having any relief to the conditions that we have testified to exist. I can see nothing to be gained by having that; so of course, we would not object to coming back in and telling the Commission what the situation is, but any improvement can only be gained as a result of installation of additional facilities. We believe that it will be eight months or so before any facilities, I mean before the facilities could be installed and additional gas volumes taken from other sources to relieve the situation. So I question that anything of value could come from a Show Cause Hearing at the end of six months.

MR. KELLY: May I respond to that?

MR. PORTER: Mr. Kelly.

MR. KELLY: I think it is the truth that six months from now probably this situation might even be in worse shape and it would be the middle of the winter months. The point is that many of the operators in the field were caught pretty well unaware by this application and I think the more time we have to find out what is going to happen, where our status is and to review it and to study and come up with affirmative steps, the better off we will be at the end of the year. That's why I think the Commission should very closely scrutinize this and so they can do whatever is possible to avoid the serious threat of really damaging proration in the San Juan Basin.

MR. PORTER: Anyone else like to speak on this particular point?

MR. WOODRUFF: May I speak further on this?

MR. PORTER: Mr. Woodruff.

MR. WOODRUFF: I believe that everyone would be advised adequately if we should keep the Commission advised and others if they desire that we do so, and make it known to us of the decision of the Federal Power Commission relative to our application, and the procedure being gone through by El Paso in carrying out the decision of the Commission. I believe possibly without the need of a hearing, we can make the Commission and others aware of the circumstances.

MR. PORTER: You feel that your progress would hinge on this F. P. C. Commission decision?

MR. WOODRUFF: That is correct.

MR. PORTER: Does anyone else have anything to say in the case? If not, the Commission will take the case under advisement.

INDEX

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

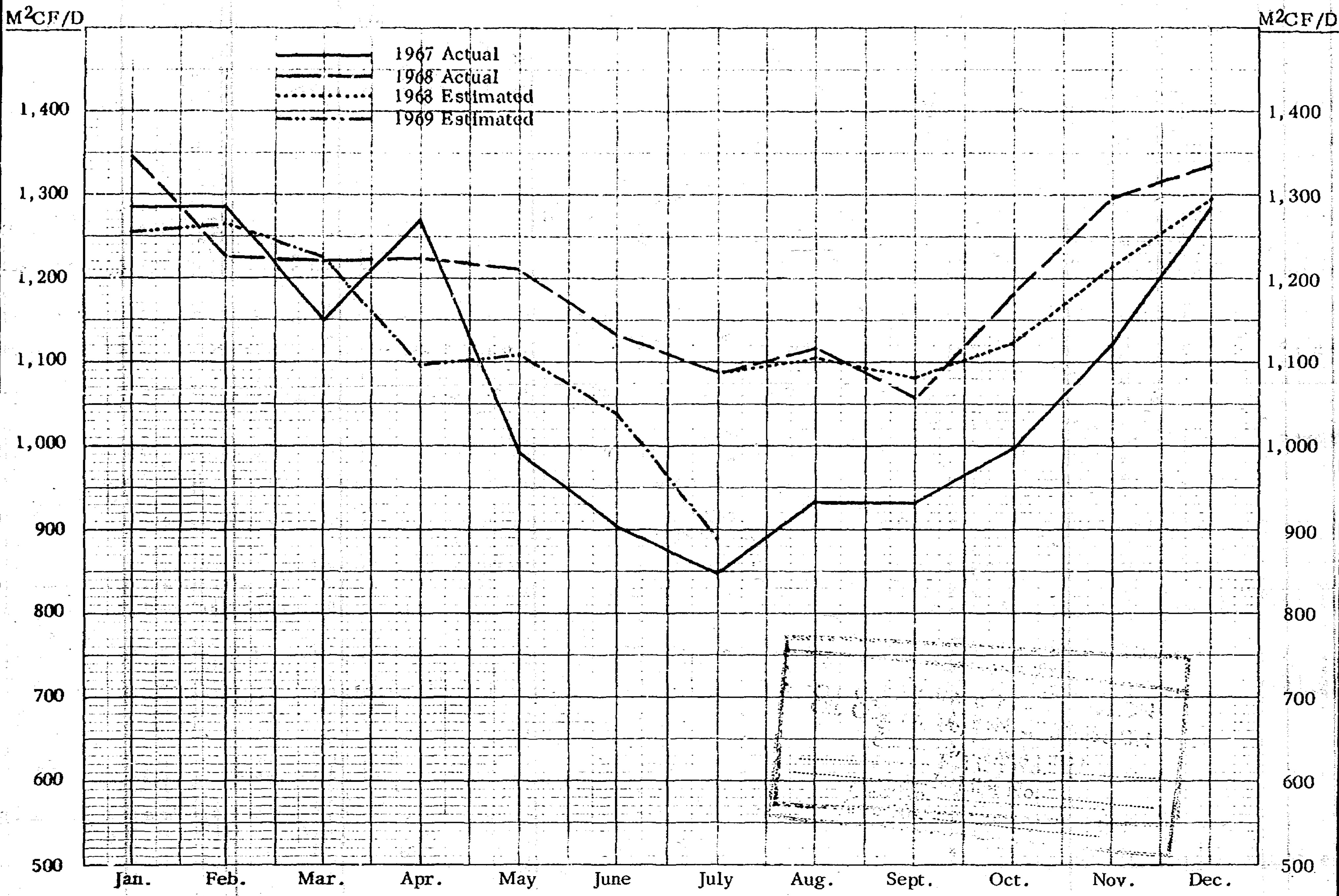
I, ADA DEARNLEY, Court Reporter in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my hand and seal this 28th day of August, 1968.

Ada Dearnley
ADA DEARNLEY

EL PASO NATURAL GAS COMPANY
COMPARISON OF 1967, 1968, AND 1969 GAS REQUIREMENTS
FROM PRORATED POOLS IN SAN JUAN BASIN

Case No. 3834
Exhibit No. 3-R



Case No. 3834
Exhibit No. 6-R

G-X-2 BEST EFFORTS DELIVERIES TO CALIFORNIA

(Volumes in MCF at 14.73# p.b.)

February through July, 1967 (181 days)

	Total Volume	M^2CF/D
So. California	11,424,608	63.1
P G & E	7,106,742	39.3
Total	18,531,350	102.4

August, 1967 through January, 1968 (184 days)

	Total Volume	M^2CF/D
So. California	10,754,761	58.4
P G & E	10,866,455	59.1
Total	21,621,216	117.5

February through July, 1968 (182 days)

	Total Volume	M^2CF/D
So. California	18,972,589	104.2
P G & E	12,587,423	69.2
Total	31,560,012	173.4

August, 1968 through January, 1969 (184 days)

	Total Volume	M^2CF/D
So. California	11,137,227	60.5
P G & E	10,944,329	59.5
Total	22,081,556	120.0

February 19, 1969

Case No. 3834
Exhibit No. 7-R

TEMPORARY SALE TO TRANSWESTERN PIPELINE COMPANY

	Minimum Day	Maximum Day	Monthly Average Day	Actual Average Day	Total Deliveries
Letter Agreement dated June 28, 1968 (150.0 M^2CF/D Max. Day)					
July, 1968 (First Delivery - July 3, 1968)	58.3 M^2CF	117.0 M^2CF	78.6 M^2CF	84.0 M^2CF (29 days)	2,435,829 MCF
August, 1968 (Terminated - August 25, 1968)	40.0 M^2CF (est.)	120.0 M^2CF (est.)	70.0 M^2CF (est.)	87.0 M^2CF (25 days) (est.) 101.3 M^2CF (Aug. 1 - Aug. 6, 1968)	2,170,000 MCF (est.)
Letter Agreement dated June 28, 1968 (150.0 M^2CF/D Max. Day)					
August, 1968	4.3 M^2CF	123.8 M^2CF	60.8 M^2CF	60.8 M^2CF (31 days)	1,885,130 MCF
September, 1968	17.8 M^2CF	98.5 M^2CF	43.0 M^2CF	43.0 M^2CF (30 days)	1,289,780 MCF
October, 1968 (Terminated - October 16, 1968)	.8 M^2CF	55.9 M^2CF	6.6 M^2CF	12.8 M^2CF (16 days)	204,997 MCF
Letter Agreement dated November 20, 1968 (30.0 M^2CF/D Max. Day)					
November, 1968 (First Delivery - November 20, 1968)	17.3 M^2CF	32.5 M^2CF	9.3 M^2CF	25.5 M^2CF (11 days)	280,440 MCF
December, 1968 (Terminated - December 6, 1968)	21.6 M^2CF	31.1 M^2CF	3.5 M^2CF	18.2 M^2CF (6 days)	109,011 MCF
Letter Agreement dated January 27, 1969 (30.0 M^2CF/D Max. Day)					
January, 1969 (First Delivery - January 27, 1969)	16.5 M^2CF	28.8 M^2CF	3.6 M^2CF	22.1 M^2CF (5 days)	110,627 MCF
February, 1969 (Terminated - February 7, 1969)	5.1 M^2CF (est.)	25.0 M^2CF (est.)	2.0 M^2CF (est.)	7.9 M^2CF (7 days) (est.)	55,000 MCF (est.)
Grand Total July, 1968 through February, 1969					6,370,814 MCF

OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Exhibit No.
Case No.

February 19, 1969

Case No. 3834
Exhibit No. 8-R

STUDY OF OVERPRODUCED WELLS IN PRORATED POOLS
IN THE SAN JUAN BASIN FOR BALANCING PERIOD ENDING JANUARY 31, 1969
BEFORE AND AFTER CANCELLATION AND REDISTRIBUTION

(All Volumes in MCF at 15.025# p.b.)

		Balancing Status January 31, 1969 Before Cancellation and Redistribution				Balancing Status January 31, 1969 After Cancellation and Redistribution			
Pool	Average Monthly Allowable	Wells	Volume	Average Volume	Number of Days Overproduced	Wells	Volume	Average Volume	Number of Days Overproduced
Aztec	3,477	82	395,299	4,821	42	44	121,631	2,764	24
Ballard	4,549	73	543,897	7,451	49	35	162,408	4,640	31
South Blanco	4,294	255	1,723,978	6,761	47	156	652,038	4,180	29
Fulcher Kutz	2,469	42	187,165	4,456	54	36	108,776	3,022	37
Tapacito	4,970	45	567,764	12,617	76	36	193,630	5,379	32
West Kutz	2,747	28	108,084	3,860	42	20	80,238	4,012	44
Blanco MV	17,128	428	7,384,297	17,253	30	51	223,811	4,388	8
Basin Dakota	30,688	218	14,563,077	66,803	65	138	5,300,359	38,408	38
Total	14,096	1,171	25,473,561	21,754	45	516	6,842,891	13,261	30

Exhibit No.
Case No.

February 19, 1969

NEW MEXICO OIL CONSERVATION COMMISSION
P. O. BOX 2088
SANTA FE, NEW MEXICO

GAS NOMINATIONS FOR MARCH, 1969

SOUTHEAST POOLS

Atoka-Pennsylvanian	1,048,800 Mcf
Bagley-Lower Pennsylvanian	35,000 Mcf
Bagley-Upper Pennsylvanian	35,000 Mcf
Blinebry	1,571,739 Mcf
Crosby-Devonian	201,500 Mcf
Eumont	5,902,050 Mcf
Indian Basin-Morrow	142,400 Mcf
Indian Basin-Upper Pennsylvanian	6,577,000 Mcf
Jalmat	3,880,893 Mcf
Justis	338,600 Mcf
Monument McKee-Ellenburger	242,480 Mcf
Todd-Lower San Andres	52,000 Mcf
Tubb	2,047,943 Mcf
TOTAL	22,075,405 Mcf

NORTHWEST POOLS

Basin-Dakota	22,676,500 Mcf
Blanco-Mesaverde	21,699,400 Mcf
Aztec-Pictured Cliffs	1,223,400 Mcf
Ballard-Pictured Cliffs	1,271,800 Mcf
Fulcher Kutz-Pictured Cliffs	511,600 Mcf
South Blanco-Pictured Cliffs	3,442,200 Mcf
Tapacito-Pictured Cliffs	927,300 Mcf
West Kutz-Pictured Cliffs	301,200 Mcf
Devils Fork-Gallup	93,700 Mcf
Devils Fork-Gallup - Estimate	106,764 Mcf
TOTAL	52,147,100 Mcf
Total on Devils Fork-Gallup - Estimate	52,160,164 Mcf
Total Adjusted Nominations - Both Areas	74,235,569 Mcf

EXHIBIT-A
Gas Allowable Hearing
February 19, 1969

Case No. 3834
Exhibit No. 1

UNITED STATES OF AMERICA

Before the

FEDERAL POWER COMMISSION

El Paso Natural Gas Company) Docket No. CP67-___

Application for a Certificate
of Public Convenience and Necessity

Comes now EL PASO NATURAL GAS COMPANY, hereinafter referred to as "Applicant," pursuant to § 7(c) of the Natural Gas Act and § 157.5 et seq., of the Commission's Regulations Under the Natural Gas Act, and files this application for a certificate of public convenience and necessity to construct and operate certain facilities and to sell and deliver additional quantities of natural gas, all as hereinafter more fully set forth.

In support hereof, Applicant respectfully represents:

I.

The exact legal name of Applicant is El Paso Natural Gas Company. It is a corporation duly organized and existing under the laws of the State of Delaware, having its principal place of business located in El Paso, Texas. Applicant is authorized to conduct business as a foreign corporation in the States of Alaska, Arizona, Arkansas, Colorado, Idaho, Kansas, Louisiana, Montana, Nevada, New Mexico, New York, Oklahoma, Oregon, Texas, Utah, Washington and Wyoming.

The names, titles and mailing addresses of those persons to whom correspondence and communications concerning this application are to be addressed are as follows:

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Exhibit No. 1
Case No. 3834

Mr. Travis Petty, Controller
El Paso Natural Gas Company
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El Paso, Texas, 79999

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El Paso Natural Gas Company
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Hardie, Grambling, Sims & Galatzan
Post Office Drawer 1977
El Paso, Texas, 79950

II.

Applicant is a natural-gas company engaged in the business of producing, purchasing, transporting and selling natural gas to distribution companies and other pipeline companies for resale and to industries and others for direct consumption. The pipeline system of Applicant extends from the Permian Basin of west Texas and southeast New Mexico, the Texas-Oklahoma Panhandle area, the San Juan Basin of northwest New Mexico and southwest Colorado and the Four Corners area of the States of Arizona, New Mexico, Utah and Colorado, through one or more of the States of Texas, New Mexico and Arizona, to points of termination at the boundary between the States of California and Arizona near Blythe, California, and Topock, Arizona, and to a point of termination at the boundary between the States of Arizona and Nevada near Big Bend, Arizona; the pipeline system of Applicant also extends from the San Juan Basin area, through the States of Colorado, Utah, Wyoming, Idaho, Oregon and Washington, to a point of termination at the International Boundary near Sumas, Washington.

III.

Applicant hereby seeks a certificate of public convenience and necessity under § 7(c) of the Act authorizing the construction and operation of certain additional Southern Division Mainline System facilities, so as to increase the maximum daily design capacity of such system by 310,282,000 cubic feet,1/ and the sale and delivery of an additional firm daily quantity of 103,212,000 cubic feet of natural gas to Pacific Gas and Electric Company ("PG&E") and an additional firm daily quantity of 154,130,000 cubic feet of natural gas to Southern California Gas Company and Southern Counties Gas Company of California (jointly "Southern").

As presently constituted, Applicant's Southern Division Mainline System possesses a daily design capacity of 3,229,718,000 cubic feet. Of such capacity, 2,432,658,000 cubic feet is utilized to meet contractual delivery obligations to PG&E and Southern and the remaining capacity of 797,060,000 cubic feet is utilized to meet contractual delivery obligations to customers situated east of California in the States of Texas, New Mexico, Arizona and southern Nevada.

Natural gas requirements of Applicant's customers served by the Southern Division Mainline System have consistently increased over past

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1/ All quantities of natural gas and rates set forth herein are stated at a pressure base of 14.73 psia and a temperature base of 60° F. unless otherwise indicated.

years; as demonstrated herein, they will continue to do so in the future. PG&E and Southern now require additional firm supplies of natural gas to meet their respective increasing requirements. To this end, each has requested an increase in its firm maximum contracted daily demand from El Paso. Additionally, recent market forecasts of Applicant and its east-of-California customers indicate mainline peak day requirements for markets situated east of California for the 1967-68 and subsequent heating seasons which are substantially in excess of existing daily design capacity.

To implement the requests of PG&E and Southern for additional firm supplies, Applicant has entered upon precedent commitments with each of such customers providing, inter alia, for increases in their respective firm contract demands. By Letter Agreement dated July 28, 1966, as amended by Letter Agreement dated December 5, 1966, Applicant has agreed to sell and deliver and PG&E has agreed to purchase and receive an additional maximum contracted daily demand quantity of 103,212,000 cubic feet commencing on November 1, 1967. This quantity, when taken with PG&E's present maximum contracted daily demand of 1,036,788,000 cubic feet, will provide PG&E with daily quantities aggregating 1,140,000,000 cubic feet. By Letter Agreement dated January 9, 1967, as supplemented by Southern's letter of January 19, 1967, Applicant has agreed to sell and deliver and Southern has agreed to purchase and receive an additional maximum contracted daily demand quantity of 154,130,000 cubic feet commencing on November 1, 1967. This quantity, when taken with Southern's present maximum contracted daily demand of 1,395,870,000 cubic feet, will provide Southern with daily quantities aggregating 1,550,000,000 cubic feet.

The point of delivery to PG&E for the additional quantities will be at the existing delivery point near Topock, Arizona, and the point of delivery to Southern for the additional quantities will be at the existing delivery point near Blythe, California. Deliveries of the additional quantities to PG&E at Topock will be made at the existing contract pressure for such point of 600 psig; deliveries of existing as well as the additional quantities to Southern at Blythe will, as a result of the project proposed herein, be made at a pressure of 600 psig, an increase from the existing contract pressure for such point of 500 psig. The rate applicable to all such deliveries will continue to be that in effect from time to time under Applicant's Rate Schedule G, FPC Gas Tariff, Original Volume No. 1. Copies of the precedent commitments with PG&E and Southern are submitted herewith as a part of Exhibit 1; their provisions will be incorporated into service agreements between Applicant and each of such parties and appropriately filed with the Commission prior to initiation of deliveries under the authorizations sought herein.

Of the total additional daily capacity of 310,282,000 cubic feet proposed herein, 257,342,000 cubic feet of such capacity is required to satisfy the additional firm contract demands requested by PG&E and Southern. The remaining additional capacity of 52,940,000 cubic feet is required to meet the increasing requirements of Applicant's east-of-California customers. This remaining additional capacity, when taken with the present east-of-California daily design capacity of 797,060,000 cubic feet, will provide a total daily design capacity of 850,000,000 cubic feet to satisfy requirements of east-of-California markets. These requirements are presently estimated to aggregate, on a peak day, 1,033,544,000 cubic feet during the 1967-68 heating season and 1,065,116,000 cubic feet during the 1968-[illegible] heating season. With the proposed east-of-California capacity, Applicant will be enabled to satisfy increasing loads served by its distributor customers and to approximate the level of service historically maintained for its direct industrial customers.

Applicant proposes to utilize its general system sources of supply for the additional sales and deliveries proposed herein as augmented by new or additional reserves committed to Applicant in the Delaware and Val Verde Basins of Texas. These new or additional sources consist of Ellenberger reserves in the Gomez, West Waha, Lockridge, Hamon, Toro and J. M. Fields.

Among Applicant's proposed facilities are a 36" O.D. pipeline extending directly from Applicant's existing Waha Treating Plant a distance of approximately 143.5 miles to its existing Cornudas Compressor Station, and 3,204 compressor horsepower at Puckett Plant. While concluding that such a 36" O.D. pipeline should be built, Applicant did give consideration to a possible alternative to such facility; namely, a 30" O.D. pipeline, following the identical route of the proposed 36" O.D. pipeline, some 36.5 miles of 24" O.D. pipeline looping the existing 24" O.D. Waha to Keystone purchase lateral and 2,136, rather than 3,204, compressor horsepower at Puckett Plant. A map showing the location of such possible alternative facilities is submitted herewith as Exhibit Z-1; a flow diagram showing the operation thereof is submitted herewith as Exhibit Z-2; a specific description thereof is submitted herewith as Exhibit Z-3 and details of the cost therefor, as compared to the cost of the proposed 36" O.D. pipeline and 3,204 Puckett compressor horsepower, are submitted herewith as Exhibit Z-4. Additionally, there are submitted herewith as Exhibit Z-5 comparative cost of service data for the proposed 36" O.D. pipeline facilities and the possible alternative facilities.

Prompted by both the magnitude of the reserves now committed to Applicant in the Delaware and Val Verde Basins and the tremendous future potential of these areas, Applicant will rely to an increasing extent on these areas to meet its future market requirements; likewise, reliance will be made upon these areas to offset any production decline in Permian Basin reserves and to provide peaking capability to accommodate month-end deficiencies in residue sources and extreme peak winter demands. As shown by Exhibit Z-5 appended hereto, the economic crossover between the proposed 36" O.D. pipeline and the possible alternative facilities is attained at a level of deliveries of approximately 370,000,000 cubic feet per day. It is thus apparent that the installation of the proposed 36" O.D. pipeline will, in the future, permit the required utilization of increased supply from the Delaware and Val Verde Basins at a minimum of additional cost.

For the above reasons, Applicant submits that certification of the proposed 36" O.D. pipeline facilities is in the public interest. If, however, the Commission should conclude to the contrary, Applicant would accept a certificate for the possible alternative facilities shown herein in lieu of the proposed 36" O.D. pipeline and related Puckett horsepower.

The remaining facilities proposed herein consist of gathering, purification and dehydration, transmission and appurtenant field facilities and pipeline, loop pipeline, compressor and appurtenant mainline facilities. Among such mainline facilities is a 30" O.D. pipeline extending directly from Lordsburg Compressor Station a distance of approximately 217.0 miles to Casa Grande Compressor Station which, through use of such direct route, will avoid populated areas situated along the existing route of the California Mainline System and will be some 20.5 miles shorter than the existing California Mainline System route.

As a part of the facility proposal set forth herein, Applicant also proposes to retest and qualify approximately 103.2 miles of its existing Jal to El Paso "B" mainline for operation at higher working pressure. Such qualification for higher operating pressure will be attained by inspecting, hydrostatically testing and replacing pipe and pipeline appendages where necessary, all pursuant to ASA B31.8-1963 Code.

Construction and operation of the proposed facilities and the sale and delivery of additional quantities of natural gas by use thereof will provide Applicant's existing customers with gas supplies necessary to meet the increasing requirements of their respective market areas. Applicant therefore represents that grant of the requested authorizations is required by and will clearly serve the public convenience and necessity.

IV.

The facilities for which Applicant hereby seeks authorization to construct (or install) and operate are specifically described as follows:

A. COMPRESSOR STATIONS

1. FIELD COMPRESSOR STATIONS

Puckett Compressor Station
A new 3,204 horsepower compressor station consisting of three (3) 1,068 horsepower packaged gas turbine-driven centrifugal compressor units, and necessary appurtenances. This station will be known as Puckett Compressor Station and will be located at Applicant's existing Puckett Plant site in the NE/4 of Section 13, Block 126, T. & ST.L. RR Survey, Pecos County, Texas.

2. MAINLINE COMPRESSOR STATIONS

a. Keystone Mainline Compressor Station Modifications
Cylinder and piping modifications on one (1) 2,000 horsepower gas engine-driven reciprocating compressor unit at Keystone Mainline Compressor Station located in Section 15, PSL Block 77, Winkler County, Texas. These modifications will not increase the horsepower rating of the unit but are required to provide capability for compressing gas at Keystone Mainline into the 20" O.D. Keystone Mainline to Waha Purification and Dehydration Plant pipeline.

b. Pecos River Compressor Station Modifications
Piping modifications and a new compressor impeller on one (1) 5,700 horsepower gas turbine-driven compressor unit at

Pecos River Compressor Station located in the NE/4 of Section 7, Township 26 South, Range 29 East, Eddy County, New Mexico. These modifications will not increase the horsepower rating of the unit but are required to compress the reduced throughput proposed at this location.

c. Cornudas Compressor Station Addition and Modifications
One (1) 9,300 horsepower gas turbine-driven centrifugal compressor unit, and necessary appurtenances, and uprate by 500 horsepower each, through increased firing temperature, the three (3) existing 5,700 horsepower gas turbine-driven centrifugal compressor units at Cornudas Compressor Station located in the SW/4 of Section 17, University Lands, Block J, Hudspeth County, Texas. The horsepower addition and uprating of existing units, together with the presently installed horsepower, will make a total of 27,900 horsepower at this station. The uprating of the existing units through increased firing temperature is made possible as a result of prior installation of uprating kits authorized at Docket No. CP62-294.

d. Hueco Compressor Station Modifications
Piping modifications, new compressor impellers and uprate by 500 horsepower each, through increased firing temperature, the three (3) existing 5,700 horsepower gas turbine-driven centrifugal compressor units at Hueco Compressor Station located in the SW/4 of Section 10, PSL Block 10, Hudspeth County, Texas. The uprating of existing units, together with the presently installed horsepower, will make a total of 18,600 horsepower at this station. The uprating of the existing units through increased firing temperature is made possible as a result of prior installation of uprating kits authorized at Docket No. CP62-294.

e. Afton Compressor Station Modifications
Piping modifications, new compressor impellers and uprate by 500 horsepower each, through increased firing temperature, the three (3) existing 5,700 horsepower gas turbine-driven centrifugal compressor units at Afton Compressor Station located in the SW/4 of Section 21, and the SE/4 of Section 20, Township 25 South, Range 1 East, Dona Ana County, New Mexico. The uprating of existing units, together with the presently installed horsepower, will make a total of 18,600 horsepower at this station. The uprating of the existing units through increased firing temperature is made possible as a result of prior installation of uprating kits authorized at Docket No. CP62-294.

f. Florida Compressor Station Modifications
Piping modifications and uprate by 500 horsepower each, through increased firing temperature, the three (3) existing 5,700 horsepower gas turbine-driven centrifugal compressor units at Florida Compressor Station located in the SE/4

of Section 14, Township 24 South, Range 6 West, Luna County, New Mexico. The uprating of existing units, together with the presently installed horsepower, will make a total of 18,600 horsepower at this station. The uprating of the existing units through increased firing temperature is made possible as a result of prior installation of uprating kits authorized at Docket No. CP62-294.

g. Lordsburg Compressor Station Addition and Modifications
One (1) 9,300 horsepower gas turbine-driven centrifugal compressor unit, and necessary appurtenances, and uprate by 500 horsepower each, through increased firing temperature, the two (2) existing 5,700 horsepower gas turbine-driven centrifugal compressor units at Lordsburg Compressor Station located in the S/2 of Section 8, Township 23 South, Range 17 West, Hidalgo County, New Mexico. The horsepower addition and uprating of existing units, together with the presently installed horsepower, will make a total of 21,700 horsepower at this station. The uprating of the existing units through increased firing temperature will be made possible as a result of the proposed installation of uprating kits authorized at Docket No. CP62-294.

h. San Simon Compressor Station Modifications
A new compressor impeller on one (1) 5,700 horsepower gas turbine-driven compressor unit at San Simon Compressor Station located in the W/2 of Section 16, Township 14 South, Range 32 East, Cochise County, Arizona. The impeller installation will not increase the horsepower rating of the unit but is required to compress the reduced throughput proposed at this location.

i. Casa Grande Compressor Station Addition and Modifications
Piping modifications and uprate by 500 horsepower each, through increased firing temperature, the three (3) existing 5,700 horsepower gas turbine-driven centrifugal compressor units at Casa Grande Compressor Station located in the SW/4 of Section 5, Township 6 South, Range 3 East, Pinal County, Arizona. The uprating of existing units, together with the presently installed horsepower, will make a total of 18,600 horsepower at this station. The uprating of the existing units through increased firing temperature will be made possible as a result of the proposed installation of uprating kits authorized at Docket No. CP62-294.

j. Wenden Compressor Station
A new compressor station consisting of one (1) 9,300 horsepower gas turbine-driven centrifugal compressor unit, and necessary appurtenances. This station will be known as Wenden Compressor Station and will be located on the 26" and 30" O.D. Southern Mainlines at Milepost 670.5, Section 2, Township 2 North, Range 12 West, Yuma County, Arizona.

B. PIPELINES

1. FIELD PIPELINES

a. Approximately 55.6 miles of 24" O.D., 0.312" w.t. pipeline, and necessary appurtenances, commencing at the discharge of the proposed Puckett Compressor Station, described in paragraph A.1. above, and terminating at the discharge side of the Waha Purification and Dehydration Plant in the SE/4 of Section 9, PSL Block C-3, Reeves County, Texas.

b. Approximately 14.1 miles of 20" O.D., 0.312" w.t. pipeline, and necessary appurtenances, commencing at a point in the Hamon and Toro Fields in Section 11, Block 50, T. & P. RR. Co. Survey, Reeves County, Texas, and terminating at the inlet side of the Waha Purification and Dehydration Plant in the SE/4 of Section 9, PSL Block C-3, Reeves County, Texas.

c. Approximately 10.8 miles of 20" O.D., 0.312" w.t. pipeline, and necessary appurtenances, commencing at a point in the Lockridge Field in Section 70, Block 34, H. & T.C. Survey, Ward County, Texas, and terminating at the inlet side of the Waha Purification and Dehydration Plant in the SE/4 of Section 9, PSL Block C-3, Reeves County, Texas.

2. FIELD LOOP PIPELINE

Approximately 18.9 miles of 24" O.D., 0.375" w.t. pipeline, and necessary appurtenances, commencing at a point in the Gomez Field in Section 2, Block 115, G.C. & S.F. RR. Co. Survey, Pecos County, Texas, and terminating at the inlet side of the Waha Purification and Dehydration Plant in the SE/4 of Section 9, PSL Block C-3, Reeves County, Texas, such pipeline looping the 16" O.D. Gomez Field to Waha Plant pipeline.

3. WAHA-CORNUDAS MAINLINE

Approximately 143.5 miles of 36" O.D., 0.438" w.t. pipeline, and necessary appurtenances, commencing at the discharge side of the Waha Purification and Dehydration Plant in the SE/4 of Section 9, PSL Block C-3, Reeves County, Texas, and terminating at the inlet side of Cornudas Compressor Station described in paragraph A.2.c. above.

4. LORDSBURG-CASA GRANDE MAINLINE

Approximately 217.0 miles of 30" O.D., 0.375" w.t. pipeline, and necessary appurtenances, commencing at the discharge side of Lordsburg Compressor Station described in paragraph A.2.g. above and terminating at the suction side of Casa Grande Compressor Station described in paragraph A.2.i. above, such pipeline to be located generally parallel with and north of the existing Southern Mainlines.

5. SOUTHERN MAINLINE LOOP PIPELINE

a. Approximately 25.1 miles of 30" O.D., 0.375" w.t. pipeline, and necessary appurtenances, commencing at a point in the SW/4 of Section 17, University Lands, Block J, and terminating at a point in the SW/4 of Section 8, PSL Block 12, all in Hudspeth County, Texas, such pipeline looping a segment of the Southern Mainlines from Cornudas Compressor Station at Milepost 144.5 to Milepost 169.6.

b. Approximately 24.1 miles of 30" O.D., 0.375" w.t. pipeline, and necessary appurtenances, commencing at a point in the SW/4 of Section 8, Block 77, Township 3, T. & P. RR Co. Survey, and terminating at the El Paso Compressor Station in the NE/4 of Section 18, Block 80, Township 1, T. & P. RR Co. Survey, all in El Paso County, Texas, such pipeline looping a segment of the Southern Mainlines from Milepost 183.5 to El Paso Compressor Station at Milepost 207.6.

c. Approximately 8.6 miles of 30" O.D., 0.375" w.t. pipeline, and necessary appurtenances, commencing at a point in the NE/4 of Section 18, Block 80, Township 1, T. & P. RR Co. Survey, El Paso County, Texas, and terminating at a point in the SW/4 of Section 27, Township 26 South, Range 4 East, Dona Ana County, New Mexico, such pipeline looping the Southern Mainlines from El Paso Compressor Station at Milepost 207.6 to Milepost 216.2.

d. Approximately 27.6 miles of 30" O.D., 0.375" w.t. pipeline, and necessary appurtenances, commencing at a point in the SW/4 of Section 21, Township 25 South, Range 1 East, Dona Ana County, New Mexico, and terminating at a point in the SW/4 of Section 24, Township 24 South, Range 5 West, Luna County, New Mexico, such pipeline looping a segment of the Southern Mainlines from Afton Compressor Station at Milepost 236.8 to Milepost 264.4.

e. Approximately 24.8 miles of 30" O.D., 0.375" w.t. pipeline, and necessary appurtenances, commencing at a point in the SE/4 of Section 8, Township 24 South, Range 7 West, and terminating at a point in the SE/4 of Section 32, Township 23 South, Range 11 West, all in Luna County, New Mexico, such pipeline looping a segment of the Southern Mainlines from Milepost 280.3 to Deming Compressor Station at Milepost 305.1.

f. Approximately 34.0 miles of 30" O.D., 0.375" w.t. pipeline, and necessary appurtenances, commencing at a point in the SE/4 of Section 32, Township 23 South, Range 11 West, Luna County, New Mexico, and terminating at a point in the NE/4 of Section 15, Township 23 South, Range 17 West, Hidalgo County, New Mexico, such pipeline looping a segment of the Southern Mainlines from Deming Compressor Station at Milepost 305.1 to Milepost 339.1.

g. Approximately 23.3 miles of 30" O.D., 0.375" w.t. pipeline, and necessary appurtenances, commencing at a point in the SW/4 of Section 5, Township 6 South, Range 3 East, Pinal County, Arizona, and terminating at a point in the NE/4 of Section 29, Township 3 South, Range 1 West, Maricopa County, Arizona, such pipeline looping a segment of the Southern Mainlines from Casa Grande Compressor Station at Milepost 577.1 to Milepost 600.4.

h. Approximately 21.0 miles of 30" O.D., 0.281" w.t. pipeline, and necessary appurtenances, commencing at a point in Section 2, Township 2 North, Range 12 West, Yuma County, Arizona, and terminating at a point in Section 21, Township 2 North, Range 15 West, Yuma County, Arizona, such pipeline looping a segment of the Southern Mainlines from proposed Wenden Compressor Station at Milepost 670.5 to Milepost 691.5.

i. Approximately 4.7 miles of 30" O.D., 0.281" w.t. pipeline, and necessary appurtenances, commencing at a point in Section 12 extended, Township 3 North, Range 20 West, and terminating at a point in Section 32 extended, Township 4 North, Range 20 West, all in Unsurveyed Lands, Yuma County, Arizona, such pipeline looping a segment of the Southern Mainlines from Milepost 720.8 to Milepost 725.5.

C. <u>METERING FACILITIES</u>

1. <u>CHECK METERS</u>

a. A 20" O.D. orifice-type check meter, and necessary appurtenances, located on the proposed 20" O.D. Toro and Hamon Fields pipeline, described in paragraph B.1.b. above, at the inlet side of the Waha Purification and Dehydration Plant in the SE/4 of Section 9, PSL Block C-3, Reeves County, Texas.

b. A 20" O.D. orifice-type check meter, and necessary appurtenances, located on the proposed 20" O.D. Lockridge Field line, described in paragraph B.1.c. above, at the inlet side of the Waha Purification and Dehydration Plant in the SE/4 of Section 9, PSL Block C-3, Reeves County, Texas.

c. A 24" O.D. orifice-type check meter, and necessary appurtenances, located on the proposed 24" loop of the Gomez to Waha Pipeline described in paragraph B.2. above, at the inlet side of the Waha Purification and Dehydration Plant in the SE/4 of Section 9, PSL Block C-3, Reeves County, Texas.

d. A 24" O.D. orifice-type check meter, and necessary appurtenances, located on the proposed 24" O.D. Puckett to Waha pipeline, described in paragraph B.1.a. above, on the discharge side of the Puckett Plant in the NE/4 of Section 13, Block 126, T. & ST.L. RR Survey, Pecos County, Texas.

e. A 36" O.D. orifice-type check meter, and necessary appurtenances, located on the proposed 36" O.D. Waha to Cornudas pipeline, described in paragraph B.3. above, on the discharge side of the Waha Purification and Dehydration Plant in the SE/4 of Section 9, PSL Block C-3, Reeves County, Texas.

f. A 24" O.D. orifice-type check meter, and necessary appurtenances, located on the discharge side of the Waha Purification and Dehydration Plant in the SE/4 of Section 9, PSL Block C-3, Reeves County, Texas.

g. A 30" O.D. orifice-type check meter, and necessary appurtenances, located on the proposed 30" O.D. Lordsburg Casa Grande Mainline at approximate Milepost 194 in Section 5, Township 6 South, Range 7 East, Pinal County, Arizona.

2. PURCHASE METERS

a. A 12-3/4" O.D. orifice-type purchase meter, and necessary appurtenances, located on the outlet side of the Mobil-Coyanosa Plant in the NE/4 of Section 48, Block 143, T. & ST.L. Survey, Pecos County, Texas.

3. SALES METERS

a. Two (2) 16" O.D. orifice-type sales meter runs, and necessary appurtenances, to be located at Topock Meter Station in Section 35, Township 16 North, Range 21 West, Mohave County, Arizona.

b. Two (2) 16" O.D. orifice-type sales meter runs, and necessary appurtenances, to be located at Ehrenberg Meter Station in Section 16, Township 3 North, Range 22 West, Yuma County, Arizona.

In addition to those facilities specifically described in paragraphs A, B and C above, but as a part of the instant project, Applicant proposes to construct (or install) and operate, under authority of

§ 2.55(a) of the Commission's General Policy and Interpretations, those facilities specifically described as follows:

D. AUXILIARY INSTALLATIONS

1. GAS PURIFICATION AND DEHYDRATION FACILITIES

a. Waha Purification and Dehydration Plant Addition
Additional gas purification and dehydration facilities as required to provide an increase of 316,000,000 cubic feet per day in the design inlet capacity of the Waha Purification and Dehydration Plant located in the SE/4 of Section 9, PSL Block C-3, Reeves County, Texas. This addition, together with the present design capacity, will provide a total design inlet capacity of 531,000,000 cubic feet per day for this plant.

2. GAS CLEANING EQUIPMENT

a. El Paso Compressor Station
An additional scrubber at El Paso Compressor Station located in the NE/4 of Survey 18, Block 80, Township 1, T & P RR Company Survey, El Paso County, Texas.

b. Deming Compressor Station
An additional scrubber at Deming Compressor Station located in the SE/4 of Section 32, Township 23 South, Range 11 West, Luna County, New Mexico.

c. Gila Compressor Station
An additional scrubber at Gila Compressor Station located in the SW/4 of Section 18, Township 2 South, Range 5 West, Maricopa County, Arizona.

3. STATION PIPING

Make piping modifications at Guadalupe Compressor Station located in the SE/4 of Section 25, PSL Block 120, and N/2 of Section 5, PSL Block 119, Culberson County, Texas, as required to supply fuel for this station from the 16" O.D. El Paso "B" Mainline.

4. COMMUNICATION FACILITIES

Additional communications equipment as required for the operation and maintenance of those facilities proposed herein.

5. GENERAL STRUCTURES

Additional general structures as required for the operation and maintenance of those facilities proposed herein.

In addition to those facilities specifically described in paragraphs A, B, C and D above, but as a part of the instant project, Applicant proposes to install and operate those facilities specifically described as follows:

E. GATHERING FACILITIES

1. A total of approximately 13.7 miles of 16" O.D., 12-3/4" O.D., 10-3/4" O.D. and 8-5/8" O.D. field gathering pipelines, and necessary appurtenances including twelve (12) high pressure well ties with meter runs, located in the Toro and Hamon Fields in Reeves County, Texas.

2. A total of approximately 3.3 miles of 16" O.D. and 10-3/4" O.D. field gathering pipelines, and necessary appurtenances including five (5) high pressure well ties with meter runs, located in the Lockridge Field in Ward County, Texas.

Applicant believes that certificate authorization is not required to construct and operate the gathering facilities described in paragraph E above; in the event the Commission finds to the contrary, Applicant likewise seeks authorization necessary to construct and operate such gathering facilities.

In addition to those facilities specifically described in paragraphs A, B, C, D and E above, which Applicant proposes to construct and operate, Applicant proposes, as a part of the instant project, to retest and qualify for operation at a higher working pressure those facilities specifically described as follows:

F. MAINLINE PIPELINES

Inspect, hydrostatically test and replace pipe and pipeline appendages where necessary to qualify, pursuant to ASA B31.8-1963 Code, for a maximum allowable operating pressure of 650 psig, approximately 103.2 miles of the existing 16" O.D. "B" El Paso Mainline commencing at the Tunstill tie-in at a point in Section 1, Township 26 South, Range 30 East, Eddy County, New Mexico, and terminating at the crossover line with the 26" and 30" O.D. Southern Mainlines at Compressor Station No. 2 located in the NE/4 of Section 24, Township 3, PSL Block 123, Hudspeth County, Texas.

The total estimated cost of constructing those facilities described in paragraphs A, B, C, D and E above and retesting those facilities described in paragraph F above, including overhead, contingency provisions and filing fees, is $118,325,000. The total project cost, including financing expenses and additional working capital, is estimated at $120,600,000.

V.

No application, to supplement or effectuate Applicant's proposal, as set forth herein, must be or is to be filed by Applicant, or by any other person, with any State, Federal or other regulatory body, except applications by those producers indicated in Exhibit H hereto necessary to implement authorization requested herein for facilities to attach certain sources of gas.

VI.

Appended hereto is a statement, in conformity with § 157.6(b)(7) of the Commission's Regulations, submitted in the form contemplated by § 157.9 of said Regulations, suitable for publication in the Federal Register.

VII.

WHEREFORE, El Paso Natural Gas Company, the Applicant herein, respectfully prays that the Commission issue to it a certificate of public convenience and necessity under § 7(c) of the Natural Gas Act authorizing the construction and operation of facilities and the sale and delivery of natural gas, all as hereinabove described.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By s/ Travis Petty
Travis Petty
Controller

G. Scott Cuming, Esq., General Counsel
Walter G. Henderson, Esq., Counsel
of EL PASO NATURAL GAS COMPANY

By s/ Walter G. Henderson
Walter G. Henderson

MAY, SHANNON AND MORLEY

By s/ Charles V. Shannon
Charles V. Shannon

HARDIE, GRAMBLING, SIMS & GALATZAN

By s/ Allen R. Grambling
Allen R. Grambling

Attorneys for EL PASO NATURAL GAS COMPANY

Dated: January 27, 1967

STATE OF TEXAS)
)
COUNTY OF EL PASO)

TRAVIS PETTY, being first duly sworn, on oath, says that he is Controller of El Paso Natural Gas Company; that he has read the within and foregoing Application for a Certificate of Public Convenience and Necessity and that he is familiar with the contents thereof; that, as such officer, he has executed the same for and on behalf of said Company with full power and authority to do so; and that the matters and facts set forth therein are true to the best of his information, knowledge and belief.

s/ Travis Petty
Travis Petty

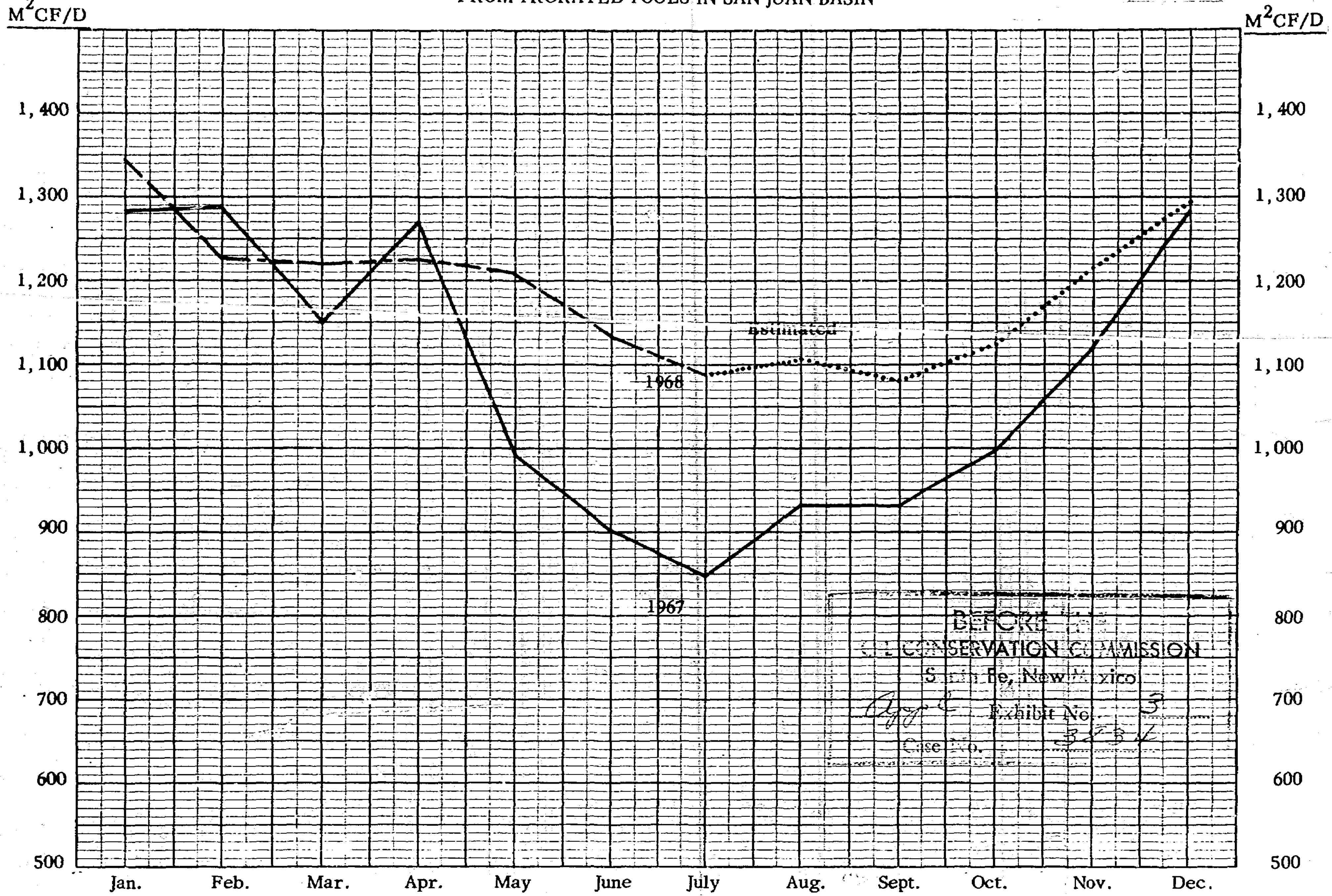
SUBSCRIBED AND SWORN TO before me, the undersigned authority, on this 27th day of January, 1967.

s/ Norma Jean Adkins
Norma Jean Adkins
Notary Public in and for
El Paso County, Texas
My Commission Expires June 1, 1967

(SEAL)

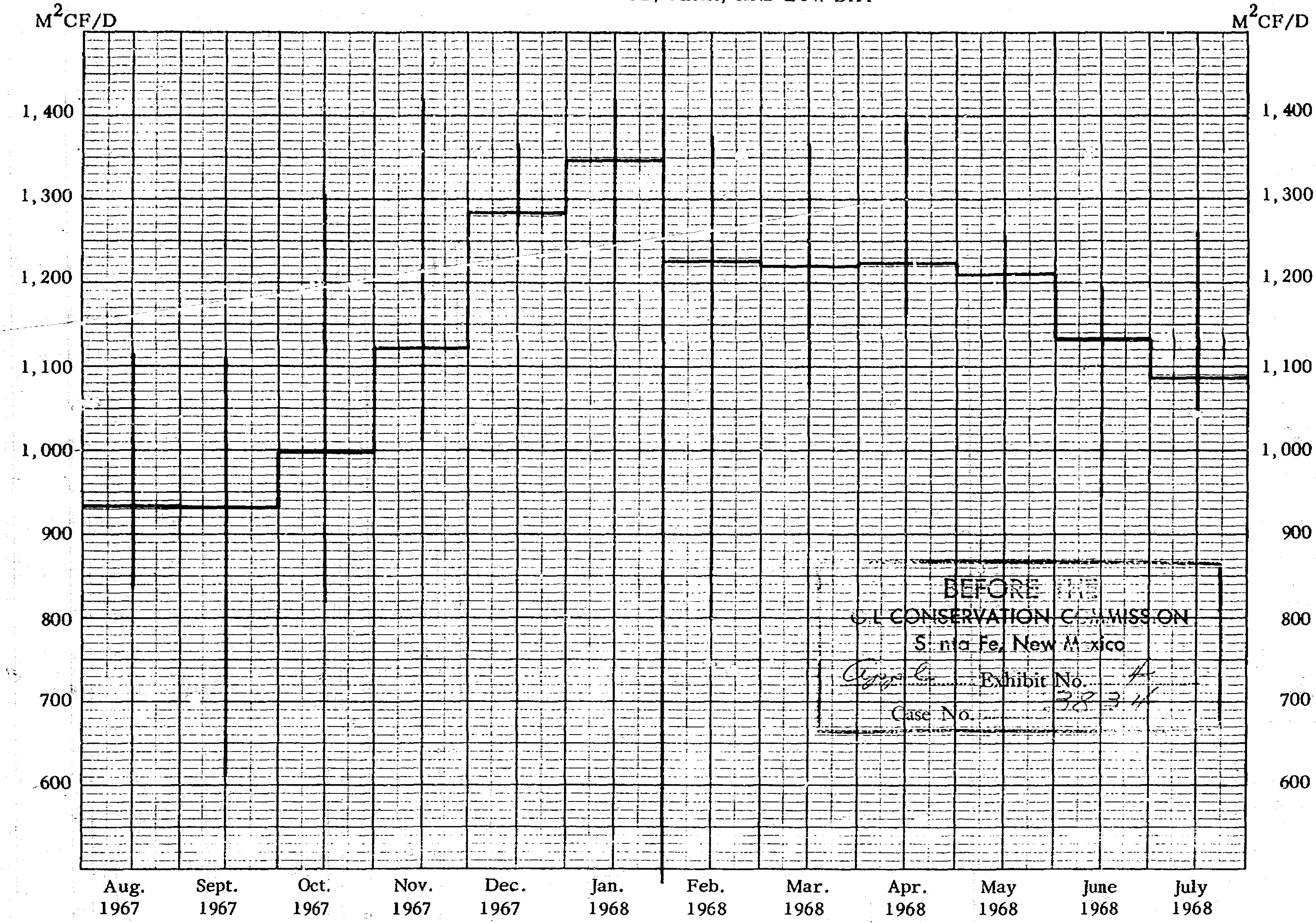
EL PASO NATURAL GAS COMPANY
COMPARISON OF 1967 GAS REQUIREMENTS WITH 1968 GAS REQUIREMENTS
FROM PRORATED POOLS IN SAN JUAN BASIN

Case No. 3834
Exhibit No. 3



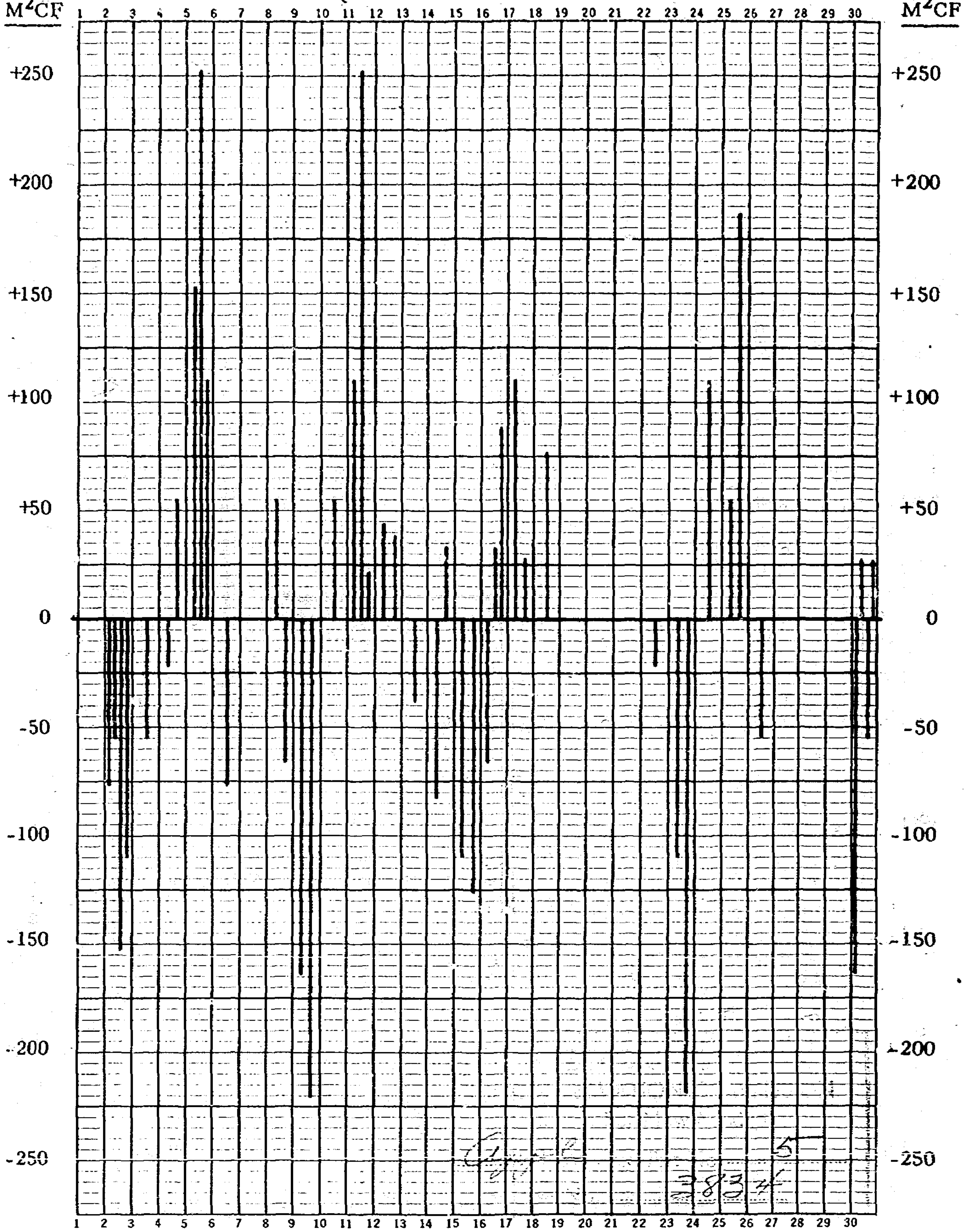
EL PASO NATURAL GAS COMPANY
GAS REQUIREMENTS FOR PRORATED POOLS IN SAN JUAN BASIN
BY MONTHLY AVERAGE, PEAK, AND LOW DAY

Case No. 3834
Exhibit No. 4



Case No. 3834
Exhibit No. 5

VOLUME FLUCTUATION OF SAN JUAN BASIN
GAS REQUIREMENTS FOR TYPICAL MONTH



Month September 19 67

Case No. 3834
Exhibit No. 6

G-X-2 BEST EFFORTS DELIVERIES TO CALIFORNIA

(Volumes in MCF at 14.73# p.b.)

	Total Volume	M^2CF/D
February through July, 1967 (181 days)		
So. California	11,424,608	63.1
P G & E	7,106,742	39.3
Total	18,531,350	102.4
August, 1967 through January, 1968 (184 days)		
So. California	10,754,761	58.4
P G & E	10,866,455	59.1
Total	21,621,216	117.5
February through July, 1968 (182 days)		
So. California	18,972,589	104.2
P G & E	12,587,423	69.2
Total	31,560,012	173.4

Case No. 3834
Exhibit No. 7

TEMPORARY SALE OF UP TO 150 M^2CF/D
TO TRANSWESTERN PIPELINE COMPANY
(LETTER AGREEMENT DATED JUNE 28, 1968)

July, 1968 (First Delivery - July 3, 1968)

Minimum Day	58.3 M^2CF/D
Maximum Day	117.0 M^2CF/D
Monthly Average Day	78.6 M^2CF/D
29 Day Average	84.0 M^2CF/D

August, 1968 (Terminates - August 25, 1968)

Minimum Day	40.0 M^2CF/D (Est.)
Maximum Day	120.0 M^2CF/D (Est.)
Average Day	70.0 M^2CF/D (Est.)
25 Day Average	87.0 M^2CF/D (Est.)
Actual Average Aug. 1 - Aug. 6, 1968	101.3 M^2CF/D

BEFORE THE
...VATION COMMISSION
... Fe, New Mexico
Exhibit No. 7
...e No. 3834

Case No. 3834
Exhibit No. 8

STUDY OF OVERPRODUCED WELLS IN PRORATED POOLS
IN THE SAN JUAN BASIN FOR BALANCING PERIOD ENDING JULY 31, 1968
BEFORE AND AFTER CANCELLATION AND REDISTRUBUTION

(All Volumes in MCF at 15.025# p.b.)

		Balancing Status July 31, 1968 Before Cancellation and Redistribution				Balancing Status July 31, 1968 After Cancellation and Redistribution			
Pool	Average Monthly Allowable	Wells	Volume	Average Volume	Number of Days Overproduced	Wells	Volume	Average Volume	Number of Days Overproduced
Aztec	2,968	78	271,162	3,476	35	57	209,400	3,674	37
Ballard	4,494	54	237,343	4,395	29	21	111,900	5,329	36
So. Blanco	3,713	172	625,156	3,635	29	103	279,600	2,715	22
Fulcher Kutz	2,167	29	93,476	3,223	45	27	74,100	2,744	38
Tapacito	4,249	38	204,386	5,379	38	15	75,900	5,060	36
West Kutz	2,850	19	57,305	3,016	32	15	51,900	3,460	36
Blanco M. V.	13,529	298	2,581,033	8,661	19	55	371,200	6,749	15
Basin Dakota	21,681	248	8,220,599	33,148	46	77	1,136,100	14,755	21
Total	11,913	936	12,290,460	13,131	32	370	2,310,100	6,244	27

Ex # 10
Feb. 19. 1969

UNITED STATES OF AMERICA

Before the

FEDERAL POWER COMMISSION

Application of

EL PASO NATURAL GAS COMPANY

at Docket No. CP69-140

for a
Certificate of Public Convenience
and Necessity

Pursuant to § 7(c) of the
Natural Gas Act

Authorizing the

Construction and Operation of Certain Facilities for the
Transportation, Delivery and Sale of Additional Quantities
of Natural Gas to Existing Customers in Market Areas Served
by the Northwest Division System

Dated: November 7, 1968 Filed: November 7, 1968

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UNITED STATES OF AMERICA

Before the

FEDERAL POWER COMMISSION

El Paso Natural Gas Company) Docket No. CP69-___

Application for a Certificate
of Public Convenience and Necessity

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APPLICATION TEXT

UNITED STATES OF AMERICA

Before the

FEDERAL POWER COMMISSION

El Paso Natural Gas Company) Docket No. CP69-___

Application for a Certificate
of Public Convenience and Necessity

Comes now EL PASO NATURAL GAS COMPANY, hereinafter referred to as "Applicant," pursuant to § 7(c) of the Natural Gas Act and § 157.5, et seq., of the Commission's Regulations Under the Natural Gas Act, and files this application, in abbreviated form in accordance with § 157.7(a) of said Regulations, for a certificate of public convenience and necessity, all as hereinafter more fully set forth.

In support hereof, Applicant respectfully represents:

I.

The exact legal name of Applicant is El Paso Natural Gas Company. It is a corporation duly organized and existing under the laws of the State of Delaware, having its principal place of business located in El Paso, Texas. Applicant is authorized to conduct business as a foreign corporation in the States of Alaska, Arizona, Arkansas, Colorado, Idaho, Kansas, Louisiana, Montana, Nevada, New Mexico, New York, Oklahoma, Oregon, Texas, Utah, Washington and Wyoming.

The names, titles and mailing addresses of those persons to whom correspondence and communications concerning this application are to be addressed are as follows:

Mr. Travis Petty, Controller
El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas, 79999

G. Scott Cuming, Esquire
Walter G. Henderson, Esquire
El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas, 79999

Mr. Edward A. Walsh
El Paso Natural Gas Company
700 Farragut Building
900 17th Street, N. W.
Washington, D. C., 20006

C. Frank Reifsnyder, Esquire
Hogan & Hartson
815 Connecticut Avenue
Washington, D. C., 20006

II.

Applicant is a natural-gas company engaged in the business of producing, purchasing, transporting and selling natural gas to distribution companies and other pipeline companies for resale and to industries and others for direct consumption. The pipeline system of Applicant extends from the Permian Basin of west Texas and southeast New Mexico, the Texas-Oklahoma Panhandle area, the San Juan Basin of northwest New Mexico and southwest Colorado and the Four Corners area of the States of Arizona, New Mexico, Utah and Colorado, through one or more of the States of Texas, New Mexico and Arizona, to points of termination at the boundary between the States of California and Arizona near Blythe, California, and Topock, Arizona, and to a point of termination at the boundary between the States of Arizona and Nevada near Big Bend, Arizona.

The pipeline system of Applicant also presently extends from the San Juan Basin area, through the States of Colorado, Utah, Wyoming, Idaho, Oregon and Washington, to a point of termination at the International Boundary near Sumas, Washington. This portion of Applicant's system is referred to herein as the "Northwest Division System." Natural gas utilized in service rendered by the Northwest Division System is obtained from domestic sources situated in the San Juan Basin and Rocky Mountain areas and from Canadian sources through deliveries made by Westcoast Transmission Company Limited to Applicant at two points on the International Boundary situated, near, respectively, Sumas, Washington, and Kingsgate, British Columbia.

Consistent with the decree entered by the United States District Court for the District of Utah, Central Division,1/ Applicant has filed an application at Docket No. CP69-67 for authorizations necessary to implement divestiture of its Northwest Division System to Northwest Pipeline Corporation.2/

III.

Applicant hereby seeks a certificate of public convenience and necessity under § 7(c) of the Act authorizing the construction and operation of certain facility additions to its Northwest Division System so as

1/ United States v. El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation, Civil Action No. 143-57, entered August 29, 1968, pursuant to the mandates of the Supreme Court in United States v. El Paso Natural Gas Company, 376 U.S. 651 (1964), and Cascade Natural Gas Corporation v. El Paso Natural Gas Company, 386 U.S. 129 (1967).

2/ Complemental applications of Northwest Pipeline Corporation for authorizations necessary to implement acquisition of Applicant's Northwest Division System were filed at Docket Nos. CP69-68, CP69-69 and CP69-70.

to enable the transportation and sale of additional quantities of natural gas to existing customers in established market areas presently served by such System.

Natural gas requirements of the Northwest Division System have experienced continuous growth since service was initiated in 1957. The only mainline expansion of the Northwest Division System was that recently completed under authorization issued at Docket No. CP66-315.[3] The Northwest Division System daily design delivery capacity is approximately 1,100,000 Mcf. Consistent with Applicant's undertaking to assure maintenance of adequate gas service, Applicant proposes herein to increase the daily design delivery capacity of the Northwest Division by an additional quantity of approximately 50,000 Mcf daily, for a total of some 1,150,000 Mcf per day.

The estimated firm peak day requirements of the Northwest Division customers for the 1969-70 heating season dictate the need for additional delivery capacity. As demonstrated by the market data appended hereto as Exhibit I, such firm requirements aggregate some 1,086,000 Mcf daily. The present design capacity of 1,100,000 Mcf daily would therefore indicate the necessity of utilizing essentially all of such capacity for satisfaction of only the firm load.

Prudent operation of the Northwest Division System, extensive as it is, requires a margin of daily design capacity, above estimated firm requirements, to assure firm service reliability. Without the additional facilities proposed, the design margin for firm service

3/ Order accompanying Opinion No. 526, issued August 10, 1967.

would be less than 1.5% for the 1969-70 heating season. Similarly, some margin is necessary to provide at least partial satisfaction of the requirements of interruptible service during periods of high firm demands. After satisfaction of the 1969-70 estimated Northwest Division firm peak day requirements of 1,086,000 Mcf, the present daily design capacity remaining would permit deliveries of only 14,000 Mcf per day, or approximately 3% of the estimated 450,000 Mcf peak day interruptible requirement. On this present System capacity basis, Applicant would anticipate curtailment of its interruptible requirements during 147 days of the 182 days of the 1969-70 heating season in an aggregate quantity of about 24,079,000 Mcf. The duration and magnitude of this projected curtailment demonstrate the encroachment of firm service upon the System delivery capacity serving all consumers in the Pacific Northwest market areas; further, it indicates the need for additional capacity for purposes of maintaining load-balancing and load-building interruptible service, particularly where, as in the Pacific Northwest, natural gas must complete with fuel oil at tidewater prices. Thus, in addition to providing a reasonable margin of capacity for firm service reliability, the facilities proposed herein will serve these purposes by reducing the projected number of days and quantities of curtailment of interruptible service for the 1969-70 heating season to 134 days and 17,744,000 Mcf.

The relatively small additional capacity proposed in this application, representing an increase of only some 5%, will, under all operating and weather conditions anticipated, virtually assure satisfaction of firm requirements during the 1969-70 heating season and, under most conditions, will permit at least partial satisfaction of interruptible requirements throughout the market area. However, as also demonstrated in Exhibit I, for subsequent periods, it will be necessary to provide further delivery capacity for the Northwest Division System and Applicant is presently engaged in efforts to do so.

Applicant's existing sources of gas supply, presently utilized in providing Northwest Division service, will likewise be utilized to render the service described herein. Further, the proposed facilities will also provide a needed flexibility for the operation of the entire Northwest Division System facilities and the utilization of the various sources of gas supply available to the System. By the installation of the proposed facilities, consisting of mainline compressor horsepower, the southern segment of the Northwest Division System will be reinforced to permit the transportation of an additional 50,000 Mcf per day to the Pacific Northwest market areas from existing sources of supply attached to the southern portion of the System. This improvement in operating flexibility will permit the use of all System sources of supply in serving the Northwest Division customers in a manner consistent with operating conditions of the system as they exist from time to time in the future.

The instant proposal will, therefore, provide added capacity to serve firm requirements and will lessen curtailment of interruptible requirements. It will also afford a necessary margin of firm service reliability and will permit a more flexible use of Applicant's Northwest Division System facilities and gas supply. Grant of the authorization request herein is thus required by and will clearly serve the present and future public convenience and necessity.

IV.

The facilities for which Applicant hereby seeks authorization to construct and operate, consisting of mainline compression facilities, are specifically described as follows:

A. Compressor Station No. 2

Compressor cylinder modifications on four (4) 2,000 horsepower gas engine-driven reciprocating compressor units at Compressor Station No. 2 located in Section 31, Township 28 South, Range 23 East, San Juan County, Utah. These modifications will not increase the nameplate horsepower rating but are required to fully utilize the existing horsepower under the design conditions set forth herein.

B. Compressor Station No. 4

Turbocharging kits on four (4) 2,000 horsepower compressor units at Applicant's Compressor Station No. 4 located in the E/2 of Section 35 and the W/2 of Section 36, Township 34 North, Range 9 West, La Plata County, Colorado. These turbocharging kits will not increase the nameplate horsepower rating, but will recover 292 horsepower per unit, which is now unavailable due to operation at an altitude of 5,500 feet.

C. Compressor Station No. 5

A new compressor station consisting of two (2) 3,165 horsepower combustible gas turbine-driven centrifugal units, with appurtenances, totaling 6,300 horsepower. This station will be known as Compressor Station No. 5 and will be located on the 26" O.D. Ignacio-to-Sumas Mainline in the SE/4 of Section 15, Township 2 South, Range 23 East, Uintah County, Utah.

D. Compressor Station No. 7

One (1) 2,000 horsepower gas engine-driven reciprocating compressor unit, with appurtenances, and turbocharging kits on three (3) 1,500 horsepower compressor units at Applicant's Compressor Station No. 7 located in the SW/4 of Section 2 and the SE/4 of Section 3, Township 21 North, Range 118 West, Lincoln County, Wyoming. The turbocharging kits will not increase the nameplate horsepower rating, but will recover 275 horsepower per unit, which is now unavailable due to operation at an altitude of 6,630 feet. The additional horsepower, together with that presently installed, will make a total of 6,500 horsepower at this station.

E. Compressor Station No. 8

One (1) 6,000 horsepower gas engine-driven reciprocating compressor unit, with appurtenances, at Applicant's Compressor Station No. 8 located in the NW/4 of Section 22, Township 10 South, Range 43 East, Bear Lake County, Idaho. This horsepower addition, together with that presently installed, will make a total of 12,000 horsepower at this station.

F. Compressor Station No. 9

One (1) 3,400 horsepower gas engine-driven reciprocating compressor unit, with appurtenances, and turbocharging kits on three (3) 2,000 horsepower compressor units at Applicant's Compressor Station No. 9 located in the NE/4 of Section 15, Township 7 South, Range 32 East, Power County, Idaho. The turbocharging kits will not increase the nameplate horsepower, but will recover 236 horsepower per unit, which is now unavailable due to operation at an altitude of 4,615 feet. The additional horsepower, together with that presently installed, will make a total of 9,400 horsepower at this station.

G. Compressor Station No. 10

Compressor cylinder modifications on three (3) 2,000 horsepower gas engine-driven reciprocating compressor units at Compressor Station No. 10 located in the SW/4 of Section 7, Township 11 South, Range 21 East, Cassia County, Idaho. The modifications will not increase the nameplate horsepower rating, but are required to fully utilize the existing horsepower under the design conditions set forth herein.

In addition to the above facilities, and as a part of the project described herein, Applicant proposes to construct and operate, under authority of § 2.55(a) of the Commission's General Policy and Interpretations, communications, supervisory control and telemetry facilities as required for the operation and control of proposed Compressor Station No. 5.

The total estimated cost of all of the above described facilities, including overhead, contingencies and required filing fees, is $7,884,860. Details of such cost are set forth in Exhibit K appended hereto.

Applicant proposes to commence construction of the above described facilities upon receipt of Commission authorization therefor and to complete construction of and place in operation such facilities as soon thereafter as practicable. It is anticipated that, following issuance of necessary authorization, six (6) months will be required to obtain the facilities and place same in operation.

V.

No application or filing, to supplement or effectuate Applicant's proposal, as set forth herein, must be or is to be made by Applicant, or by any other person, with any Federal, state or other regulatory body.

VI.

This application is being filed in abbreviated form in accordance with § 157.7(a) of the Commission's Regulations. Reference is made below to all exhibits required under § 157.14 of said Regulations which are attached, incorporated by reference or omitted for the reasons indicated.

EXHIBIT A - ARTICLES OF INCORPORATION AND BYLAWS

Applicant requests the incorporation by reference of Exhibit A to its application at Docket No. CP68-261.

EXHIBIT B - STATE AUTHORIZATION

Applicant requests the incorporation by reference of Exhibit B to its application at Docket No. CP67-45.

EXHIBIT C - COMPANY OFFICIALS

Applicant requests the incorporation by reference of Exhibit C to its application at Docket No. CP69-43.

EXHIBIT D - SUBSIDIARIES AND AFFILIATIONS

Applicant requests the incorporation by reference of Exhibit D to its application at Docket No. CP67-217.

EXHIBIT E - OTHER PENDING APPLICATIONS AND FILINGS

Should the instant application be approved prior to grant of the divestiture authorizations sought by Applicant at Docket No. CP69-67, the facilities and services embraced hereby will be divested by Applicant to Northwest Pipeline Corporation under such authorizations. Otherwise, Northwest Pipeline Corporation will be substituted as the party applicant under the instant application.

EXHIBIT F - LOCATION OF FACILITIES

Attached as Exhibit F is a geographical map reflecting the location of Applicant's proposed facilities and their relationship to Applicant's overall system.

EXHIBIT G - FLOW DIAGRAMS SHOWING DAILY DESIGN CAPACITY AND REFLECTING OPERATION WITH AND WITHOUT PROPOSED FACILITIES ADDED

Attached as Exhibit G are flow diagrams showing the daily design capacity and reflecting operating conditions with and without the proposed facilities added.

EXHIBIT G-I - FLOW DIAGRAMS REFLECTING MAXIMUM CAPABILITIES

This exhibit is omitted since the data shown in Exhibit G reflect the maximum capabilities of Applicant's proposed facilities under the operating conditions set forth therein.

EXHIBIT G-II - FLOW DIAGRAM DATA

Attached as Exhibit G-II is a statement of engineering design data in explanation and support of the flow diagrams submitted herewith as Exhibit G.

EXHIBIT H - TOTAL GAS SUPPLY DATA

Inasmuch as the instant application does not involve service to major new markets or major existing markets from new sources of gas supply over new routes, the information and data required by this exhibit are omitted. Should information respecting Applicant's total system gas supply be deemed applicable herein, Applicant requests the incorporation by reference of its 1967 FPC Form No. 15.

EXHIBIT I - MARKET DATA

Attached as Exhibit I are market data respecting Applicant's Northwest Division System.

EXHIBIT J - CONVERSION TO NATURAL GAS

This exhibit is inapplicable and is omitted.

EXHIBIT K - COST OF FACILITIES

Attached as Exhibit K is an estimate of the cost of constructing the proposed facilities.

EXHIBIT L - FINANCING

Applicant proposes to finance the cost of construction of the proposed facilities from working funds, supplemented, as necessary, by short-term loans.

Applicant requests the incorporation by reference of the income statement and balance sheet submitted as a part of Exhibit L to its application at Docket No. CP68-261 and the statement relating to financing submitted as Exhibit L to its application at Docket No. CP69-3.

EXHIBIT M - CONSTRUCTION, OPERATION AND MANAGEMENT

Applicant expects to have the proposed facilities constructed by an independent contractor under a contract awarded on the basis of competitive bidding if sufficient contractors tender reasonable bids and, if not, such facilities will be constructed under a negotiated contract. Otherwise, there are no service, management or other contracts existing or contemplated in connection with the construction or operation of the proposed facilities.

EXHIBIT N - REVENUES-EXPENSES-INCOME

The estimated revenues and expenses related to the proposed facilities will not significantly affect the operating revenues or operating expenses of Applicant. Attached as Exhibit N is an estimate of incremental cost of service and rate base for the proposed facilities.

EXHIBIT O - DEPRECIATION AND DEPLETION

The proposed facilities will be depreciated at an annual rate of 3.05%, which rate is currently applied by Applicant to similar facilities.

EXHIBIT P - TARIFF

No changes are proposed in Applicant's FPC Gas Tariff to implement the instant proposal. Further, no material change in Applicant's average cost of service will result upon effectuation thereof. Accordingly, the other information and data required for this exhibit are omitted.

VII.

Appended hereto is a statement, in conformity with § 157.6(b)(7) of the Commission's Regulations, submitted in the form contemplated by § 157.9 of said Regulations, suitable for publication in the Federal Register.

VIII.

WHEREFORE, El Paso Natural Gas Company, the Applicant herein, respectfully prays that the Commission issue to it a certificate of public convenience and necessity under § 7(c) of the Natural Gas Act authorizing the construction and operation of facilities, all as hereinabove set forth. Applicant is able and willing to perform the proposal set forth in this application and, for the reasons stated, believes that issuance of the requested authorization will serve and is required by the present and future public convenience and necessity.

Applicant requests that this application be heard and disposed of under the procedure provided for under § 1.32(b) of the Commission's Rules of Practice and Procedure and, accordingly, requests that the intermediate decision procedure be omitted and waives oral hearing and opportunity for filing exceptions to the decision of the Commission.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By s/ Travis Petty
Travis Petty
Controller

G. Scott Cuming, General Counsel
Walter G. Henderson, Counsel
of EL PASO NATURAL GAS COMPANY

By s/ Walter G. Henderson
Walter G. Henderson

HOGAN & HARTSON

By s/ C. Frank Reifsnyder
C. Frank Reifsnyder

Attorneys for EL PASO NATURAL GAS COMPANY

Dated: November 7, 1968

STATE OF TEXAS)
)
COUNTY OF EL PASO)

TRAVIS PETTY, being first duly sworn, on oath, says that he is Controller of El Paso Natural Gas Company; that he has read the within and foregoing Application for a Certificate of Public Convenience and Necessity and that he is familiar with the contents thereof; that, as such officer, he has executed the same for and on behalf of said Company with full power and authority to do so; and that the matters and facts set forth therein are true to the best of his information, knowledge and belief.

s/ Travis Petty
Travis Petty

SUBSCRIBED AND SWORN TO before me, the undersigned authority, on this 7th day of November, 1968.

s/ Norma Jean Adkins
Norma Jean Adkins
Notary Public in and for
El Paso County, Texas
My Commission Expires June 1, 1969

(SEAL)

FEDERAL
REGISTER NOTICE

UNITED STATES OF AMERICA
FEDERAL POWER COMMISSION

El Paso Natural Gas Company) Docket No. CP69-88

NOTICE OF APPLICATION
(November , 1968)

Take notice that on November , 1968, El Paso Natural Gas Company ("El Paso"), a Delaware corporation, whose mailing address is Post Office Box 1492, El Paso, Texas, 79999, filed an application for a certificate of public convenience and necessity under § 7(c) of the Natural Gas Act authorizing the construction and operation of certain facilities on its Northwest Division System for the transportation, delivery and sale in interstate commerce of additional quantities of gas to existing customers in the market areas presently served by that system, all as more fully set forth in the application on file with the Commission and open to public inspection.

El Paso proposes to install additional compressor horsepower units and to modify certain existing compressor horsepower units along the southern portion of the Northwest Division System so as to increase the system's total daily design delivery capacity by 50,000 Mcf above its present daily design capacity of approximately 1,100,000 Mcf and to provide improved operating flexibility for the entire Northwest Division System. The new compressor units, totaling 17,730 horsepower, and the modification of existing units, together with certain auxiliary communication facilities, are estimated to cost $7,884,860, including overhead, contingencies and required filing fees. El Paso proposes to finance such cost through use of current funds supplemented, as necessary, by short-term loans.

The application states that the additional delivery capacity proposed will be utilized to meet the estimated firm requirements of existing Northwest Division System customers during the 1969-70 heating season and to provide a margin in daily design capacity for firm service reliability, which can also be utilized, to the extent available, for partial satisfaction of interruptible service to prevent excessive curtailments during periods of high firm demands.

The application also states that no changes are proposed in El Paso's FPC Gas Tariff to implement the instant proposal and no material change in El Paso's average cost of service will result.

Protests or petitions to intervene may be filed with the Federal Power Commission, Washington, D. C., 20426, in accordance with the Rules of Practice and Procedure (18 CFR 1.8 or 1.10) and the Regulations Under the Natural Gas Act (157.10) on or before ______________, 1968.

Take further notice that, pursuant to the authority contained in and subject to the jurisdiction conferred upon the Federal Power Commission by §§ 7 and 15 of the Natural Gas Act and the Commission's Rules of Practice and Procedure, a hearing will be held without further notice before the Commission on the application if no protest or petition to intervene is filed within the time required herein, if the Commission on its own review of the matter finds that grant of the certificate is required by the public convenience and necessity. If a protest or petition for leave to intervene is timely filed, or if the Commission on its own motion believes that a formal hearing is required, further notice of such hearing will be duly given.

Under the procedure herein provided for, unless otherwise advised, it will be unnecessary for Applicant to appear or be represented at the hearing.

Secretary

EXHIBITS

ALPHABETICAL - CERTIFICATE INDEX

Docket No. CP69-______

EXHIBIT F

LOCATION OF FACILITIES

Application of

EL PASO NATURAL GAS COMPANY

Docket No. CP69-______
Exhibit F
Figure 1 Supplement
Sheet 1 of 8

EL PASO NATURAL GAS COMPANY

Index of Customers

COLORADO

Map Ref.	Customer	Location
	Industrial Sales	
18	Moon Lake Electric Association, Inc.	Rio Blanco County
9	Union Carbide Nuclear Company	Slick Rock and Uravan
8	Vanadium Corporation of America	Nucla
	Sales for Resale	
3	Naturita, City of	Naturita
5	Plateau Natural Gas Company	Cortez and Dolores
4	Plateau Natural Gas Company	Mancos
6	Rocky Mountain Natural Gas Company, Inc.	Dove Creek
2	Rocky Mountain Natural Gas Company, Inc.	Egnar
1	Southern Union Gas Company	Durango and La Plata County
13	Western Slope Gas Company	Grand Junction
15	Western Slope Gas Company	Rifle

IDAHO

Map Ref.	Customer	Location
	Sales for Resale	
192	Intermountain Gas Company	Aberdeen
37	Intermountain Gas Company	American Falls
31	Intermountain Gas Company	Bancroft
50	Intermountain Gas Company	Boise and Meridian
39	Intermountain Gas Company	Burley, Rupert and Heyburn
38	Intermountain Gas Company	Declo
16	Intermountain Gas Company	East Raft River
51	Intermountain Gas Company	Emmett and Parma
43	Intermountain Gas Company	Filer
207	Intermountain Gas Company	Flying H Farms
53	Intermountain Gas Company	Fruitland
28	Intermountain Gas Company	Georgetown
45	Intermountain Gas Company	Glenns Ferry

EL PASO NATURAL GAS COMPANY

Index of Customers

IDAHO (cont.)

Map Ref.	Customer	Location
	Sales for Resale (cont.)	
44	Intermountain Gas Company	Gooding, Jerome, Buhl and Wendell
30	Intermountain Gas Company	Grace
40	Intermountain Gas Company	Hansen
35	Intermountain Gas Company	Idaho Falls, Shelley and Blackfoot
25	Intermountain Gas Company	Indian Hills
34	Intermountain Gas Company	Inkom
41	Intermountain Gas Company	Kimberly
49	Intermountain Gas Company	Kuna
32	Intermountain Gas Company	Lava Hot Springs
33	Intermountain Gas Company	McCammon
27	Intermountain Gas Company	Montpelier
47	Intermountain Gas Company	Mountain Home and Bruneau
141	Intermountain Gas Company	Murtaugh
48	Intermountain Gas Company	Nampa and Caldwell
52	Intermountain Gas Company	New Plymouth
55	Intermountain Gas Company	Payette and Weiser
36	Intermountain Gas Company	Pocatello
29	Intermountain Gas Company	Soda Springs
42	Intermountain Gas Company	Twin Falls
46	Southwest Gas Corporation	Idaho-Nevada Border
91	Washington Water Power Company, The	Bonners Ferry
88	Washington Water Power Company, The	Bunker Hill Co., The (Kellogg)
85	Washington Water Power Company, The	Coeur d'Alene
89	Washington Water Power Company, The	Kellogg, Osburn, Wardner
81	Washington Water Power Company, The	Lewiston
79	Washington Water Power Company, The	Moscow, Bovill, Troy and Deary
159	Washington Water Power Company, The	Page Mine, Canyon County
87	Washington Water Power Company, The	Pinehurst
84	Washington Water Power Company, The	Post Falls
80	Washington Water Power Company, The	Potlatch Forests, Inc. (Lewiston)
155	Washington Water Power Company, The	Rathdrum
90	Washington Water Power Company, The	Sandpoint
86	Washington Water Power Company, The	Smelterville

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Exhibit F
Figure 1 Supplement
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EL PASO NATURAL GAS COMPANY

Index of Customers

OREGON

Map Ref.	Customer	Location
	Industrial Sales	
56	Oregon Portland Cement Company	Lime
	Sales for Resale	
151	California Pacific Utilities Company	Beaver Marsh
144	California Pacific Utilities Company	Canyonville
112	California Pacific Utilities Company	Grants Pass Area
113	California Pacific Utilities Company	Klamath Falls
58	California Pacific Utilities Company	La Grande, Elgin and Imbler
145	California Pacific Utilities Company	Myrtle Creek and Riddle
201	California Pacific Utilities Company	North Powder
146	California Pacific Utilities Company	Oakland and Sutherlin
111	California Pacific Utilities Company	Roseburg
152	California Pacific Utilities Company	Round Prairie
161	California Pacific Utilities Company	Union
110	California Pacific Utilities Company	Winchester (Evans Prod.)
148	California Pacific Utilities Company	Winston and Dillard
61	Cascade Natural Gas Corporation	Athena and Weston
57	Cascade Natural Gas Corporation	Baker
115	Cascade Natural Gas Corporation	Bend
193	Cascade Natural Gas Corporation	Chemult
114	Cascade Natural Gas Corporation	Gilchrist
63	Cascade Natural Gas Corporation	Hermiston
158	Cascade Natural Gas Corporation	Huntington
117	Cascade Natural Gas Corporation	Madras
60	Cascade Natural Gas Corporation	Milton-Freewater
194	Cascade Natural Gas Corporation	Mowich
170	Cascade Natural Gas Corporation	Nyssa
54	Cascade Natural Gas Corporation	Ontario
62	Cascade Natural Gas Corporation	Pendleton
154	Cascade Natural Gas Corporation	Prineville
116	Cascade Natural Gas Corporation	Redmond
202	Cascade Natural Gas Corporation	Stanfield
64	Cascade Natural Gas Corporation	Umatilla

EL PASO NATURAL GAS COMPANY

Index of Customers

OREGON (cont.)

Map Ref.	Customer	Location
	Sales for Resale (cont.)	
149	Northwest Natural Gas Company	Albany
106	Northwest Natural Gas Company	Aumsville
169	Northwest Natural Gas Company	Brownsville and Halsey
107	Northwest Natural Gas Company	Coburg
109	Northwest Natural Gas Company	Cottage Grove and Saginaw
150	Northwest Natural Gas Company	Creswell
100	Northwest Natural Gas Company	Dalles, The
195	Northwest Natural Gas Company	Deer Island, Prescott and Wauna
108	Northwest Natural Gas Company	Eugene, Junction City and Springfield
165	Northwest Natural Gas Company	Gresham
102	Northwest Natural Gas Company	Hood River
19	Northwest Natural Gas Company	Jefferson and Scio
139	Northwest Natural Gas Company	Marion
167	Northwest Natural Gas Company	McMinnville and Amity
197	Northwest Natural Gas Company	Molalla
17	Northwest Natural Gas Company	Monitor
166	Northwest Natural Gas Company	Mt. Angel
14	Northwest Natural Gas Company	Portland
105	Northwest Natural Gas Company	Portland, N.E.
164	Northwest Natural Gas Company	Portland, S.E.
163	Northwest Natural Gas Company	Salem
171	Northwest Natural Gas Company	South Eugene
168	Northwest Natural Gas Company	Turner

UTAH

Map Ref.	Customer	Location
	Sales for Resale	
11	Utah Gas Service Company	Arches National Monument
21	Utah Gas Service Company	Dutch John

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Exhibit F
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EL PASO NATURAL GAS COMPANY

Index of Customers

UTAH (cont.)

Map Ref.	Customer	Location
	Sales for Resale (cont.)	
12	Utah Gas Service Company	Grand County
10	Utah Gas Service Company	Moab
7	Utah Gas Service Company	Monticello
20	Utah Gas Service Company	Vernal

WASHINGTON

Map Ref.	Customer	Location
	Industrial Sales	
65	Phillips Pacific Chemical Company	Hedges
	Sales for Resale	
125	Buckley, City of	Buckley
124	Cascade Natural Gas Corporation	Aberdeen, McCleary, Hoquiam
206	Cascade Natural Gas Corporation	Acme
174	Cascade Natural Gas Corporation	Aluminum Company of America Tap (Wenatchee)
134	Cascade Natural Gas Corporation	Anacortes, Burlington, Sedro-Wooley
132	Cascade Natural Gas Corporation	Arlington
135	Cascade Natural Gas Corporation	Bellingham and Ferndale
127	Cascade Natural Gas Corporation	Bremerton, Shelton, Port Orchard, etc.
68	Cascade Natural Gas Corporation	Burbank Heights
147	Cascade Natural Gas Corporation	Barthelheimer Dairy Tap
122	Cascade Natural Gas Corporation	Castle Rock
175	Cascade Natural Gas Corporation	Chevron Chemical Co. (Kennewick)
205	Cascade Natural Gas Corporation	Deming
173	Cascade Natural Gas Corporation	Gold Bar
94	Cascade Natural Gas Corporation	Grandview

EL PASO NATURAL GAS COMPANY

Index of Customers

WASHINGTON (cont.)

Map Ref.	Customer	Location
	Sales for Resale (cont.)	
183	Cascade Natural Gas Company	Granite Falls
131	Cascade Natural Gas Company	Grotto, Ideal Cement
120	Cascade Natural Gas Company	Kalama
204	Cascade Natural Gas Company	Kawecki Chemical Co. (Wenatchee)
66	Cascade Natural Gas Company	Kennewick and Richland
121	Cascade Natural Gas Company	Longview-Kelso
136	Cascade Natural Gas Company	Lynden, Everson and Nooksack
130	Cascade Natural Gas Company	Monroe
69	Cascade Natural Gas Company	Moses Lake
133	Cascade Natural Gas Company	Mount Vernon
71	Cascade Natural Gas Company	Othello
67	Cascade Natural Gas Company	Pasco
92	Cascade Natural Gas Company	Prosser
203	Cascade Natural Gas Company	Sandvik Spec. Metals
140	Cascade Natural Gas Company	Startup
143	Cascade Natural Gas Company	Sultan
129	Cascade Natural Gas Company	Snohomish
137	Cascade Natural Gas Company	Sumas
93	Cascade Natural Gas Company	Sunnyside
200	Cascade Natural Gas Company	Quincy
95	Cascade Natural Gas Company	Toppenish, Zillah, Granger and Wapato
178	Cascade Natural Gas Company	Utah-Idaho Sugar Company (Moses Lake)
59	Cascade Natural Gas Company	Walla Walla
98	Cascade Natural Gas Company	Wenatchee
119	Cascade Natural Gas Company	Woodland
96	Cascade Natural Gas Company	Yakima and Union Gap
76	Columbia Gas Company	Endicott
99	Columbia Gas Company	Goldendale
72	Columbia Gas Company	Ritzville
103	Columbia Gas Company	Stevenson

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Exhibit F
Figure 1 Supplement

EL PASO NATURAL GAS COMPANY

Index of Customers

WASHINGTON (cont.)

Map Ref.	Customer	Location
	Sales for Resale (cont.)	
70	Columbia Gas Company	Warden
97	Ellensburg, City of	Ellensburg
126	Enumclaw, City of	Enumclaw
118	Northwest Natural Gas Company	Battleground
104	Northwest Natural Gas Company	Camas and Washougal
138	Northwest Natural Gas Company	Carson, Whatcom County
182	Northwest Natural Gas Company	Klickatat
156	Northwest Natural Gas Company	North Bonneville
162	Northwest Natural Gas Company	Ridgefield
157	Northwest Natural Gas Company	Vancouver
101	Northwest Natural Gas Company	White Salmon and Bingen
123	Washington Natural Gas Company	Centralia and Chehalis
153	Washington Natural Gas Company	Clearview
189	Washington Natural Gas Company	Issaquah
160	Washington Natural Gas Company	Lake Stevens
196	Washington Natural Gas Company	North Bend (East Seattle)
186	Washington Natural Gas Company	Tacoma (North and South)
184	Washington Natural Gas Company	Rainier
190	Washington Natural Gas Company	Redmond
185	Washington Natural Gas Company	Olympia
172	Washington Natural Gas Company	Puyallup
128	Washington Natural Gas Company	Seattle (North and South)
187	Washington Natural Gas Company	Toledo
188	Washington Natural Gas Company	Winlock
198	Washington Natural Gas Company	Yelm
82	Washington Water Power Company, The	Cheney-Medical Lake
77	Washington Water Power Company, The	Colfax
176	Washington Water Power Company, The	Colton
179	Washington Water Power Company, The	Fairchild AFB Tap (Spokane)
181	Washington Water Power Company, The	Kettle Falls
75	Washington Water Power Company, The	La Crosse
180	Washington Water Power Company, The	Lind
177	Washington Water Power Company, The	Mt. St. Michaels
142	Washington Water Power Company, The	Palouse

EL PASO NATURAL GAS COMPANY

Index of Customers

WASHINGTON (cont.)

Map Ref.	Customer	Location
	Sales for Resale (cont.)	
78	Washington Water Power Company, The	Pullman
73	Washington Water Power Company, The	Rosalia
199	Washington Water Power Company, The	Spangle
83	Washington Water Power Company, The	Spokane
192	Washington Water Power Company, The	Sprague
74	Washington Water Power Company, The	St. John
191	Washington Water Power Company, The	Uniontown

WYOMING

Map Ref.	Customer	Location
	Industrial Sales	
26	San Francisco Chemical Company	Sage
	Sales for Resale	
22	Colorado Interstate Gas Company	Green River
23	Mountain Fuel Supply Company	Green River
24	Wyoming Industrial Gas Company	Kemmerer

G

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Docket No. CP69-______

EXHIBIT G

FLOW DIAGRAMS SHOWING DAILY DESIGN CAPACITY
AND REFLECTING OPERATION WITH AND WITHOUT PROPOSED
FACILITIES ADDED

Application of

EL PASO NATURAL GAS COMPANY

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Docket No. CP69-______

EXHIBIT G-II

FLOW DIAGRAM DATA

Application of

EL PASO NATURAL GAS COMPANY

EL PASO NATURAL GAS COMPANY

Engineering Design Data

I. Flow Formula

A modified version of the Panhandle Eastern "A" Flow Formula was used for calculating all pipeline pressure drops.

The equation is:

$$Q = K \cdot \left[\frac{P_1^2 - P_2^2}{L} \right]^{0.6394}$$

where:

$$K = 0.000889 \cdot d^{2.6182} \cdot E \cdot C$$

and

$$C = \sqrt{\frac{312}{G \cdot T}}$$

Q = Flowing volume in M^2 cf/d at 14.73 psia and 60°F.
K = Constant for a particular line
P_1 = Upstream pipeline pressure (psia)
P_2 = Downstream pipeline pressure (psia)
L = Length of pipeline in miles
d = Inside diameter of pipeline in inches
E = Pipeline flow efficiency
C = Correction for gas temperature and gravity other than standard conditions
G = Specific gravity of gas (relative to air)
T = Temperature of flowing gas in degrees Rankine

NOTE: Pipeline flow efficiency, specific gravity and temperature used are noted on the flow diagram.

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EXHIBIT I

MARKET DATA

Application of

EL PASO NATURAL GAS COMPANY

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EL PASO NATURAL GAS COMPANY
Market Data

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Docket No. CP69-______

EXHIBIT K

COST OF FACILITIES

Application of

EL PASO NATURAL GAS COMPANY

Docket No. CP69-____
Exhibit K

EL PASO NATURAL GAS COMPANY

Cost of Facilities

Table of Contents

EL PASO NATURAL GAS COMPANY

Cost of Facilities

Cost Estimate Summary

Description	Quantity	Unit Cost	Total Cost
Compressor Stations			
Station No. 2 Compressor Modifications			$ 69,000
Station No. 4 Engine Modifications			100,000
Station No. 5 -			
Compressor Units & Equipment	6,330 HP	$247.71/HP	1,568,000
Service Facilities			261,000
Station No. 7 -			
Compressor Units & Equipment	2,000 HP	$383.50/HP	767,000
Engine Modifications			88,000
Service Facilities			33,000
Station No. 8 -			
Compressor Units & Equipment	6,000 HP	$425.00/HP	2,550,000
Compressor Modifications			90,000
Service Facilities			77,000
Station No. 9 -			
Compressor Units & Equipment	3,400 HP	$366.18/HP	1,245,000
Engine Modifications			140,000
Service Facilities			33,000
Station No. 10 Compressor Modifications			18,000
Direct Cost Compressor Stations			$ 7,039,000
Supervisory Control & Telemetry			$ 53,000
Total Direct Cost of Facilities			$ 7,092,000
Add: General Overhead @ 6%			426,000
Contingency @ 5%			355,000
Total Project Cost (Excluding Filing Fees)			$ 7,873,000
Estimated Filing Fee ($50 + 0.15%)			11,860
TOTAL PROJECT COST			$ 7,884,860

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EL PASO NATURAL GAS COMPANY

Cost of Facilities

Station No. 2 Compressor Modifications

Modify existing compressor units.

Material	
Fixed Clearance pockets	$ 34,000
Installation Costs	
Contractors	$ 27,000
Other Field Costs	$ 8,000
TOTAL DIRECT COSTS	$ 69,000

EL PASO NATURAL GAS COMPANY

Cost of Facilities

Station No. 4 Engine Modifications

Turbocharge four (4) existing compressor units.

Material	
Turbocharger Conversion Kits	$ 64,000
Installation Costs	
Contractors	$ 24,000
Other Field Costs	$ 12,000
TOTAL DIRECT COST	$ 100,000

EL PASO NATURAL GAS COMPANY

Cost of Facilities

Station No. 5

Install two (2) 3,165 HP gas turbine centrifugal compressors and necessary appurtenances.

Material	
Station	
Buildings	$ 25,000
Foundations	9,000
Compressor Units 2 - 3,165 HP	820,000
Accessory Equipment	25,000
Piping	171,000
Electrical	10,000
Other	30,000
Total Material	$ 1,090,000
Installation Costs	
Contractors	$ 346,000
Other Field Costs	$ 132,000
TOTAL DIRECT COST	$ 1,568,000

Cost per HP = $247.71

EL PASO NATURAL GAS COMPANY

Cost of Facilities

Station No. 5

Install service facilities.

Site	$ 20,000
Site Improvements	$ 104,000
Residences (2) House Camp	$ 70,000
Electrical	$ 10,000
Water Supply System	$ 35,000
Other Field Costs	$ 22,000
TOTAL DIRECT COST	$ 261,000

EL PASO NATURAL GAS COMPANY

Cost of Facilities

Station No. 7 Compressor Addition

Install one (1) 2,000 HP reciprocating compressor unit and necessary appurtenances.

Material	
Station	
Compressor Building	$ 28,000
Foundations	14,000
Compressor Unit 1 - 2,000 HP	299,000
Cooling Equipment	11,000
Accessory Equipment	20,000
Piping	60,000
Electrical	10,000
Other	25,000
Total Material	$ 467,000
Installation Costs	
Contractors	$ 236,000
Other Field Costs	$ 64,000
TOTAL DIRECT COST	$ 767,000

Cost per HP = $383.50

EL PASO NATURAL GAS COMPANY

Cost of Facilities

Station No. 7 Engine Modifications

Turbocharge three (3) existing compressor units and related piping modifications.

Material	
Turbocharger Conversion Kits	$ 48,000
Piping	5,000
Total Material	$ 53,000
Installation Costs	
Contractors	$ 25,000
Other Field Costs	$ 10,000
TOTAL DIRECT COST	$ 88,000

EL PASO NATURAL GAS COMPANY

Cost of Facilities

Station No. 7

Install service facilities.

Site Improvement	$ 10,000
Electrical	$ 10,000
Water	$ 10,000
Other Field Costs	$ 3,000
TOTAL DIRECT COST	$ 33,000

EL PASO NATURAL GAS COMPANY

Cost of Facilities

Station No. 8 Compressor Addition

Install one (1) 6,000 HP reciprocating compressor unit and necessary appurtenances.

Material	
Station	
Compressor & Auxiliary Building	$ 71,000
Foundations	61,000
Compressor Unit 1 - 6,000 HP	886,000
Cooling Equipment	90,000
Accessory Equipment	79,000
Piping	263,000
Electrical	25,000
Other	89,000
Total Material	$ 1,564,000
Installation Costs	
Contractors	$ 771,000
Other Field Costs	$ 215,000
TOTAL DIRECT COST	$ 2,550,000

Cost per HP = $425

EL PASO NATURAL GAS COMPANY

Cost of Facilities

Station No. 8 Compressor Modifications

Modify existing compressor units.

Material	
Fixed Clearance Pockets	$ 39,000
Piping	5,000
Total Material	$ 44,000
Installation Costs	
Contractors	$ 38,000
Other Field Cost	$ 8,000
TOTAL DIRECT COST	$ 90,000

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Exhibit K
Schedule No. 2
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EL PASO NATURAL GAS COMPANY

Cost of Facilities

Station No. 8

Install service facilities.

Site	$ 20,000
Site Improvements	$ 20,000
Electrical	$ 21,000
Water Supply System	$ 10,000
Other Field Costs	$ 6,000
TOTAL DIRECT COST	$ 77,000

EL PASO NATURAL GAS COMPANY

Cost of Facilities

Station No. 9 Compressor Addition

Install one (1) 3,400 HP reciprocating compressor unit and necessary appurtenances.

Material	
Station	
Compressor Building	$ 32,000
Foundations	17,000
Compressor Unit 1 - 3,400 HP	490,000
Cooling Equipment	67,000
Accessory Equipment	25,000
Piping	100,000
Electrical	10,000
Other	27,000
Total Material	$ 768,000
Installation Costs	
Contractors	$ 377,000
Other Field Costs	$ 100,000
TOTAL DIRECT COST	$ 1,245,000

Cost per HP @ $366.18

EL PASO NATURAL GAS COMPANY

Cost of Facilities

Station No. 9 Engine Modifications

Turbocharge three (3) existing compressor units
and related piping modifications.

Material	
Turbocharger Conversion Kits	$ 48,000
Fixed Clearance Pockets	26,000
Piping	5,000
Total Material	$ 79,000
Installation Costs	
Contractors	$ 46,000
Other Field Costs	$ 15,000
TOTAL DIRECT COST	$ 140,000

EL PASO NATURAL GAS COMPANY

Cost of Facilities

Station No. 9

Install service facilities.

Site Improvements	$ 10,000
Electrical	$ 10,000
Water Supply	$ 10,000
Other Field Costs	$ 3,000
TOTAL DIRECT COST	$ 33,000

EL PASO NATURAL GAS COMPANY

Cost of Facilities

Station No. 10 Compressor Modifications

Modify existing compressor units.

Material	
Fixed Clearance Pockets	$ 9,000
Installation Costs	
Contractors	$ 7,000
Other Field Costs	$ 2,000
TOTAL DIRECT COST	$ 18,000

EL PASO NATURAL GAS COMPANY

Cost of Facilities

General Overhead

Accounting Department	$ 34,000
Purchasing Department	3,800
Engineering Department	123,500
Controller's Department	3,000
Interest During Construction	132,100
Insurance and Taxes	6,400
Employees Pensions & Benefits	21,300
Planning Department	2,600
Outside Engineering	99,300
TOTAL	$ 426,000

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EL PASO NATURAL GAS COMPANY

Cost of Facilities

Statement

The compressor station and compressor modification estimates were based on published price information submitted by a compressor manufacturer and installation costs were developed from past experience of Applicant in constructing compressor stations, compressor additions and modifications of this type.

Preliminary bids were not called for on any of the work proposed herein.

While construction of compressor facilities authorized at Docket No. CP66-315 is complete, the costs are not yet available for comparative purposes.

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CERTIFICATE INDEX

Docket No. CP69-______

EXHIBIT N

REVENUES – EXPENSES – INCOME

Application of

EL PASO NATURAL GAS COMPANY

Case 3834
Feb. 19, 1969
Hearing
Ex 9

UNITED STATES OF AMERICA

Before the

FEDERAL POWER COMMISSION

Application of
EL PASO NATURAL GAS COMPANY
at Docket No. CP69- 203
for a
Certificate of Public Convenience
and Necessity

Pursuant to § 7(c) of the
Natural Gas Act

Authorizing the

Construction and Operation of Facilities
on El Paso's San Juan Basin Gathering Systems

Dated: January 24, 1969 Filed: January 28, 1969

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UNITED STATES OF AMERICA

Before the

FEDERAL POWER COMMISSION

El Paso Natural Gas Company) Docket No. CP69-___

Application for a Certificate
of Public Convenience and Necessity

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APPLICATION TEXT

UNITED STATES OF AMERICA

Before the

FEDERAL POWER COMMISSION

El Paso Natural Gas Company) Docket No. CP69-___

Application for a Certificate
of Public Convenience and Necessity

Comes now EL PASO NATURAL GAS COMPANY, hereinafter referred to as "Applicant," pursuant to § 7(c) of the Natural Gas Act and § 157.5, et seq., of the Commission's Regulations Under the Natural Gas Act, and files this application, in abbreviated form in accordance with § 157.7(a) of said Regulations, for a certificate of public convenience and necessity, all as hereinafter more fully set forth.

In support hereof, Applicant respectfully represents:

I.

The exact legal name of Applicant is El Paso Natural Gas Company. It is a corporation duly organized and existing under the laws of the State of Delaware, having its principal place of business located in El Paso, Texas. Applicant is authorized to conduct business as a foreign corporation in the States of Alaska, Arizona, Arkansas, Colorado, Idaho, Kansas, Louisiana, Montana, Nevada, New Mexico, New York, Oklahoma, Oregon, Texas, Utah, Washington and Wyoming.

The names, titles and mailing addresses of those persons to whom correspondence and communications concerning this application are to be addressed are as follows:

Mr. Travis Petty, Controller
El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas, 79999

Mr. Edward A. Walsh
El Paso Natural Gas Company
700 Farragut Building
900 17th Street, N. W.
Washington, D. C., 20006

G. Scott Cuming, Esquire, General Counsel
Walter G. Henderson, Esquire
El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas, 79999

II.

Applicant is a natural-gas company engaged in the business of producing, purchasing, transporting and selling natural gas to distribution companies and other pipeline companies for resale and to industries and others for direct consumption. The pipeline system of Applicant extends from the Permian Basin of west Texas and southeast New Mexico, the Texas-Oklahoma Panhandle area, the San Juan Basin of northwest New Mexico and southwest Colorado and the Four Corners area of the States of Arizona, New Mexico, Utah and Colorado, through one or more of the States of Texas, New Mexico, Utah, Colorado and Arizona, to points of termination at the boundary between the States of California and Arizona near Blythe, California, and Topock, Arizona, and to a point of termination at the boundary between the States of Arizona and Nevada near Big Bend, Arizona; the pipeline system of Applicant also extends from the San Juan Basin area, through the States of Colorado, Utah, Wyoming, Idaho, Oregon and Washington, to a point of termination at the International Boundary near Sumas, Washington.

III.

Applicant hereby seeks a certificate of public convenience and necessity under Section 7(c) of the Act authorizing the construction, during the calendar year 1969, and operation of up to a maximum total of an additional 33,000 compressor brake horsepower on Applicant's San Juan Basin gathering systems. Such horsepower is to be installed and utilized for the specific purpose of offsetting declining reservoir pressures in gas producing formations of the San Juan Basin.

Applicant commenced taking gas from the San Juan Basin in 1950 by means of facilities authorized at Docket No. G-1177. At that time, Applicant constructed a gathering system to connect wells located in the then relatively small Blanco, Kutz Canyon, Angel Peak and Barker Dome fields and installed a total of 5,390 compressor horsepower at two locations, all to provide a total daily design delivery capacity of 167,000 Mcf from the Basin into its Southern Division Mainline System. In the intervening period since that time, Applicant has steadily increased its reliance upon the San Juan Basin as a major gas source and has continuously expanded its gathering systems and related facilities necessary for the gathering, compression, processing and transportation of San Juan gas. The gas well gathering systems, as presently constituted, are integrated and connect to some 6,218 wells with pipelines totaling approximately 4,727 miles and installed compressor horsepower totaling 114,134 at ten locations. These facilities are shown on Figure 1 of Exhibit F hereto.

Since its inception, the San Juan gathering facilities have been designed as two systems operated at pressures approximating 250 psi and 500 psi, respectively. The 250 psi system is utilized to gather gas produced from the Pictured Cliffs formation, and the 500 psi system is utilized to gather gas produced from the deeper Mesa Verde and Dakota formations. These operating pressures are consistent with pressure provisions included in Applicant's gas purchase agreements as to initial operating pressures; however, such agreements also provide that Applicant will reduce the operating pressure of any gathering system as required to permit continued production of the wells connected and producing into such gathering facilities.

Applicant has taken some 5.4 trillion cubic feet from the San Juan Basin; Southern Union Gas Company and other pipeline companies have likewise taken significant quantities of gas from the area. As a result of the withdrawal of such large quantities from the depletion type San Juan Basin reservoirs, the Basin will in 1969, based upon Applicant's determinations, reach the stage in its productive life when the operating pressure of Applicant's gathering systems must be generally reduced by some 60-70 psi in order to maintain the present design delivery capability from the Basin. Installation of additional compressor horsepower in the gathering systems in 1969, will permit a general reduction in operating pressure of the gathering systems throughout the producing area. Although Applicant has yet to establish with exactness the location, indiv[illegible] or type of compressors to be installed and the cost thereof, [illegible] has determined that a total of some 33,000 compressor brake horsepower, at an estimated total cost of $10,000,000, will be adequate to accomplish this objective. Accordingly, Applicant hereby seeks authorization to construct, as needed during the calendar year 1969, and operate up to a maximum of 33,000 brake horsepower to be located at existing and new compressor locations in the San Juan Basin gathering systems at an aggregate cost not to exceed $10,000,000.

The installation of the proposed horsepower will not increase Applicant's present daily design delivery capability from the Basin nor the capacity of its mainline systems extending therefrom. However, absent installation of additional horsepower in the Basin, Applicant's ability to load these mainline systems to their capacity for use in meeting peak day and sustained peak period requirements will be impaired to the extent that Applicant will not be able to fully load its Southern Division system from its San Juan supply to meet anticipated requirements during the 1969-70 heating season. Applicant is continuing comprehensive studies to determine the precise type, size and location of the required compressor horsepower; however, because of the necessity to go forward with installation of the compressor horsepower immediately upon completion of the studies, thereby assuring availability of the required horsepower for the 1969-70 heating season operation, Applicant files the instant application at this time. This need when coupled with the time required for delivery of equipment requires early consideration and prompt approval of the proposal in order that the objectives of the project be realized. Since these circumstances result from the nature of the project herein proposed, Applicant is agreeable to reporting to the Commission data similar to that required by § 157.7(b)(3) of the Commission Regulations, respecting the exact amount, size, type, location and cost of all compressor horsepower installed during 1969 under the authorization herein requested.

Consistent with Applicant's responsibility of prudent operations and management of its Northwest Division facilities pending approval of divestiture in favor of acquisition thereof by Northwest Pipeline Corporation (Northwest), as proposed in the proceedings at Docket No. CP69-67, et al., the present overall San Juan Basin gathering systems' compressor requirements are being considered and installation of such facilities will occur as necessary in the operations of both the Southern and Northwest Division systems. Applicant and Northwest are in agreement as to the approach and magnitude of the project described herein and all facility installations undertaken under the authorizations requested and affecting the Northwest Division facilities to be divested will be accomplished with concurrence of Northwest.

Grant of the authorizations requested herein will enable Applicant to install compressor facilities in the San Juan Basin in 1969 to permit the necessary reduction in the gathering systems pressure as required to offset the declining reservoir pressures of the gas producing formation in that area. Applicant therefore believes that issuance of the authorization requested herein will serve and is required by the present and future public convenience and necessity.

IV.

As stated, the facilities for which Applicant hereby seeks authorization to construct, as required during 1969, and operate will consist of up to a total of 33,000 compressor brake horsepower and appurtenances. The compressor units will be of varying unit sizes and types and installed at various existing and new locations in Applicant's San Juan Basin gathering systems. The aggregate cost thereof will not exceed $10,000,000.

Applicant intends to construct the proposed horsepower as required throughout the calendar year 1969 after receipt of requisite Commission authorization therefor and to complete such construction and place the facilities in operation as soon as thereafter as practicable.

V.

No application to supplement or effectuate the instant application must be or is to be filed by Applicant, or by any other persons, with any Federal, State or other regulatory body.

VI.

This application is being filed in abbreviated form in accordance with § 157.7(a) of the Commission's Regulations. Reference is made below to all exhibits required under § 157.14 of said Regulations which are attached, incorporated by reference or omitted for the reasons indicated.

<u>EXHIBIT A</u> - <u>ARTICLES OF INCORPORATION AND BYLAWS</u>

Applicant requests the incorporation by reference of Exhibit A to its application at Docket No. CP68-261.

EXHIBIT B - STATE AUTHORIZATION

Applicant requests the incorporation by reference of Exhibit B to its application at Docket No. CP67-45.

EXHIBIT C - COMPANY OFFICIALS

Applicant requests the incorporation by reference of Exhibit C to its application at Docket No. CP69-43.

EXHIBIT D - SUBSIDIARIES AND AFFILIATIONS

Applicant requests the incorporation by reference of Exhibit D to its application at Docket No. CP69-161.

EXHIBIT E - OTHER PENDING APPLICATIONS AND FILINGS

The proposed compressor facilities which are installed in that portion of the San Juan Basin gathering system to be divested will be divested to Northwest on the closing date under the divestiture authorizations sought by Applicant at Docket No. CP69-67.

EXHIBIT F - LOCATION OF FACILITIES

Attached as Exhibit F are maps reflecting the location of Applicant's present San Juan Basin gathering systems facilities and their relationship to Applicant's overall system. The proposed facilities will be installed on the existing gathering systems area utilized by Applicant and shown on Exhibit F.

EXHIBIT G - FLOW DIAGRAMS SHOWING DAILY DESIGN CAPACITY AND REFLECTING OPERATION WITH AND WITHOUT PROPOSED FACILITIES ADDED

Inasmuch as the precise location, amount and type and operation of the facilities proposed herein and their respective capacities are not now known, this exhibit is omitted.

EXHIBIT G-I - FLOW DIAGRAMS REFLECTING MAXIMUM CAPABILITIES

This exhibit is omitted for the reasons stated in support of the omission of Exhibit G.

EXHIBIT G-II - FLOW DIAGRAM DATA

This exhibit is omitted for the reasons stated in support of the omission of Exhibit G.

EXHIBIT H - TOTAL GAS SUPPLY DATA

Inasmuch as the instant application does not involve service to major new markets or major existing markets from new sources of gas supply over new routes, the information and data required by this exhibit are omitted. Should information respecting Applicant's total system gas supply be deemed applicable herein, Applicant requests the incorporation by reference of its 1967 FPC Form No. 15.

EXHIBIT I - MARKET DATA

Since no new or additional sales are involved with the project for which authorization is requested herein, this exhibit is inapplicable and is omitted.

EXHIBIT J - CONVERSION TO NATURAL GAS

This exhibit is inapplicable and is omitted.

EXHIBIT K - COST OF FACILITIES

Since the amount, size and type of compressor horsepower to be constructed hereunder are not known at this time, cost data related thereto cannot be submitted; however, as stated above, such costs will not exceed $10,000,000 in total and Applicant, if required, will report, among other things, actual construction costs of all facilities installed under the authorizations herein requested.

EXHIBIT L - FINANCING

Applicant proposes to finance the cost of the proposed facilities from working funds supplemented as necessary by short-term loans.

Applicant requests the incorporation by reference of the income statement and balance sheet and to the statement relating to financing submitted as Exhibit L to its application at Docket No. CP69-161.

EXHIBIT M - CONSTRUCTION, OPERATION AND MANAGEMENT

Applicant expects to have its proposed facilities constructed by independent contractors under contracts awarded on the basis of competitive bidding if sufficient contractors are available; otherwise, such facilities will be constructed under negotiated contracts. Other than construction contracts, there are no service, management or other contracts existing or contemplated in connection with the construction or operation of the proposed facilities.

EXHIBIT N - REVENUES-EXPENSES-INCOME

The expenses related to the facilities which are the subject hereof will not significantly affect the operating expenses of Applicant.

Because of the nature of project herein proposed, Applicant's revenues and income will likewise be essentially unaffected by the instant project. Therefore, this exhibit is omitted.

EXHIBIT O - DEPRECIATION AND DEPLETION

The proposed facilities will be depreciated at an annual rate of 3.92%, the rate which is currently applied to similar facilities of Applicant.

EXHIBIT P - TARIFF

No changes will be required in Applicant's FPC Gas Tariff to implement the instant proposal and no material change in Applicant's average cost of service will result upon effectuation thereof; accordingly, this exhibit is omitted.

VII.

Appended hereto is a statement, in conformity with § 157.6(b)(7) of the Commission's Regulations, submitted in the form contemplated by § 157.9 of said Regulations, suitable for publication in the Federal Register.

VIII.

WHEREFORE, El Paso Natural Gas Company, the Applicant herein, respectfully prays that the Commission issue to it a certificate of public convenience and necessity under § 7(c) of the Natural Gas Act, as amended, authorizing the construction and operation of facilities, all as hereinabove set forth. Applicant is able and willing to perform the proposal set forth in this application and, for the reasons stated, believes that issuance of the requested authorization will serve and is required by the present and future public convenience and necessity.

Applicant requests that this application be heard and disposed of under the procedure provided for by § 1.32 of the Commission's Rules of Practice and Procedure and, accordingly, requests that the intermediate decision procedure be omitted and waives oral hearing and opportunity for filing exceptions to the decision of the Commission.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By s/ Travis Petty
Travis Petty
Controller

G. Scott Cuming, General Counsel
Walter G. Henderson, Counsel
of EL PASO NATURAL GAS COMPANY

By s/ Walter G. Henderson
Walter G. Henderson

Attorney for EL PASO NATURAL GAS COMPANY

Dated: January 24, 1969

STATE OF TEXAS)
)
COUNTY OF EL PASO)

TRAVIS PETTY, being first duly sworn, on oath, says that he is Controller of El Paso Natural Gas Company; that he has read the within and foregoing Application for a Certificate of Public Convenience and Necessity and that he is familiar with the contents thereof; that, as such officer, he has executed the same for and on behalf of said Company with full power and authority to do so; and that the matters and facts set forth therein are true to the best of his information, knowledge and belief.

s/ Travis Petty
Travis Petty

SUBSCRIBED AND SWORN TO before me, the undersigned authority, on this 24th day of January, 1969.

s/ Norma Jean Adkins
Norma Jean Adkins
Notary Public in and for
El Paso County, Texas
My Commission Expires June 1, 1969

(SEAL)

FEDERAL
REGISTER NOTICE

UNITED STATES OF AMERICA
FEDERAL POWER COMMISSION

El Paso Natural Gas Company) Docket No. CP69-___

NOTICE OF APPLICATION
(January , 1969)

Take notice that on January , 1969, El Paso Natural Gas Company ("El Paso"), a Delaware corporation, whose mailing address is Post Office Box 1492, El Paso, Texas, 79999, filed an application at Docket No. CP69-___ under § 7(c) of the Natural Gas Act, for a certificate of public convenience and necessity authorizing the construction and operation of certain facilities, all as more fully set forth in the application on file with the Commission and open for public inspection.

El Paso seeks authorization to install, as needed during 1969, additional compressor horsepower on its San Juan Basin gathering systems to enable the general reduction in operating pressures of those systems. El Paso states that as a result of the withdrawal, since 1950, of large volumes of gas from the depletion type San Juan Basin reservoirs, that Basin will, in 1969, reach a stage in its productive life when the operating pressures of its gathering systems must be generally reduced some 60-70 psi.

El Paso proposes to utilize additional compressor horsepower to be installed at new and existing locations in the Basin of various types and sizes as may be required in 1969 to compensate for the required reduction in gathering system pressure. Accordingly, El Paso, in the instant application seeks authorization to construct, during 1969, and operate up to a maximum of 33,000 brake horsepower, at an aggregate cost not to exceed $10,000,000.

Protests or petitions to intervene may be filed with the Federal Power Commission, Washington, D. C., 20426, in accordance with the Rules of Practice and Procedure (18 CFR 1.8 or 1.10) and the Regulations Under the Natural Gas Act (157.10) on or before ____________.

Take further notice that, pursuant to the authority contained in and subject to the jurisdiction conferred upon the Federal Power Commission by §§ 7 and 15 of the Natural Gas Act and the Commission's Rules of Practice and Procedure, a hearing will be held without further notice before the Commission on the application if no protest or petitions to intervene is filed within the time required herein, if the Commission on its own review of the matter finds that grant of the certificate is required by the public convenience and necessity. If a protest or petition for leave to intervene is timely filed, or if the Commission on its own motion believes that a formal hearing is required, further notice of such hearing will be duly given.

Under the procedure herein provided for, unless otherwise advised, it will be unnecessary for Applicant to appear or be represented at the hearing.

Secretary

EXHIBITS

ALPHABETICAL - CERTIFICATE INDEX

Docket No. CP69-______

EXHIBIT F

LOCATION OF FACILITIES

Application of

EL PASO NATURAL GAS COMPANY

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