

CASE 5872: OCC ON ITS OWN MOTION TO
CONSIDER THE SUSPENSION OF RULES 15 (A)
AND 15 (B) OF GENERAL RULES FOR PRORATED
GAS POOLS

1.8

Case Number

5872

Application

Transcripts

Small Exhibits

ETC.



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO
April 28, 1977



STATE GEOLOGIST
EMERY C. ARNOLD

Mr. Rand C. Schmidt
Office of General Counsel
El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas 79978

Re: CASE NO. 5872
ORDER NO. R-5373-A

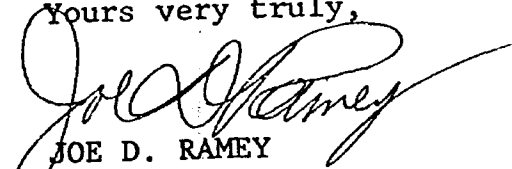
Applicant:

OCC

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC X

Other Byron Caton, Robert Hammer, Jack Oldham, Herman Kaufman, Vic Lyon, D. O. Buterbaugh



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501

DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO
February 11, 1977



STATE GEOLOGIST
EMERY C. ARNOLD

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 5872
ORDER NO. R-5373

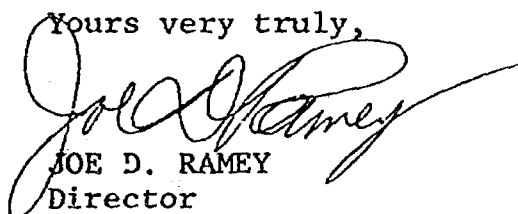
Applicant:

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JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC X

Other Owen Lopez, Dave Burleson, John Nance, Robert Hamner, Regyle Medley



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO
February 11, 1977



STATE GEOLOGIST
EMERY C. ARNOLD

Mr. Owen Lopez
Montgomery, Federici,
Andrews, & Hamahs
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

Re: CASE NO. 5872
ORDER NO. R-5373

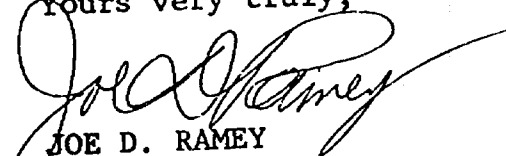
Applicant:

OCC

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC X

Other Jason Kellahin, Dave Burleson, John Nance, Robert Hamner,
Reggie Medley



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501



DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO
June 24, 1977

STATE GEOLOGIST
EMERY C. ARNOLD

Mr. Rand O. Schmidt
Office of General Counsel
El Paso Natural Gas Company
Box 1492
El Paso, Texas 79978

Re: CASE NO. 5872
ORDER NO. R-5373-B

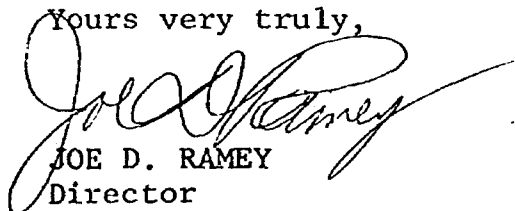
Applicant:

El Paso Natural Gas Company

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC	<u>X</u>
Artesia OCC	<u>X</u>
Aztec OCC	<u>X</u>

Other Owen Lopez, Tom Kellahin, Joseph F. Furey, Byron Caton,
Grant Nevins

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF CASE 5872 BEING REOPENED
PURSUANT TO THE PROVISIONS OF ORDER NO. R-5373
WHICH ORDER SUSPENDED RULES 15 (A) AND 15 (B)
OF THE GENERAL RULES FOR PRORATED GAS POOLS
OF NORTHWEST AND SOUTHEAST NEW MEXICO.

CASE NO. 5872 DE NOVO
Order No. R-5373-B

ORDER OF THE COMMISSION

BY THE COMMISSION:

On the application of El Paso Natural Gas Company, this cause came on for hearing De Novo at 9 a.m. on June 13, 1977, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 21st day of June, 1977, 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 on the 27th day of January, 1977, the Commission entered its Emergency Order No. E-30 which order suspended Rule 15(A) and Rule 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended.

(3) That on the 11th day of February, 1977, the Commission entered its Order No. R-5373 which order further suspended said Rule 15(A) and Rule 15(B) pending further order of the Commission.

(4) That said Rule 15(A) and Rule 15(B) were suspended in an attempt to make more natural gas available to the Eastern United States during an emergency shortage of natural gas in that region.

(5) That this case was reopened at an Examiner hearing on April 20, 1977, to permit all interested parties to appear and show cause why said suspension should not be rescinded,

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Case No. 5872 De Novo
Order No. R-5373-B

to consider the matter of final disposition of overproduction accrued during the period of suspension of Rules 15(A) and 15(B), and what, if any, special consideration should be given to underproduction accrued to gas wells during the period of suspension of said rules.

(6) That subsequent to said Examiner hearing, the Commission entered its Order No. R-5373-A on April 26, 1977, finding, among other things:

"(6) That the evidence presented demonstrated that said natural gas shortage emergency is over.

"(7) That the evidence presented demonstrated that suspension of said Rule 15(A) and Rule 15(B) should be terminated.

"(8) That the evidence presented demonstrated that to protect correlative rights, overproduced wells subject to the shut-in provisions of said Rule 15(A) and Rule 15(B) due to overproduction should be shut-in following termination of the suspension of said rules.

"(9) That the evidence presented demonstrated that no special consideration should be given to underproduction accrued to gas wells during the period of suspension of said Rule 15(A) and Rule 15(B)."

(7) That the Commission, in said Order No. R-5373-A, also found:

"(11) That the termination of said suspension of said Rules 15(A) and 15(B) will not cause waste.

"(12) That the suspension of said Rule 15(A) and Rule 15(B) should be terminated with no special provisions to apply to overproduction or underproduction accrued during the period of said suspension."

(8) That said Order No. R-5373-A ordered, among other things:

"(1) That effective at 12:01 a.m. Mountain Daylight Time, May 1, 1977, the suspension of Rule 15(A) and Rule 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended, is hereby terminated."

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Case No. 5872 De Novo
Order No. R-5373-B

(9) That the applicant in the instant case, El Paso Natural Gas Company, made timely application for a hearing De Novo of Case No. 5872, whereupon this case came on for hearing before the Commission.

(10) That the evidence presented to the Commission corroborates and substantiates the Commission's findings in Order No. R-5373-A, as recited in Findings Nos. (6) and (7) above, and the Commission finds that said findings should be, and they are, reaffirmed.

(11) That to not require wells which were overproduced during the emergency period to make-up such overproduction would impair the correlative rights of owners of offsetting lands.

(12) That wells which were overproduced during the emergency period should be required to make up such overproduction in accordance with the provisions of Commission Order No. R-1670, as amended, in order to protect correlative rights.

(13) That the protection of correlative rights is a necessary adjunct to the prevention of waste.

(14) That in order to prevent waste and to protect correlative rights, Commission Order No. R-5373-A should be reaffirmed.

IT IS THEREFORE ORDERED:

(1) That effective at 12:01 a.m. Mountain Daylight Time, May 1, 1977, the suspension of Rule 15(A) and Rule 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended, is hereby terminated.

(2) That no special consideration shall be given to wells accruing underproduction during the period in which Rule 15(A) and Rule 15(B) of Order No. R-1670, as amended, were suspended.

(3) That all overproduction accruing to wells during the period in which Rule 15(A) and 15(B) of Order No. R-1670, as amended, were suspended shall be made up in accordance with the provisions of said Order No. R-1670, including the shutting-in of wells which are overproduced in an amount exceeding six times their average monthly allowable.

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Case No. 5872 De Novo
Order No. R-5373-B

(4) 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



Phil R. Lucero
PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF CASE 5872 BEING REOPENED
PURSUANT TO THE PROVISIONS OF ORDER NO. R-5373
WHICH ORDER SUSPENDED RULES 15(A) AND 15(B) OF
THE GENERAL RULES FOR PRORATED GAS POOLS OF
NORTHWEST AND SOUTHEAST NEW MEXICO.

CASE NO. 5872
Order No. R-5373-A

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 20, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 26th day of April, 1977, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That on the 27th day of January, 1977, the Commission entered its Emergency Order No. E-30 which order suspended Rule 15(A) and Rule 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended.

(3) That on the 11th day of February, 1977, the Commission entered its Order No. R-5373 which order further suspended said Rule 15(A) and Rule 15(B) pending further order of the Commission.

(4) That said Rule 15(A) and Rule 15(B) were suspended in an attempt to make more natural gas available to the Eastern United States during an emergency shortage of natural gas in that region.

(5) That this case was reopened to permit all interested parties to appear and show cause why said suspension should not be rescinded, to consider the matter of final disposition of overproduction accrued during the period of suspension of Rules 15(A) and 15(B), and what, if any, special consideration should be given to underproduction accrued to gas wells during the period of suspension of said rules.

(6) That the evidence presented demonstrated that said natural gas shortage emergency is over.

-2-

Case No. 5872
Order No. R-5373-A

(7) That the evidence presented demonstrated that suspension of said Rule 15(A) and Rule 15(B) should be terminated.

(8) That the evidence presented demonstrated that to protect correlative rights, overproduced wells subject to the shut-in provisions of said Rule 15(A) and Rule 15(B) due to overproduction should be shut-in following termination of the suspension of said rules.

(9) That the evidence presented demonstrated that no special consideration should be given to underproduction accrued to gas wells during the period of suspension of said Rule 15(A) and Rule 15(B).

(10) That the evidence presented did not demonstrate that any significant additional volumes of gas were made available to the Eastern United States due to the Commission's action in suspending said Rule 15(A) and Rule 15(B).

(11) That the termination of said suspension of said Rules 15(A) and 15(B) will not cause waste.

(12) That the suspension of said Rule 15(A) and Rule 15(B) should be terminated with no special provisions to apply to overproduction or underproduction accrued during the period of said suspension.

IT IS THEREFORE ORDERED:

(1) That effective at 12:01 a.m. Mountain Daylight Time, May 1, 1977, the suspension of Rule 15(A) and Rule 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended, is hereby terminated.

(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

PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

JOE D. RAMEY, Member & Secretary

SEAL
jr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE EMERGENCY
SUSPENSION OF THE SHUT IN PROVISIONS
OF ORDER NO. R-1670 AS IT RELATES TO
OVERPRODUCED GAS WELLS IN NEW MEXICO.

EMERGENCY ORDER NO. E-30

NOW, on this 27th day of January, 1977, the New Mexico Oil Conservation Commission, a quorum being present, having considered the necessity for increasing gas production, and being fully advised in the premises,

FINDS:

- (1) That a large part of the United States is experiencing severe winter weather conditions, and the National Weather Service foresees no immediate relief therefrom.
- (2) That said severe winter weather conditions have caused an unprecedented demand for natural gas for residential and commercial heating, as well as for industrial use.
- (3) That the pipe lines carrying natural gas from New Mexico and other southwestern states are experiencing great difficulty in obtaining a sufficient supply of natural gas to meet the aforesaid unprecedented demand for natural gas.
- (4) That extensive curtailment of deliveries of natural gas, particularly to industrial and non-essential commercial users, has resulted, and there is still need for additional supplies of natural gas, particularly for residential and essential commercial heating.
- (5) That the General Rules for the Prorated Gas Pools of New Mexico, as promulgated by Commission Order No. R-1670, as amended, provide that any gas well which is overproduced an amount exceeding six times its average monthly allowable for the preceding twelve months shall be shut in and remain shut in until it is overproduced in an amount six times or less its average monthly allowable; further that any gas well which has an overproduced status at the end of a proration period shall make up such overproduction during the next succeeding period, or it shall be shut in until such overproduction has been made up.
- (6) That at the present time, there are very few gas wells in New Mexico which are shut in because of the aforesaid provisions of Order No. R-1670, as amended.

(7) That should the severe winter weather conditions and the accompanying unprecedented high demand for natural gas continue, increased withdrawals from gas wells in New Mexico may cause more of said wells to become subject to the aforesaid shut-in provisions.

(8) That in order to permit those wells which are presently shut in to produce during the current period of high demand, and in order to permit other wells to produce in excess of their allowables without danger of being shut in for becoming overproduced more than six times their average allowable, Rules 15(A) and 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Order No. R-1670, as amended, should be suspended.

IT IS THEREFORE ORDERED:

(1) That Rule 15(A) and Rule 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended, are hereby suspended.

(2) That this order shall become effective at 12:01 a.m. Mountain Standard Time, January 28, 1977, and shall remain in effect for not more than 15 days.

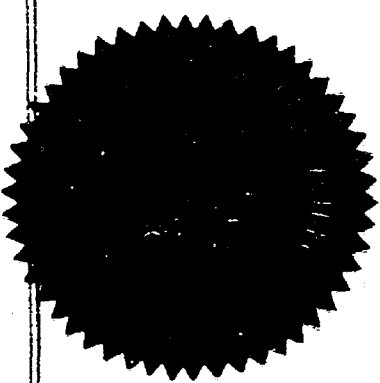
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary


S E A L

fd/

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 ON ITS OWN MOTION TO CONSIDER
THE SUSPENSION OF RULES 15(A) AND 15(B) OF
THE GENERAL RULES FOR THE PRORATED GAS POOLS
OF NORTHWEST AND SOUTHEAST NEW MEXICO.

CASE NO. 5872
Order No. R-5373

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 11, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 11th day of February, 1977, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That on the 27th day of January, 1977, the Commission entered its Emergency Order No. E-30 which order suspended Rule 15(A) and Rule 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended.

(3) That said order was entered on the basis of eight Findings which read in their entirety as follows:

"(1) That a large part of the United States is experiencing severe winter weather conditions, and the National Weather Service foresees no immediate relief therefrom.

(2) That said severe winter weather conditions have caused an unprecedented demand for natural gas for residential and commercial heating, as well as for industrial use.

Case No. 5872
Order No. R-5373

(3) That the pipe lines carrying natural gas from New Mexico and other southwestern states are experiencing great difficulty in obtaining a sufficient supply of natural gas to meet the aforesaid unprecedented demand for natural gas.

(4) That extensive curtailment of deliveries of natural gas, particularly to industrial and non-essential commercial users, has resulted, and there is still need for additional supplies of natural gas, particularly for residential and essential commercial heating.

(5) That the General Rules for the Prorated Gas Pools of New Mexico, as promulgated by Commission Order No. R-1670, as amended, provide that any gas well which is overproduced an amount exceeding six times its average monthly allowable for the preceding twelve months shall be shut in and remain shut in until it is overproduced in an amount six times or less its average monthly allowable; further that any gas well which has an overproduced status at the end of a proration period shall make up such overproduction during the next succeeding period, or it shall be shut in until such overproduction has been made up.

(6) That at the present time, there are very few gas wells in New Mexico which are shut in because of the aforesaid provisions of Order No. R-1670, as amended.

(7) That should the severe winter weather conditions and the accompanying unprecedented high demand for natural gas continue, increased withdrawals from gas wells in New Mexico may cause more of said wells to become subject to the aforesaid shut-in provisions.

(8) That in order to permit those wells which are presently shut in to produce during the current period of high demand, and in order to permit other wells to produce in excess of their allowables without danger of being shut in for becoming overproduced more than six times their average allowable, Rules 15(A) and 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Order No. R-1670, as amended, should be suspended."

(4) That said emergency order became effective at 12:01 a.m. Mountain Standard Time, January 28, 1977, and expires at 12:01 a.m. Mountain Standard Time, February 12, 1977.

-3-

Case No. 5872
Order No. R-5373

(5) That the evidence presented at this hearing supports each of the eight findings in Emergency Order No. E-30.

(6) That each of the eight findings in said emergency order should be incorporated in this order.

(7) That the suspension of Rules 15(A) and 15(B) of the General Rules for the Prorated Gas Pools of Northwest and Southeast New Mexico should be continued until further order of the Commission.

(8) That the evidence presented at this hearing was not sufficient to quantify the effect of the Commission's actions in suspending said Rules 15(A) and 15(B).

(9) That the evidence presented was not sufficient to demonstrate whether or not correlative rights might be violated by said suspension of Rules 15(A) and 15(B).

(10) That the evidence presented was not sufficient to weigh the effect of the suspension of said rules against other factors which may restrict any pipeline's ability to connect new wells or otherwise deliver gas to the area of the emergency.

(11) That the evidence presented was not sufficient to determine the number of wells which might be shut in due to overproduction following the end of suspension of said Rules 15(A) and 15(B) nor the extent and effect of such shut-in.

(12) That a hearing should be held during April, 1977, to consider both the continued suspension of said Rule 15(A) and 15(B) and those unresolved questions set out in Findings Nos. (8) through (11) above.

IT IS THEREFORE ORDERED:

(1) That effective at 12:01 a.m. Mountain Standard Time, February 12, 1977, Rules 15(A) and Rule 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended, are hereby suspended pending further order of the Commission.

(2) That a hearing shall be scheduled before the Commission or one of its examiners during the month of April, 1977, to consider the issues set out in Findings Nos. (8) through (12) of this order and other related matters as the Commission may deem appropriate.

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Case No. 5872
Order No. R-5373

(3) 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

PHIL R. LUCERO, Chairman



Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

fd/dr

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
13 June 1977

COMMISSION HEARING

IN THE MATTER OF:

Case 5872 being reopened pursuant to the provisions of Order No. R-5373 which order suspended Rules 15(A) and 15(B) of the General Rules for Prorated Gas Pools as promulgated by Order No. R-1670, as amended, to permit overproduced wells to continue to produce gas during the severe winter weather conditions without danger of being shut in for overproduction. All interested parties may appear and show cause why said suspension should not be rescinded. Also to be considered will be the matter of final disposition of overproduction accrued during the period of suspension of Rules 15(A) and 15(B), and what, if any, special consideration should be given to underproduction accrued to gas wells during the period of suspension of said rules.) CASE
5872

Upon application of El Paso Natural Gas Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

BEFORE: Commissioner Joe Ramey
Commissioner Emery Arnold
Commissioner Phil Lucero

TRANSCRIPT OF HEARING

sid morish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

A P P E A R A N C E S

For New Mexico Oil Conservation Commission: Lynn Teschendorf, Esq.
Legal Counsel for the Commission
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and

Rand C. Schmidt, Esq.
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I N D E X

DANIEL NUTTER

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825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
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I N D E X O F E X H I B I T S

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aid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 CHAIRMAN RAMEY: The hearing will come to order.

2 MS. TESCHENDORF: Case 5872. In the matter of

3 Case 5872 being reopened pursuant to the provisions of Order No.

4 R-5373 which order suspended Rules 15(A) and 15(B) of the

5 General Rules for Prorated Gas Pools as promulgated by Order

6 No. R-1670, as amended, to permit overproduced wells to con-

7 tinue to produce gas during the severe winter weather condi-

8 tions without danger of being shut in for overproduction.

9 All interested parties may appear and show cause why said

10 suspension should not be rescinded. Also to be considered

11 will be the matter of final disposition of overproduction

12 accrued during the period of suspension of Rules 15(A) and

13 15(B), and what, if any, special consideration should be

14 given to underproduction accrued to gas wells during the

15 period of suspension of said rules.

16 Upon application of El Paso Natural Gas Company,

17 this case will be heard De Novo pursuant to the provisions

18 of Rule 1220.

19 CHAIRMAN RAMEY: I'll ask for appearances at this

20 time, please.

21 MR. LOPEZ: Mr. Chairman, my name is Owen Lopez

22 with Montgomery law firm, and associated with me is Rand

23 Schmidt, of the office of General Counsel of El Paso Natural

24 Gas Company, appearing on behalf of the applicant.

25 CHAIRMAN RAMEY: How many witnesses do you have?

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1 MR. LOPEZ: Three.

2 CHAIRMAN RAMEY: Three witnesses.

3 MR. KELLAHIN: Tom Kellahin of Kellahin & Fox,
4 Santa Fe, New Mexico, appearing with Joseph F. Furay, House
5 Counsel for Northern Natural Gas Company. We have one wit-
6 ness.

7 MR. CATON: Byron Caton, Tansey, Rosebrough,
8 Roberts & Gerding, appearing for Gas Company of New Mexico
9 with Mr. Graham Evans, counsel; both of us are New Mexico
10 counsel. We have one witness.

11 MS. TESCHENDORF: Lynn Teschendorf appearing for
12 the Commission. I have one witness.

13 CHAIRMAN RAMEY: Any other appearances? I will
14 ask that all the witnesses stand and be sworn at this time,
15 please.

16 (THEREUPON, the witnesses were duly sworn.)

17 CHAIRMAN RAMEY: Do you want to start, Ms. Teschen-
18 dorf?

19
20 DANIEL S. NUTTER

21 called as a witness, having been first duly sworn, examined,
22 and testified as follows:

23
24 DIRECT EXAMINATION

25 BY MS. TESCHENDORF:

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1 Q Will you state your name for the record, please?

2 A Daniel S. Nutter.

3 Q By whom are you employed and in what capacity?

4 A I'm employed by the New Mexico Oil Conservation
 5 Commission as Chief Engineer.

6 Q Have you previously testified before the Commission
 7 and are your credentials a matter of record?

8 A Yes, they are.

9 MS. TESCHENDORF: Is the witness qualified?

10 CHAIRMAN RAMEY: Yes.

11 Q (Ms. Teschendorf continuing.) Are you familiar
 12 with Case Number 5872?

13 A Yes, I am.

14 Q What is the history of the case and what is the
 15 Commission proposing today?

16 A I'll briefly go into the history of the case.

17 The Commission received a telegram which was ad-
 18 dressed to the Governor of the State Of New Mexico, by Cecil
 19 Andrus, Secretary of the Interior. I won't read the tele-
 20 gram, but it was requesting the governors of the gas-producing
 21 states to see what they could do to permit the national
 22 production of gas during the severe winter weather conditions
 23 that existed in this country in January and February of 1977.

24 A telegram was also sent to lessees and operators
 25 of Federal leases in the nation.

1 As a result of that telegram the Commission entered
2 Emergency Order Number E-30 on January 27th, 1977, and ef-
3 fective at 12:01 Mountain Standard Time, January 28th, 1977.
4 Rules 15(A) and 15(B) of the General Rules for the Prorated
5 Gas Pools of northwest New Mexico and southeast New Mexico
6 were suspended. These rules relate to the shutting in of
7 over-produced gas wells for six times overproduction, and as
8 I mentioned, they were suspended.

9 Subsequent to the issuance of the emergency order,
10 which by law could only exist for fifteen days, Case Number
11 5872 was called and was heard by the Commission's Examiner
12 on February 11, 1977. After that hearing Order Number R-
13 5373 was entered and signed on February the 11th, and extended
14 the emergency order until further order of the Commission and
15 ordered that a hearing would be held during April of 1977
16 to consider both the continued suspension of Rule 15(A) and
17 Rule 15(B), and such other matters as may be deemed appro-
18 priate by the Commission.

19 Thereupon, Case Number 5872 was re-opened on
20 April the 20th, 1977, and Order Number R-5373-A was entered
21 April 26th, 1977. Among the findings in that order was the
22 finding that the evidence presented demonstrated that said
23 natural gas shortage emergency is over and it ordered that
24 effective at 12:01 Mountain Daylight Time, May 1, 1977, the
25 suspension of Rule 15(A) and Rule 15(B) of the Prorated Gas

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1 Pool Rules is terminated.

2 Subsequent to the issuance of that order, an appli-
3 cation was filed for a hearing de novo in this case, and
4 that's where we are today.

5 Now, at the hearing on April 20th Exhibit Three
6 was introduced. This is a reprint from the Federal Register
7 of a proclamation, Number 4495, by the President, and the
8 title of the proclamation is Termination of Natural Gas
9 Emergency.

10 I'm offering that today as Exhibit Number One in
11 this case.

12 The President finds that the severe natural gas
13 shortages no longer exist and are no longer imminent and that
14 effective April 1, 1977, the gas shortage -- or the gas
15 emergency is declared to be ended, and all the various orders
16 and things that went with that were terminated.

17 I'm offering that proclamation as Exhibit One in
18 this case today, as I mentioned.

19 Exhibit Number Two is a rundown of the status of
20 the gas pools in northwest and southeast New Mexico. Now,
21 there are three groups of columns on this exhibit.

22 The first group shows the status at 12-31 of these
23 gas pools, and the number of wells in those pools that are
24 six times overproduced, and the overproduction by the six
25 times overproduced wells. That was the data that we had

1 available to us at the hearing that was held for the original
2 continuation of the emergency order. This hearing was on
3 February 11th, I believe. Yes.

4 The next group of columns is the pool status at
5 February 28th. This is the data that we had available to
6 us when the extension of the order was -- when the case was
7 called in April 20, 1977, to be considered whether it should
8 be terminated or extended further.

9 The final group of columns is the pool status as
10 of April 30, 1977, which is the data we have to date.

11 So we've had three hearings on this and the
12 hearing data is summarized on this one exhibit. Now, we'll
13 see that at the first hearing in February there were a total
14 of three wells in southeast New Mexico and five wells in
15 northwest New Mexico that were six times overproduced, and
16 therefore subject to being suspended under the terms of those
17 emergency orders.

18 At the hearing in April we had a total of seven
19 wells in the southeast and eight wells in the northwest that
20 were six times overproduced and subject to the suspension by
21 the order.

22 At the present time we have status as of April 30,
23 and there are eleven wells in southeast New Mexico and ten
24 wells in northwest New Mexico that are six times overproduced.

25 Now, there are some interesting things on this

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1 chart; the way the statuses of the pools have changed.

2 Now, we'll see that, for example, the Atoka-Penn-
3 sylvanian Pool at the first of the year, the pool status was
4 115,000 overproduced; then it was 93,000 underproduced, and
5 it's still 58,000 underproduced.

6 The Blinebry Pool has gone from 253,000 overpro-
7 duced to 8,000 underproduced, and now it's 512,000 overpro-
8 duced.

9 Buffalo Valley is a minor pool, I won't go into
10 that.

11 Burton Flats - Morrow has gone from 969,000 over-
12 produced to 178,000 overproduced, back up to 745,000 over-
13 produced by the status.

14 Now, the reason that these pools have changed
15 their status like this is that we have two reclassifications
16 in here. One was at December 31st; another one was at March
17 the 31st, and when the pool is carrying a bunch of under-
18 production assigned to wells that will be reclassified as
19 marginal, and the wells have not been reclassified yet, the
20 underproduction that those wells carry is applied to the pool
21 status and tends to give the pool an underproduced picture,
22 but we've recently had our last reclassification and the
23 underproduction that the wells that were reclassified have
24 has been taken out of the picture, so some of the wells, some
25 of the pools have shown an increase in overproduction.

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1 Now, an interesting example of this is in this
2 Burton Flats - Morrow. We had one well that was six times
3 overproduced at the hearing in January -- in February, and
4 we had one in April. Well, now, that well that was six times
5 overproduced on the first of those sets or -- first two of
6 those sets of columns, is no longer six times overproduced,
7 but it has been replaced by another well which is six times
8 overproduced, and has a total overproduction -- the far right
9 figure for Burton Flats - Morrow -- of 882,000. And what's
10 happened to that well, that well was a marginal well through
11 all of these previous classifications, that well had been
12 classified as marginal for over a year, and finally, at the
13 end of the proration period on March the 31st, it was re-
14 classified upward to a non-marginal status, and all of the
15 overproduction that it had accumulated during the year it
16 was classified as marginal, was charged to its allowable,
17 and it suddenly goes from marginal to non-marginal, it's
18 six times overproduced and shut in, and carries almost a
19 billion cubic feet of overproduction yet, although it's a
20 brand new marginal well.

21 Now, that's affected the pool status there quite
22 a bit.

23 CHAIRMAN RAMEY: May I interrupt just a minute?
24 What caused it to go to a marginal well?

25 A Well, the fact that it could make its allowable.

1 Now, this is a strange well. The well is a split
2 connection three ways. We had a reclassification. Now, you
3 understand the gas proration rules allow a well to go down
4 from non-marginal to marginal four times a year, every three
5 months the Gas Proration Department looks at the wells; the
6 computer analyzes the production; if its best month is not
7 equal to its average allowable for the last three months,
8 the well goes down from non-marginal to marginal. However,
9 it can only come back up from marginal to non-marginal once
10 a year.

11 So, what happened, a year ago last March 31st the
12 computer looked at this well. It had not quite made its
13 average allowable during the year; it had not made its average
14 allowable.

15 Now, the reason why it had not made its average
16 allowable was one month, one of the pipelines that is con-
17 nected to the well was not producing from that well, and that
18 pipeline takes a very substantial amount of the gas that the
19 well normally produces. So, apparently, the production from
20 the well was being saved for that one pipeline, was not
21 going to the other two pipelines, and it had one low month of
22 production. As a result of having one low month of production
23 and the rest of the year riding right along at its allowable,
24 it ended the year not making its allowable and did not get
25 reclassified as a non-marginal well a year ago last March 31st.

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1 Well, now, for the last twelve months it did have
2 all three pipelines connected to it, so when the computer
3 looked at the well's production and its allowable this past
4 March 31st, it said, well, this well has made its allowable
5 throughout the year, therefore it should go from a non-
6 marginal -- I say made its allowable, made top allowable for
7 the pool is what I should say, and the well had made the top
8 allowable for the pool, so the computer said, well, it's
9 made it, so it goes to non-marginal status. But all this
10 production that it had in the interim, during the past twelve
11 months, must be charged as though it were a non-marginal well
12 all along. So they did, and the result is that the well has
13 882,000 mcf overproduction charged to it. It's six times
14 overproduced and shut in, and just came off of a marginal
15 status.

16 The well that's in the Burton Flats - Strawn Pool,
17 we see we've got our first six times over well, on Exhibit
18 Number Two, here, as of April the 30th. That well has
19 518,942 mcf charged against it. It's six times over. It
20 causes the pool status to be 471,262 mcf overproduced.

21 The same thing is pretty much true of a lot of
22 these other pools. The next one I wanted to mention specifi-
23 cally, however, is Indian Basin - Upper Pennsylvanian Pool.

24 We see that Indian Basin - Upper Penn Pool at
25 December 31st had 904,000 mcf underproduction. It had 29 wells

1 that were overproduced and these had a total of 5,719,000 mcf
2 charged to them. It did not any wells that were six times
3 overproduced. At the hearing in April we had the status as
4 of 2-28. We find that Indian Basin - Upper Penn is 728,000
5 underproduced; the pool as a whole is underproduced, although
6 it has 29 wells that are overproduced, with a total over-
7 production chargeable to those 29 wells of 6,804,000.

8 Now, I made the statement at the hearing in April
9 that there were a half a dozen or so wells in this pool that
10 should be reclassified marginal, that were carrying a vast
11 amount, I think it was something like seven billion cubic
12 feet of gas allowable, these underproduced wells, that should
13 be classified as marginal, and that as soon as we had re-
14 classification and put that gas back into the pot, that it
15 would help these overproduced wells rectify their status.
16 I made that statement in the April hearing.

17 Well, when I made this analysis this time, I find
18 that the pool has gone from a 728,000 underproduced status
19 to a 7,500,000 overproduced status, with 29 wells that are
20 overproduced, carrying 7.7 billion cubic feet of overpro-
21 duction.

22 Now, I went to the records to find out what had
23 happened; why my overproduced wells had not been alleviated
24 in their condition by the reclassification of all those
25 marginal wells. I found that if they took the allowable that

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1 had been assigned to those non-marginal -- those marginal
2 wells, the newly classified marginal wells, this seven
3 billion, and put it into the pool allowable by the basis of
4 pool balancing, that it would have caused the allowables for
5 the Indian Basin Pool to go to something like 450,000 mcf
6 per well for the month of -- that month, May, I guess it was.
7 So rather than assign so much of this allowable to these
8 wells through pool balancing, and it would cause every well
9 in the pool to be unable to make its allowable, and end up
10 in causing all the wells in the pool to get reclassified as
11 marginal later, so rather than throw in that huge chunk of
12 reclassification cancellation into the pool allowable by
13 pool balancing, it was withheld and a portion of it was put
14 in. More of it will be doled into the pool allowable during
15 the next several months to get the pool into a good status
16 prepared for the winter heating season again. But it was
17 impossible to put that in at this present time. So that's
18 the story on Indian Basin - Upper Penn.

19 The rest of the wells, the pools there, the story
20 is pretty much the same.

21 Now, in the northwest we've gone -- in the three
22 groups of figures here, we see we've gone from five to eight
23 to ten wells that have a six times overproduced status; how-
24 ever, the pools as a whole are in pretty good shape up there.

25 Of the four pools that are prorated, at December

1 31st of 1976, they were all in an underproduced status. On
2 February 28th, the Blanco - Mesaverde was 196,000 mcf over-
3 produced; the other three pools were all underproduced, a
4 total of 1,625,000 mcf of underproduction. Now, we have --
5 all of the pools are in an underproduced status, with a total
6 of 4,385,662 underproduction as the status.

7 I don't think that there is any real problem with
8 any of the pools in the northwest. There are so many pools
9 up there that ten wells with six times over status doesn't
10 affect anything, really.

11 Now, I'd like to make a comparison with some
12 figures that I have on the amount of non-marginal wells.

13 At the hearing in February, going to the south-
14 east pools, there were 3.64 non-marginal units in the Atoka -
15 Penn, and 22.25 marginal units. As of April 30th, there
16 are 3 non-marginal and 22.89 marginal; essentially the same.

17 The Blinberry Pool as of December 31st, the figures
18 we offered at the February hearing, had 20.5 non-marginal
19 units; today it has 22.5. It had 84.73 marginal units; it
20 now has 82.98.

21 Buffalo Valley had 1 and 18; it has now 1 and 18.

22 Burton Flat - Morrow had 6.97 non-marginal as
23 opposed to 36.52 marginal units. It now has 8.94 non-marginal
24 and 39.52 marginal units; it's gained in both categories.

25 Burton Flat - Strawn had 1 non-marginal and 7 mar-

1 ginal. It now has 2 and 6.

2 South Carlsbad - Morrow had 11 non-marginal and
3 58.49 marginal. It has 9 and 61.49 now.

4 Catclaw Draw - Morrow had 3.98 and 12.35. One
5 well is reclassified. It now has 3 and 13.

6 Crosby - Devonian was 1 and 2. It's now 1 and 1;
7 we've lost a well there.

8 Eumont Pool had 91 non-marginal, 372 marginals;
9 it now has 92 non-marginals and 367 marginals.

10 Indian Basin - Upper Penn had 40.42 non-marginals
11 and 14 marginals. It now has 31 non-marginals and 23 mar-
12 ginals. So that pool has had the biggest change in well
13 status. We have less non-marginal wells than we did have.

14 Jalmat Pool has gone from 31 non-marginal and 333
15 marginal to 36 non-marginal and 3.9 marginal.

16 Justis has gone from 2 and 23 to 5 and 18.

17 Monument - McKee has gone from 3 and 4.5 and is
18 still 3 and 4.5.

19 Tubb Gas Pool has gone from 17 non-marginal and
20 108 marginal to a total of 16 and 109.

21 And with respect to the northwest, there's only
22 four pools there, so this will only take a minute.

23 Blanco - Mesaverde has gone from 273 non-marginal
24 and 1,807 marginal to 351 non-marginal and 1,736 marginal.
25 So we've had a number of wells reclassified upward in that

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1 pool.

2 South Blanco - P. C. has gone from 220 non-marginal
3 and 1,210 marginal to 252 non-marginal and 1,198 marginal.
4 So we've had a switch in the non-marginal direction in that
5 pool, also.

6 49 non-marginal wells and 220 in Pablocito then
7 compared to 66 non-marginal and 216 marginal at the present
8 time.

9 So, in the northwest on the basis of reclassifi-
10 cation, there have been more wells -- more wells have in-
11 creased their status as far as non-marginal is concerned,
12 than have lost it. I put those figures out just for what
13 they're worth. They sound as boring as election returns, by
14 precinct.

15 Just what kind of wells are these? How did these
16 wells get to be six times overproduced? What's the cause of
17 it? That's what I prepared Exhibit Number Three for.

18 Exhibit Number Three is an exhibit containing
19 several pages. It does not cover the northwest wells, because
20 as I mentioned before, I think there is no great problem in
21 the northwest. It's devoted to the southeast New Mexico gas
22 wells that are six times overproduced. It covers all eleven
23 of them, with the exception of those two wells in the Burton
24 Flats - Morrow and the Burton Flats - Strawn that are over-
25 produced because they were -- that are six times overproduced

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1 because they were reclassified from a marginal to a non-
2 marginal status and had so much overproduction during their
3 marginal days that they were suddenly six times over. They
4 are not included in this exhibit, but all the others are.

5 Okay. The first pool on Exhibit Number Three is
6 Catclaw Draw. There's one well in that pool that is six
7 times overproduced. It's the Hanagan Catclaw Draw Unit
8 Number 9. It has 640 acres dedicated to it. Llano Pipeline
9 buys the gas.

10 You'll see from the third column to the right, the
11 well has been overproduced since January, 1976. It consis-
12 tently produced more than its allowable during the first three
13 quarters of 1976; one reason why, because allowables got very
14 low there. You'll see that the allowables went from 125,000
15 for the month of January down to a low there of 39,595 for the
16 month of July of '76. The well was producing at about the
17 same rate, so when the allowables went down, the overproduction
18 accumulated. They finally shut the well in; in September of
19 1976 it made only 1,214 mcf; didn't make a thing during the
20 next three months; it was shut in at that time. The shut-in
21 order went out to it in September, and the well hasn't pro-
22 duced except a minimal amount of gas since that time. The
23 reason it shows production during January, February, March,
24 and April, operator came in, got an exception to the shut-in
25 provision because he was afraid the well was -- accumulated

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1 quite a bit of water in the wellbore, the shut-in pressure
2 was going down. He asked that the well be permitted to pro-
3 duce some gas while it was making up its overproduction.
4 This well's overproduction is no result of the emergency
5 situation, the severe winter weather in the east, and has
6 no bearing on this case today.

7 Our next pool there is the Tubb Gas Pool. There
8 are two wells six times overproduced in that pool.

9 The first well is the Shell Argo Number 5. It has
10 160 acres dedicated to it; El Paso Natural Gas Company is
11 the purchaser, and if you'll look at the status of the well,
12 you'll see that for the first two months of '76 the well was
13 underproduced. In March of 1976 the well had an allowable
14 of 30,000 mcf; the Gas Company bought 66,000 mcf from the
15 well; it suddenly became 29,633 mcf overproduced. They
16 double-purchased the allowable the following month; double-
17 purchased the allowable the following month; finally curtailed
18 production in the month of June, and the well then had only
19 93,934 mcf overproduction. During July, August, September,
20 October, the allowables were pretty low in the pool and it
21 was during that period that -- well, July, they overproduced
22 the well five times its allowable -- but during August and
23 September, when the allowables were very low, they shut the
24 well in but that didn't help the overproduced status to shut
25 the well in during such a low allowable period. As a result,

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1 the well has accumulated a six times overproduced status and
2 at the end of April -- the allowable in April was 36,000, but
3 the well had 153,500 mcf overproduction charged to it, sub-
4 ject to shut in.

5 The next well in the Tubb Gas Pool is the Wiser-
6 Rhinehart (sic) B Number 1. This well has only 40 acres
7 dedicated to it in a 160-acre pool; Northern Natural Gas
8 Company is the purchaser. We'll see that this well had an
9 underproduced status for one month during the last year and
10 a half; that was in January, 1976. In February, 1976, the
11 well had an 8,368 mcf allowable; they overproduced it almost
12 three times; a total of 20,134 mcf. It got 6,974 mcf over-
13 produced, and it has remained overproduced ever since then.

14 The next is the Jalmat Gas Pool. We have two
15 wells in that pool that are six times overproduced.

16 The first is the Apco State Number 1. This well
17 has only 40 acres dedicated to it. Jalmat Gas Pool has a
18 maximum dedication of 640 acres. The exception is the rule
19 in this pool; there are very few standard proration units;
20 however, a 40-acre well is a rarity, also. But this well
21 has only 40 acres dedicated to it; El Paso is the purchaser
22 here. The well has been overproduced each month that we have
23 this exhibit tallied. From January, 1976, through April of
24 1977, it has had an overproduced status. It had three months
25 in which the production was zero and one month where they

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1 only produced 515 mcf; however, if we look at November and
2 December of last year, we see that in November the allowable
3 was 6,492 and the production was 10,290, so it almost doubled
4 its allowable in production in November before the gas short-
5 age -- before the gas emergency, I should say. In December
6 the allowable was 5,621. The production was 10,445, and
7 overproduction by now had increased to 14,564. The main
8 reason this well is six times overproduced, it's only got
9 30,829 mcf charged to it on overproduction, the main reason
10 it's six times overproduced is because its allowable is so
11 low because it only has 40 acres.

12 The next well on that page is the El Paso Moberly
13 (sic) C 83. This is an 80-acre well in this 640-acre pool;
14 El Paso is the purchaser. That well has been overproduced
15 each of the months on the exhibit. We can look there and see
16 some months when it produced two, three, four, five times
17 its allowable. It now has 177,429 mcf charged to it, although
18 its allowable for April was only 9,374. The problem with this
19 well, again, is the lack of acreage, mostly.

20 Next page is the Eumont Gas Pool. There are four
21 wells in this pool that are six times overproduced.

22 The first well is the Continental Britt (sic) B-8
23 Number 1. This is another little 40-acre well, and for the
24 entire period of time shown on the exhibit the well has been
25 in an overproduced status. You can see, starting off in

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1 January of 1976, the allowable was 6,150; the well produced
2 30,000. If it didn't severely overproduce its allowable,
3 or it underproduced its allowable until July of 1976, at
4 that time the status had been getting in a pretty good shape
5 of repair. At the end of June the status was only 8,174
6 overproduced but it only had an allowable of 2,876 during
7 July and they produced 18,307 out of it, so suddenly its
8 status has gone from 8,174 overproduction to 23,605 over-
9 production, way overproduced, so they shut the well in for
10 three months. They opened it up in November of 1976 and the
11 allowable was 10,000 and they produced 26,000. The next
12 month the allowable was 10,000; they produced 38,000, and
13 that's been going on ever since. The last month we had
14 production on them after the President ended the gas emer-
15 gency, the allowable was 7,092 in April; 46,627 production
16 in April. The President ended the gas emergency April the
17 1st; now, the Commission's order suspending the rule did not
18 end until May 1st.

19 The next well on the exhibit is Continental State
20 C 16 Number 1. This is another 40-acre well in the Eumont;
21 El Paso is the purchaser here. The well had an overproduced
22 status at January, 1976, and continued that overproduced status
23 until the fall of 1976. The well was shut in or completely
24 shut in for four months during the summer and early fall and
25 only produced 995 in May; however, in October or November it

1 had gone to an underproduced status; the well had gotten back
2 in balance and was slightly underproduced. But in November,
3 it, like the well we just finished mentioning, had a 10,092 mcf
4 allowable and they produced 20,975 mcf from the well. The
5 well has consistently produced its allowable since then and
6 it is now 72,528 mcf overproduced, which is more than six
7 times its average allowable.

8 The next well on the exhibit is the John Hendricks
9 Woodstead A Number 2. This is an 80-acre well in this pool.
10 The purchaser is El Paso. The well was overproduced from
11 January, 1976, through the summer and fall months of 1976
12 when, after three months of complete shut in, August, Sep-
13 tember, and October, the well got back in balance, and in
14 November had 420 mcf underproduced status; however, they
15 turned the well on in December, the well had an allowable
16 in December of 21,362 mcf, and produced 67,279 mcf of gas.
17 So going from an underproduced status of 420 in November, it
18 suddenly had an overproduced status of 45,000 overproduced
19 in December. The well has overproduced its allowable since
20 then, although April it was not overproduced very much, but
21 it now has a total status of 124,000 mcf overproduction, which
22 is more than six times its allowable and subject to shut in.

23 The next well on the exhibit for the Eumont Gas
24 Pool is the Shell State C Number 1. It's an 80-acre well
25 in the Eumont Gas Pool. As I mentioned before, Eumont Gas

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1 have 640 acres. The normal gas unit seems to be closer to
2 160, although there's everything from 40 to 640, but 80 acres
3 is smaller than average. This well has been overproduced
4 ever since January of 1976. The well was shut in during the
5 summer of 1976 and got down to a low status there of 1,189.
6 Then July came along, they hit the well very hard in the
7 month of July. It had an allowable of 5,753 and produced --
8 that's five thousand seven hundred and fifty-three -- and
9 produced 64,000, so it went from 1,189 overproduction to
10 59,000 overproduction in one month, and as a result, at the
11 end of April of 1976, the well has a total overproduction of
12 161,470 overproduction, and its allowable for the month of
13 April was only 14,183. During April it did produce 36,474.

14 It appears that some of these wells were on the
15 way toward getting well but then one or two months they were
16 hit very hard, and for some reason it was often in the month
17 of July, 1976. I don't know what the reason for it was.
18 Apparently, the company needed -- El Paso was the purchaser
19 of those wells -- apparently they needed a supply of gas
20 during July and had to hit these wells very hard, because they
21 sure did hurt the status. They were getting in good shape
22 and suddenly they were not in good shape any more.

23 But that summarizes the nine wells in the gas pools
24 in southeast New Mexico that are six times overproduced. It
25 appears that most of them, with a few exceptions -- now,

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1 there's that Hanagan well, that thing was overproduced all
2 the time. It appears that mostly they're chronically over-
3 produced wells. This is a normal situation for these wells
4 to live in an overproduced status, apparently. I don't think
5 the overproduction is the result of this emergency thing at
6 all. I think their overproduced status is in part due to
7 having small amounts of acreage assigned to them and part to
8 just being used as swing wells even during the shut in
9 periods of time.

10 Q Do you have any recommendations to make at this
11 time?

12 A Yes. I would recommend that the order that the
13 Commission entered after the April hearing, being Order Number
14 R-5373-A, be continued in full force and effect.

15 Q Do you have anything further?

16 A No, I haven't.

17 Q Were exhibits One through Three prepared by you
18 or under your supervision?

19 A Yes.

20 MS. TESCHENDORF: I offer Exhibits One through
21 Three in evidence.

22 CHAIRMAN RAMEY: They will be accepted. Are there
23 any questions of the witness?

24 MR. STAMETS: Mr. Ramey.
25

CROSS EXAMINATION

BY MR. STAMETS:

Q I just wanted to ask, Mr. Nutter, in your opinion if this -- well, could correlative rights be violated if this overproduction that accumulated between 12-31 of '76 and the first of May of this year, could correlative rights be violated if that were forgiven?

A No, correlative rights can be protected by making these wells make it up. That's the whole purpose of gas prorating. The idea is that, in the first place, is that the pool rules allow an overproduced well to accumulate six times its allowable before it's subject to shut in. This is a violation of correlative rights on a current basis, anyway, to allow the well to accumulate six times over its allowable before being subject to shut in; but the theory behind it is that you allow that flexibility to the purchaser to accumulate that much overproduction, but when he does shut the well in, he will make up that amount of overproduction down to just less than six times over; it doesn't say it has to be brought back in balance completely. It just has to be brought back to less than six times over. So this gives a big well, one of these chronic overproducers, as I call them, a running start with six times its allowable all the time, and the reason for shutting wells in is to bring this violation of correlative rights back to this tolerated maximum

1 of 5.99, you might say, running start.

2 So, I think that any time a well is allowed to go
3 over six times overproduction and not have to make it up, it
4 just brings that much more disparity between that well's
5 production and offsetting wells, and this would result in a
6 violation of correlative rights. There's a built-in viola-
7 tion already, but theoretically, it's necessary to allow this
8 flexibility for gas purchasers because the gas can't be
9 stored as easily as oil can, and the mechanism is built in
10 to that, that does allow some impairment of correlative rights
11 on the theory that it will be made up eventually, but if it's
12 not, if there's a vast amount of overproduction that isn't
13 made up, it certainly is a violation of correlative rights.

14 MR. STAMETS: That's the only question I had.

15 CHAIRMAN RAMEY: Mr. Nutter, what was the date of
16 our emergency order?

17 MR. NUTTER: The emergency order was entered on
18 January 27th and was effective at 12:01 a. m. January 28th.

19 CHAIRMAN RAMEY: So, in essence, we just had the
20 month of February and March that were under this emergency?

21 MR. NUTTER: Under the President's emergency.

22 CHAIRMAN RAMEY: Right.

23 MR. NUTTER: That's correct.

24 CHAIRMAN RAMEY: And we also authorized April?

25 MR. NUTTER: That's correct.

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1 CHAIRMAN RAMEY: Under our order.

2 MR. NUTTER: Right.

3 CHAIRMAN RAMEY: Any other questions of the wit-
4 ness? You may be excused.

5 Do you have anything further, Ms. Teschendorf?

6 MS. TESCHENDORF: No.

7 CHAIRMAN RAMEY: Mr. Lopez?

8 MR. LOPEZ: If the Commission please, Mr. Schmidt
9 would like to make a brief opening statement and then call
10 our witnesses.

11 MR. SCHMIDT: El Paso has requested this de novo
12 hearing for the purpose of seeking this Commission's reconsi-
13 deration of Order R-5373-A, issued on April 26th, 1977. As
14 you are aware, Order R-5373-A terminated the suspension of
15 Rules 15A and 15B of the General Rules, without making an
16 allowance for overproduction accrued during the period that
17 these rules were suspended. El Paso believes that this ac-
18 tion is not required under the Commission's mandate to pre-
19 vent waste and protect correlative rights, and that the Com-
20 mission's Order R-5373-A is not in the best interest of the
21 State of New Mexico or of the United States, particularly
22 insofar as such order establishes a possible precedent for
23 future natural gas emergencies.

24 In particular, El Paso objects to findings Numbers
25 8, 10, and 12 contained in Order R-5373-A, and specifically

requests Commission reconsideration of these findings.

Finding Number 8 states, "that the evidence presented demonstrated that to protect correlative rights, overproduced wells subject to the shut in provisions of Rule 15A and Rule 15B due to overproduction should be shut in following termination of the suspension of said rules."

We will present testimony to the effect that each operator in pools wherein El Paso has a badly overproduced well was given the opportunity to produce his fair share of gas, and therefore, that no correlative rights were violated. In addition to this testimony, we submit that there was no evidence presented in the previous hearing in this case demonstrating that shutting in overproduced wells is needed to protect correlative rights. In the prior proceeding El Paso testified that in its opinion correlative rights were not violated. Northern Natural Gas testified only that it did not know whether any correlative rights were violated. It did not testify that its correlative rights or anybody else's correlative rights were, in fact, violated. Gas Company of New Mexico did not offer any direct evidence on the question of correlative rights, but its recommendation to the Commission was similar to El Paso's recommendation, and this would support an implication that this company had no problem with correlative rights, either. No other evidence on the subject of correlative rights was offered. Several other companies

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1 did make statements, but these were neither under oath nor
2 subject to cross examination and cannot be considered evi-
3 dence. We therefore submit that this Commission's Finding
4 Number 8 in Order R-5373-A is without foundation in the evi-
5 dence.

6 Moving on to Finding Number 10, that finding
7 states, "the evidence presented did not demonstrate that any
8 significant additional volumes of gas were made available to
9 the Eastern United States due to the Commission's action in
10 suspending said Rules 15A and 15B."

11 El Paso will present testimony establishing that
12 significant additional volumes of gas were made available
13 from New Mexico sources as a result of the Commission's
14 action in the emergency. In this regard, El Paso would submit
15 that any comparison of volumes delivered during the past
16 heating season with volumes in prior years is an improper
17 basis for comparison. We submit that the proper basis for
18 comparison is between what volumes were actually delivered
19 in the past heating season and what volumes would have been
20 delivered if Rules 15A and 15B had not been suspended.

21 Finally, with regard to Finding Number 12 that
22 "the suspension of said Rule 15A and 15B should be terminated
23 with no special provisions to apply to overproduction or
24 underproduction accrued during the period of said suspension."

25 El Paso will introduce evidence showing that

1 Order R-5373-A, as it presently stands, will adversely affect
2 El Paso's operations, including its operations in New Mexico,
3 thereby potentially harming New Mexico consumers, and that it
4 will create a questionable precedent for future emergency
5 situations.

6 Reconsideration of Findings 8, 10, and 12 does not
7 necessarily require reconsideration of all the matters which
8 were considered in the re-opened hearing in Case Number 5872,
9 which occurred on April 20, 1977, and El Paso does not plan
10 to present testimony on each and every point that was consi-
11 dered at that time. I therefore request that El Paso's
12 testimony in the April 20th, 1977, hearing in Case Number
13 5872 be incorporated by reference into the record of this
14 hearing and made a part of the evidence to be considered by
15 the Commission in this case.

16 Is that permissible?

17 CHAIRMAN RAMEY: I think that's permissible and
18 we will incorporate the prior evidence in this case.

19 MR. SCHMIDT: At this time I would like to call
20 Mr. Manning to the stand.

21 CHAIRMAN RAMEY: We will incorporate the entire
22 transcript of the case.

23 MR. SCHMIDT: We'll call Mr. Manning to the stand.
24
25

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E. R. MANNING

called as a witness, having been duly sworn upon his oath,
was examined, and testified as follows:

DIRECT EXAMINATION

BY MR. SCHMIDT:

Q Would you please state your name and residence?

A E. R. Manning; I live in El Paso, Texas.

Q By whom are you employed and in what capacity?

A I am employed by El Paso Natural Gas as Chief
Proration Engineer.

Q Have you previously testified before this Commis-
sion, or one of its examiners, and had your qualifications as
a Proration Engineer accepted?

A Yes, sir, I have.

Q Are you familiar with El Paso's application for
a de novo hearing in this Case 5872?

A Yes, I am.

MR. SCHMIDT: Are the witness' qualifications
acceptable to the Commission?

CHAIRMAN RAMEY: We consider him qualified.

MR. SCHMIDT: Okay.

Q (Mr. Schmidt continuing.) In what capacity does
El Paso appear here today?

A El Paso appears as an interstate pipeline company

1 and as an operator of gas wells in the State of New Mexico
2 who has been adversely affected by Commission Order R-5373-A,
3 issued on April 26th, 1977.

4 Q I'm sure that you are aware that by telegram dated
5 January 25, 1977, the Secretary of the Interior requested
6 all operators of Federal leases to produce gas wells on Fed-
7 eral acreage to help alleviate the shortage of gas which was
8 then occurring in the eastern part of the United States?

9 A Yes, I am.

10 Q And I am sure that you are also aware that the
11 New Mexico Oil Conservation Commission issued an emergency
12 Order Number E-30 on January 27th of this year, suspending
13 Rules 15A and 15B of the General Rules for Prorated Gas Pools,
14 thereby permitting overproduced wells to be produced during
15 this emergency situation, and that this Commission issued
16 another Order, R-5373, on February 11, 1977, continuing the
17 suspension of Rules 15A and 15B until further order of the
18 Commission?

19 A Yes, sir.

20 Q Did El Paso take any action in response to the
21 Secretary's request and the Commission's suspension of Rules
22 15A and 15B to help alleviate the national shortage of gas?

23 A Yes, sir. El Paso turned on every well permitted
24 to produce, regardless of its status of overproduction.

25 Q In producing all wells connected to El Paso's

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1 system during the national emergency, did El Paso do anything
2 contrary to what might be considered normal operations?

3 A Yes, sir. In the normal operations of El Paso,
4 we continually watch the status of all prorated wells so that
5 we can attempt to maintain every well in such a status that
6 it could be produced at any time desired. In other words,
7 we try to keep all wells less than six times overproduced
8 while at the same time attempting to balance all wells during
9 the proration period. In this manner, we have every well
10 available for production should a condition arise which would
11 require maximum production from our system. In contrast to
12 our normal procedure, during the natural gas emergency, El
13 Paso turned on every well connected to its system regardless
14 of its overproduced status. This caused some wells to be-
15 come far more overproduced than we would have had them under
16 normal operating conditions.

17 Q I take it, then, that a number of these wells have
18 become overproduced more than six times the average monthly
19 allowable?

20 A Yes. We have twelve wells with a capability of
21 approximately 14,000 mcf a day, that are now overproduced
22 six times or more the average monthly allowable, including
23 one well 32.5 times overproduced.

24 Q This figure differs somewhat from the number of
25 wells which you had previously estimated would be overproduced

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1 by May 1st, does it not?

2 A Yes, it does. As it turned out, some of the wells
3 came close to being six times overproduced, but did not reach
4 that figure. On the other hand, some wells are more over-
5 produced than we estimated. I would also point out that that
6 estimate was based on the assumption of wide-open production
7 until May 1st, and we began shutting in those wells before
8 that date.

9 Q Did El Paso begin curtailing production from over-
10 produced wells upon hearing of the termination of the emer-
11 gency as declared by the President on April 1st?

12 A No, we did not. El Paso began curtailing production
13 from overproduced wells on April the 21st, 1977.

14 Q Why didn't El Paso shut in its overproduced wells
15 on the 1st of April?

16 A The suspension of Rules 15A and 15B was still in
17 effect at that time, and El Paso was unsure of what actions
18 other operators were taking.

19 Q In other words, El Paso was simply attempting to
20 protect its own correlative rights?

21 A That is correct.

22 Q Are these overproduced wells presently shut in?

23 A Yes, they are.

24 Q What action does El Paso recommend that the Com-
25 mission take in connection with the termination of the sus-

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1 pension of Rules 15A and 15B?

2 A El Paso has proposed that the suspension of Rules
3 15A and 15B be terminated effective the end of April, 1977,
4 business month. This date was selected so that we would not
5 have to split-integrate any of our measurement charts or to
6 otherwise divide the monthly production into an emergency
7 type production and a normal month's production. And even
8 though the emergency Order Number E-30 was issued by the
9 Commission on January 27 to be effective at 12:01 a. m. on
10 January 28, 1977, we proposed that the beginning of the
11 business month of February, 1977, be the official beginning
12 of the record-keeping for emergency production during the
13 suspension of Rules 15A and 15B.

14 Q Have you had an opportunity to study the individual
15 wells connected to your system that are in a highly over-
16 produced status?

17 A Yes, sir, I have.

18 Q Have you looked at these overproduced wells and
19 compared their status and number of days called on to produce
20 with surrounding offset wells in the same pool?

21 A Yes, sir, I have.

22 Q At what conclusion have you arrived?

23 A Well, it is evident that under the Secretary of
24 the Interior's telegram requesting full production during the
25 period of emergency, and under the orders issued by this

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1 Commission in response to the Secretary's telegram, every
2 well was called upon and permitted to produce every day during
3 the emergency period. Whether any given well actually over-
4 produced or underproduced during this period is therefore
5 irrelevant. Every operator had the opportunity and the moral
6 obligation to produce its wells at maximum production rates
7 in order to help alleviate our country's "gas crunch". El
8 Paso feels that if an emergency did exist, and when we as
9 a producer and a pipeline company cooperate with an official
10 request to alleviate the emergency, then we should not be
11 penalized for being concerned, cooperative, and patriotic.

12 Q How would you propose that the Commission handle
13 the overproduction which accrued during the period in which
14 Rules 15A and 15B were suspended?

15 A As a matter of happenstance, April the 1st became
16 the date for cancellation and redistribution of allowables
17 for all prorated pools in New Mexico. We propose that this
18 cancellation and redistribution be accomplished as in any
19 other year. This cancellation and redistribution may lessen
20 the amount of overproduction that has accrued to some wells.
21 In addition to this cancellation and redistribution, we ask
22 that the Commission compare the status of each well at the
23 end of January, 1977, with its status at the end of April,
24 1977, and assign the lower value of overproduction to each
25 overproduced well. In other words, we are requesting that

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1 that the Commission carry forward the status at the end of
2 January, but if by cancellation and redistribution the over-
3 production accrued to any well becomes less after the can-
4 cellation and redistribution, that lower value would be taken
5 as the beginning status for May, 1977.

6 Q Mr. Manning, what you are saying, then, might be
7 considered a policy of forgive and forget during this emer-
8 gency period?

9 A That is correct.

10 Q Do you believe that the correlative rights of any
11 person would be violated by this procedure?

12 A Under the orders issued by this Commission in re-
13 sponse to the Secretary of the Interior's telegram, every
14 well in New Mexico had the opportunity to produce at its
15 maximum producing ability throughout the emergency period.
16 Since correlative rights refers only to the opportunity to
17 take a fair share of gas from a pool and does not depend upon
18 the amount actually taken, I feel that no correlative rights
19 were violated.

20 Q In other words, no one can force an owner or
21 operator to produce gas if he doesn't want to, but if every-
22 one has been given the opportunity to produce their share of
23 gas, no correlative rights are violated whether that gas is
24 actually produced or not?

25 A That is correct.

1 Q Do you feel that accounting for overproduced gas
2 in this manner would create any waste?

3 A In my opinion, no waste has occurred during this
4 emergency.

5 Q If El Paso had known on January 27th, 1977, when
6 Rules 15A and 15B were suspended, that the Commission's final
7 order terminating that suspension would make no special
8 provision for overproduction accrued during the period of
9 suspension, would El Paso have operated its wells in the same
10 manner that it actually did operate them during the emergency?

11 A Knowing that we would later be penalized by having
12 the operation of our system disrupted for a long period of
13 time, it would be difficult to justify allowing these wells
14 to become more than six times overproduced.

15 A Do you believe that the Commission's Order R-5373-A
16 if not modified as a result of this hearing, would have an
17 adverse affect on the willingness and ability of operators
18 to respond to future state or national emergencies?

19 A I would think that this effect is inevitable.
20 Knowing that cooperation in an emergency situation would not
21 merely go unrewarded but will actually be penalized, I would
22 think that some operators would have second or third thoughts
23 about helping out next time.

24 Q Are there any ways in which the Commission could
25 respond to the next emergency without discouraging cooper-

1 ation?

2 A Yes, I believe there are. The best way would be
3 to declare at the time the rules are suspended that overpro-
4 duction accrued during the emergency will be disregarded en-
5 tirely in computing the overproduced status of any given well.

6 Q Are there any alternatives to this?

7 A One alternative might be to immediately assign
8 unlimited additional allowables to all wells.

9 Q Do you have anything further which you would like
10 to present in this case?

11 A No, I do not.

12 MR. SCHMIDT: This concludes my direct examination
13 of this witness.

14 CHAIRMAN RAMEY: Any questions of the witness?
15 Mr. Nutter.

16
17 CROSS EXAMINATION

18 BY MR. NUTTER:

19 Q Mr. Manning, if your statement is true that by
20 permitting the wells to produce wide open, if every well had
21 the opportunity to do it, that protects correlative rights
22 because that means only the opportunity, then the law of
23 capture also protects correlative rights, doesn't it, because
24 every well has the opportunity to get as much as it can?

25 A I'm not testifying to the law of capture today,

1 Mr. Nutter, I'm --

2 Q But I'm saying, as an analogy, that would apply
3 to the law of capture, would it not, if every well has the
4 opportunity?

5 A Well, I guess; I guess that's one way of looking
6 at it.

7 MR. NUTTER: I believe that's all. Thank you.

8 CHAIRMAN RAMEY: Any other questions of the wit-
9 ness?

10 MR. STAMETS: Yes.

11 CHAIRMAN RAMEY: Mr. Stamets.

12

13 CROSS EXAMINATION

14 BY MR. STAMETS:

15 Q Mr. Manning, at the hearing that was held in April
16 you were asked if you could give a volume of gas that El Paso
17 moved from New Mexico, extra gas that was moved from New
18 Mexico because of the crisis, and at that time you were not
19 able to give a figure. Can you do so now?

20 A Mr. Stamets, we'll have a witness that will take
21 care of that following me.

22 MR. STAMETS: Okay, that's all I have.

23 CHAIRMAN RAMEY: Any other questions? The witness
24 may be excused.

25 MR. SCHMIDT: We'll call Mr. Thompson.

JACK T. THOMPSON

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

DIRECT EXAMINATION

BY MR. SCHMIDT:

Q Would you please state your name and address?

A Jack T. Thompson, Post Office Box 1492, El Paso, Texas, 79978.

Q By whom are you employed and in what capacity?

A I'm employed by El Paso Natural Gas Company as the Director, Regulatory Affairs Department.

Q Have you previously qualified as a witness before this Commission or one of its examiners?

A No, I haven't.

Q Would you please briefly state your educational background and experience?

A Yes. I am a graduate of Texas College of Mines and Metallurgy with a Bachelor of Science degree in Mining Engineering. I received my degree in January, 1950.

Since 1954 I have been employed -- I have worked for El Paso Natural Gas Company. My present position is Director of Regulatory Affairs Department of El Paso. In this capacity I direct activities of the department which is responsible to the management of the company for the prepar-

1 ation of all certificate matters and tariff changes filed with
2 the Commission. In addition, the department has certain re-
3 sponsibilities in related areas, including the determination
4 of rates paid independent producers. The department is also
5 responsible for the maintenance of El Paso's FPC Gas Tariff.

6 Lastly, the department is charged with certain
7 planning responsibilities which, working in connection with
8 other departments, are addressed to the timely procurement of
9 Federal Power Commission authorizations necessary for the
10 conduct of projects and activities undertaken by El Paso.

11 During the period last winter when a critical gas
12 shortage developed in the eastern half of the United States
13 as a result of record low temperatures, I was assigned the
14 responsibility for the coordination and administration of El
15 Paso's activities undertaken to alleviate the emergency through
16 arrangements with other companies designed to make supple-
17 mental supplies available in areas of critical need.

18 Q Mr. Thompson, are you familiar with El Paso's ap-
19 plication in this proceeding?

20 A Yes, I have general knowledge.

21 MR. SCHMIDT: Are the witness' qualifications ac-
22 ceptable?

23 CHAIRMAN RAMEY: Yes, they are acceptable.

24 Q (Mr. Schmidt continuing.) What is the purpose of
25 your testimony in this proceeding?

1 A My testimony will provide for the record an account
2 of the actions and operations undertaken by El Paso, certain
3 of its customers, and certain interconnecting gas transmission
4 pipelines, to provide emergency deliveries of gas to other
5 interstate and intrastate pipelines which could provide a
6 conduit for moving emergency gas to the critically affected
7 areas of the country. I will also describe El Paso's capa-
8 bility to implement future emergency deliveries of gas as a
9 result of interconnections with other pipelines which were
10 installed during last winter's gas crisis.

11 Lastly, I will address the benefit of having,
12 under emergency conditions, all of the producing capability
13 that the wells connected to El Paso's system possess.

14 Q When did El Paso initiate emergency actions in
15 response to the gas shortage crisis in the east?

16 A At 11:45 a. m. on January 28th, 1977, El Paso com-
17 menced the transportation of 12 million cubic feet daily of
18 emergency gas for Transcontinental Gas Pipeline Corporation.

19 Q From whom did Transco obtain the emergency gas?

20 A Transco, acting as agent for its distributor com-
21 panies, purchased the gas from distributors served by North-
22 west Pipeline Corporation, with Northwest acting as their
23 agent.

24 Q Would you describe how the initial transportation
25 arrangement was effectuated?

1 A Yes. The gas was delivered by Northwest to El
2 Paso at an existing interconnection between the two pipe-
3 line systems in La Plata County, Colorado. El Paso concu-
4 rently commenced delivering gas at equivalent flow rates to
5 Transwestern Pipeline Company at an existing interconnection
6 in Ward County, Texas, which is located in El Paso's Permian
7 supply area. Transportation to Transco downstream of the
8 Transwestern delivery point was accomplished through subse-
9 quent deliveries by interstate pipelines having existing
10 interconnections.

11 Q Given the locations of the Northwest delivery to
12 El Paso and the El Paso delivery to Transwestern, did El Paso
13 have to make a direct haul of the gas?

14 A No. The transportation was accomplished through
15 displacement. That is, El Paso moved the gas delivered by
16 Northwest in a westerly direction to its customers located
17 west of the delivery point in lieu of moving a like amount
18 from its Permian supply area to the same delivery points.
19 Thus, the Permian volume was made available for delivery to
20 Transwestern in the Permian Basin with no reduction in the
21 total gas available for El Paso's customers situated through-
22 out the system.

23 Q As the gas emergency heightened, were larger
24 volumes delivered to Transco?

25 Q Yes. On January 28th, 1977, the Northwest volume

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1 made available to Transco was increased to 52 million cubic
2 feet daily, and on January 30, 1977, the volume transported
3 for Transco was increased to 102 million cubic feet daily.
4 The 102 million cubic feet daily transportation service con-
5 tinued until February 4, 1977, when the volume was further
6 increased to 155 million cubic feet daily.

7 Q How long did El Paso's emergency transportation
8 service for Transco continue?

9 A It continued through March 11, 1977.

10 Q What were the total emergency volumes handled for
11 Transco?

12 A El Paso received and transported for Transco a
13 total volume of 6.441 billion cubic feet.

14 Q Did El Paso provide other emergency transportation
15 services?

16 A Yes. Emergency deliveries were made to Consoli-
17 dated Edison Company of New York, Southern Natural Gas Com-
18 pany, and Columbia Gas Transmission Corporation. Deliveries
19 to Con Ed at a 25 million cubic feet daily rate were made
20 on a total of four days involving a total volume of 99.6
21 million cubic feet. Deliveries to Southern were made from
22 January 29, 1977, through February 22, 1977, at rates of
23 from 25 to 100 million cubic feet daily. Total emergency
24 transportation volumes handled for Southern were 1.02 billion
25 cubic feet.

1 On February 9, 1977, El Paso commenced the trans-
2 portation of 60 million cubic feet daily of emergency gas
3 for Columbia and certain of Columbia's distributor customer
4 companies. Deliveries to Columbia continued through March 5,
5 1977, and ultimately totaled some 1.7 billion cubic feet.

6 Q Where did all this gas come from?

7 A This gas was made available on a loan basis by
8 El Paso's major California customers, Southern California
9 Gas Company and Pacific Gas and Electric Company.

10 Q What rate did El Paso charge Transco, Southern,
11 Con Ed, and Columbia for the transportation of this gas?

12 A Each of these deliveries were accomplished for an
13 administrative charge of one cent per mcf.

14 Q Many of these deliveries were accomplished with
15 new emergency interconnection facilities authorized under the
16 Emergency Natural Gas Act of 1977, is that correct?

17 A Yes.

18 Q What total capacity for deliveries to the east
19 was ultimately attained by El Paso through existing and new,
20 interconnections with interstate and intrastate pipelines?

21 A When the emergency was over El Paso had inter-
22 connections capacity to deliver some 600 million cubic feet
23 daily for east transport.

24 Q Does El Paso propose to leave the emergency inter-
25 connections facilities which it installed in place for possible

1 future use in emergency situations?

2 A The emergency facilities which El Paso installed
3 were at a capital cost in excess of \$300,000. These costs
4 will be paid for by the companies that were the recipient of
5 the emergency service. All of the companies have indicated
6 that they feel it would be prudent to leave the facilities
7 in place for possible future use. Accordingly, El Paso plans
8 to make appropriate filings with the Federal Power Commission
9 for necessary authorization to make the facilities permanent.

10 Q In your opinion, will the facilities be needed to
11 meet emergency situations in the future?

12 A Give the deepening gas shortage that exists in
13 the United States today, I think there is little doubt that
14 the facilities will be needed to respond to emergency situ-
15 ations on an increasing basis in forthcoming winter seasons.

16 Q Mr. Thompson, is it correct to state that El Paso
17 did not of its own volition divert its gas supplies during
18 the emergency, but rather acted in response to the direction
19 of certain of its customers to divert supplies that they
20 were scheduled to receive from El Paso?

21 A Yes. Under its curtailment operations prescribed
22 by orders from the Federal Power Commission, El Paso did not
23 have the authority to directly divert gas from its customers
24 except under directives from the Commission or the Admini-
25 strator of the Emergency Natural Gas Act. I would note, how-

1 ever, that PG&E's and SoCal's directives to El Paso to divert
2 their deliveries to the east had the same net affect as if
3 El Paso had undertaken the action.

4 I would further note that the ability of PG&E and
5 SoCal to respond to the emergency and still serve their own
6 customers' requirements stemmed directly and equally from
7 the deliverability of their own storage facilities and from
8 the magnitude of the daily quantities of gas that El Paso
9 had available for delivery to its customers.

10 Q The day to day quantities of gas that El Paso had
11 available for delivery to its customers during the emergency
12 was a direct function of the deliverability of all of its
13 gas sources and the availability of such deliverability, was
14 it not?

15 A Yes. In other words, the extra production of gas
16 which was permitted during the natural gas emergency due to
17 the suspension of Rules 15A and 15B directly affected the
18 amounts of gas that El Paso's customers were able to make
19 available to the eastern United States.

20 Q Do you know if any New Mexico gas actually was
21 sent to the eastern United States?

22 A It's very difficult to say where each well's
23 production goes after it enters a complex pipeline system.
24 But, as I've indicated, it is really immaterial whether the
25 molecules of gas which went east actually came from New Mexico

1 or elsewhere. Since any additional production along the
2 system has the same effect of permitting additional gas to be
3 sent east the additional production which El Paso obtained
4 from New Mexico was important in supplying the east during
5 the emergency.

6 Q In your opinion, did the suspension of Rules 15A
7 and 15B make possible the delivery of significantly more gas
8 to the eastern United States during the emergency than would
9 have been delivered had these rules not been suspended?

10 A In my opinion, that is correct.

11 Q In your opinion, will shutting in those El Paso
12 wells which became more than six times overproduced during
13 the emergency have an adverse affect on the ability of El
14 Paso to respond to future crises of a similar nature?

15 A Yes. As I previously stated, all production
16 along a system is important in determining the ability of the
17 system to respond to emergency situations. To the extent
18 that production is shut in because of prior overproduction,
19 the system's ability to respond is impaired.

20 Q Do you have anything further which you would like
21 to present in this case?

22 A No, sir.

23 MR. SCHMIDT: This concludes my direct examination.

24 CHAIRMAN RAMEY: Any questions of the witness?

25

CROSS EXAMINATION

BY MR. STAMETS :

Q Mr. Thompson, getting back to the situation, or the question, how much New Mexico gas went east, you talked a lot about gas coming from this source and that source because of this customer and that customer, it's not clear to me, though, at this point, whether this, if I added it up correctly, 9.2 billion cubic feet of gas that you sent east, if that was El Paso owned gas or if that gas was owned by somebody else, and how much of that would be credited to New Mexico wells as opposed to wells in the other states.

A Yes, sir. The volumes that El Paso transported for Transco, that gas was obtained by purchase by Transco's distributors from Northwest Pipeline Corporation.

Q So all of that gas would be off of Northwest's system?

A That's correct, yes, sir. And that was delivered at a central point of the existing interconnection -- that was delivered to Transco through the indicated interconnections on an mcf for mcf basis. It was a different gas but it was delivered in equivalent quantities.

Q Now, would that mean that the Northwest Pipeline wells, if those wells were in the state, those would be the ones that would have accumulated any overproduction during this period of time?

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1 A Well, the gas that Northwest physically delivered
2 to El Paso, essentially all that gas came from the San Juan
3 Basin through their Ignacio Plant.

4 Q And this 6.4 billion was physically delivered to
5 El Paso, that was not produced out of El Paso connections?

6 A That's correct. That's the amount of gas we re-
7 ceived from Northwest Pipeline.

8 Q Okay, so that would be charged against Northwest
9 connections?

10 A Yes, sir.

11 Q And they produced primarily out of the northwestern
12 part of New Mexico and not out of the southeast?

13 A That's correct. I think you asked one further
14 question with regard to the rest of the gas that was handled
15 under the emergency operations. That was gas that would
16 normally have been scheduled to be delivered to El Paso's
17 two California customers, Southern California Gas Company
18 and PG&E; they directed El Paso to divert that gas in lieu
19 of delivering it to them to other indicated companies.

20 Q So what that amounts to, of the 9.2 billion that
21 El Paso delivered, 6.4, or slightly above two-thirds, came
22 from other sources than El Paso's connections.

23 A Yes, sir.

24 Q Okay. Thank you.

25 CHAIRMAN RAMEY: Mr. Kendrick.

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CROSS EXAMINATION

BY MR. KENDRICK:

Q In line with that same question, what percentage of El Paso's takes are from New Mexico relative to other states that would supply this remaining amount of gas?

A Well, we obtain about fifty percent of our gas from New Mexico of our total supply; some fifty percent, as I recall, is produced in New Mexico from New Mexico sources.

CROSS EXAMINATION

BY MR. WADE:

Q Of this gas that is your California customers', that's gone to the east coast, has any of it been paid back yet?

A Yes, sir, it -- I think it will all be paid back this weekend.

RECROSS EXAMINATION

BY MR. STAMETS:

Q One other question that I have, I believe you talked about shutting in the six times overproduced wells would make it difficult for El Paso to respond to another emergency. Was this question -- or was your answer predicated on these wells still being shut in at the time of another emergency?

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1 A Well, the question and answer really went to the
2 position that you might be in in the event of a future emer--
3 gency. It just seemed to me that having all of the gas in
4 your systems available for delivery under emergency conditions
5 certainly enables you to respond to that situation, better
6 than you would if your wells were shut in or forced to stay
7 shut in.

8 Q If the wells, though, have made up their over-
9 production by the time the next emergency rolls around, then
10 this would not have the effect of restricting your ability
11 to take gas.

12 A I think that follows, yes, sir.

13 MR. STAMETS: That's all.

14 CHAIRMAN RAMEY: Any other questions? The witness
15 may be excused. We'll have a fifteen minute recess.

16 (Thereupon a recess was taken.)

17 CHAIRMAN RAMEY: The hearing will come to order.
18 Mr. Schmidt?

19 MR. SCHMIDT: I'd like to call Mr. Macfarlane.

20
21 ROBERT G. MACFARLANE

22 called as a witness, having been first duly sworn, was exam-
23 ined, and testified as follows:

24
25 DIRECT EXAMINATION

1 BY MR. SCHMIDT:

2 Q Will you please state your name and address?

3 A Robert G. Macfarlane, Post Office Box 1492, El
4 Paso, Texas, 79978.

5 Q By whom are you employed and in what capacity?

6 A I am employed by El Paso Natural Gas Company in
7 the capacity of Manager, Gas Sales Administration, Customer
8 Affairs Department.

9 Q Have you previously testified before this Com-
10 mission or one of its Examiners?

11 A No.

12 Q Would you please briefly state your educational
13 background and experience?

14 A In June, 1954, I received a Bachelor of Science
15 degree from the University of Utah. In September, 1959, I
16 went to work for Pacific Northwest Pipeline Corporation which
17 merged with El Paso Natural Gas Company in December of 1959,
18 and have been in the employment of El Paso since that time.

19 My present position is Manager, Gas Sales Admin-
20 istration. In this position I am responsible for the Customer
21 Affairs Department portion of rate and certificate filings
22 before the Federal Power Commission. Additionally, my re-
23 sponsibilities include the direction of the administrative
24 function of the Sales Administration Division of the Customer
25 Affairs Department and the maintenance of close working re-

1 relationships between El Paso's management and the various
2 state regulatory commissions and other appropriate govern-
3 ment agencies in the states El Paso operates.

4 MR. SCHMIDT: Are the qualifications of the wit-
5 ness acceptable?

6 CHAIRMAN RAMEY: Yes.

7 Q (Mr. Schmidt continuing.) Mr. Macfarlane, you
8 are generally familiar, are you not, with El Paso's appli-
9 cation in this proceeding?

10 A Yes, I am.

11 Q What is the purpose of your prepared direct testi-
12 mony in this proceeding?

13 A My testimony will address the need for the pro-
14 tection of Priority One and Priority Two loads on El Paso's
15 interstate system.

16 Q Would you please briefly describe the present gas
17 supply situation on El Paso's interstate system?

18 A A gas shortage exists today on El Paso's system.
19 Since late 1972, El Paso has been unable to deliver enough
20 gas from its system to fully serve the gas requirements of
21 all of its customers. Each day El Paso's available gas is
22 allocated among El Paso's customers in accordance with a
23 system of priorities prescribed by the Federal Power Com-
24 mission for the El Paso system. Briefly, these service
25 priorities include, Priority One, it includes residential,

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1 small commercial, which is identified as less than 50 mcf on
2 a peak day.

3 Priority Two, is large commercial requirements,
4 50 mcf or more on a peak day; industrial requirements for
5 plant protection, feedstock, and process needs and pipeline
6 customer storage injection requirements. I might add that
7 those industrial requirements are requirements which you can-
8 not use an alternate non-gaseous fuel.

9 Priority Three, includes all industrial require-
10 ments not specified in Priorities Two, Four, and Five.

11 Priority Four is industrial requirements for
12 boiler fuel use at less than 3,000 mcf on a peak day, but
13 more than 1,500 mcf on a peak day, where alternate fuel
14 capabilities can meet such requirements.

15 Priority Five, industrial requirements for large
16 volume, which is 3,000 mcf or more on a peak day, boiler
17 fuel use where alternate fuel capabilities can meet such re-
18 quirements.

19 Q Mr. Macfarlane, why is there a gas shortage on
20 El Paso's system?

21 A Production deliverability has been declining for
22 several years from our present sources of supply. El Paso
23 has been unable to obtain enough new gas reserves and pro-
24 duction to offset the declining production trend. Since late
25 1972 the amount of gas available for delivery to El Paso's

1 customers has been less than our customers' requirements.

2 Q What action is El Paso planning to take regarding
3 the protection of service to east-of-California interstate
4 customers which are solely dependent upon your pipeline for
5 their gas supply?

6 A First, El Paso has authorization from the Federal
7 Power Commission to operate its Rhodes Storage Reservoir,
8 located in Lea County, New Mexico, for the protection of
9 east-of-California customers Priority One and Priority Two
10 loads. Additionally, El Paso is negotiating with its two
11 large California customers for extensions of special operating
12 arrangements designed to provide protection for these Priority
13 One and Priority Two loads. We are also seeking additional
14 storage projects; again, all of these storage arrangements
15 are designed to protect Priority One and Priority Two loads
16 for east-of-California customers, including customers in the
17 State of New Mexico.

18 In addition to the protection afforded by the
19 above gas storage arrangements for New Mexico's Priority One
20 and Priority Two service categories, El Paso received tempo-
21 rary authorization from the Federal Power Commission on
22 January 19, 1977, to transport up to 10,000 mcf per day of
23 natural gas in interstate commerce for the Energy Resources
24 Board of the State of New Mexico. Under this transportation
25 arrangement, New Mexico royalty gas, which is taken "in kind"

1 from certain oil and gas leases located within the state,
2 would be sold to the ERB for resale to private and municipal
3 utility distribution systems in various communities of New
4 Mexico presently served by El Paso.

5 Q Would you please identify El Paso's sales for re-
6 sale in New Mexico?

7 A In New Mexico El Paso sells to six privately-owned
8 distributors: Capitan-Carrizozo Natural Gas Association,
9 EMW Gas Association, Gas Company of New Mexico, Jal Gas Com-
10 pany, Inc., Rio Grande Natural Gas Association, and Gamarco
11 Associates, Limited.

12 El Paso sells gas for resale to six public distri-
13 bution systems: The Village of Corona, the cities of Deming,
14 Las Cruces, Lordsburg, and the town of Mountainair and the
15 City of Socorro.

16 Additionally, El Paso sells gas directly to four
17 major industrial consumers in New Mexico, and sells gas for
18 resale on the Navajo Indian Reservation to the Navajo Tribal
19 Utility Authority.

20 Q Do all of --

21 A The delivery of natural gas to these customers
22 represents approximately thirty percent of the total of all
23 gas sales in the State of New Mexico.

24 Q Excuse me. Do all of these New Mexico customers
25 have requirements for Priority One or Priority Two gas?

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1 A Yes.

2 Q Will you please briefly explain the effects of
3 the loss of production from the wells in New Mexico which are
4 currently shut in as a result of being more than six times
5 overproduced?

6 A The loss of production from these wells would have
7 a negative impact on El Paso's sales in New Mexico. During
8 the forthcoming winter season El Paso would be required to
9 withdraw more gas from storage inventory to meet the Priority
10 One and Priority Two needs of El Paso's east-of-California
11 customers and during the succeeding summer season, El Paso
12 would have less gas available for storage. Also, whenever
13 low priority gas is available during the winter, El Paso at-
14 tempts to inject gas into storage to keep the deliverability
15 of the reservoirs as high as possible and the loss of this
16 gas would hinder those efforts. The results, therefore, of
17 this loss of production would be to reduce El Paso's storage
18 inventory with the eventual consequences of further endangering
19 reliable Priority One and Priority Two service protection
20 than is currently forecast.

21 Q Are the volumes of gas which we are talking about
22 here significant?

23 A I suppose that depends on your perspective. As
24 Mr. Manning testified, the twelve shut in wells have a total
25 deliverability of about 14,000 mcf per day. The effect on

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1 El Paso's overall operations is, therefore, relatively small;
2 however, El Paso is the sole supplier for most of the com-
3 munities and the distribution companies that I have previously
4 mentioned, and we are talking about enough gas to serve ap-
5 proximately 14,000 homes on a peak day.

6 During periods of high demand when supplies of gas
7 for Priority One and Priority Two uses are tight, I would not
8 suggest that these volumes are insignificant, since every mcf
9 of gas is significant to the homeowner who is not able to get
10 it.

11 Q Unless some relief is forthcoming, do you believe
12 that El Paso will be inhibited from responding to future
13 emergencies?

14 A Yes.

15 Q Does this conclude your direct testimony?

16 A Yes, it does.

17 MR. SCHMIDT: I have no further questions.

18 CHAIRMAN RAMEY: Any questions of the witness?

19
20 CROSS EXAMINATION

21 BY MR. RAMEY:

22 Q Mr. Macfarlane, what's the status as to the capa-
23 city of the Rhodes Storage at this time?

24 A The present capacity of the Rhodes Storage Reser-
25 voir is almost full. I think it's about a half a billion

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1 below its authorized maximum inventory, and so it's substan-
2 tially full; half a billion cubic feet.

3 Q You wouldn't anticipate removing any gas from that
4 until the next heating season?

5 A That's correct.

6 Q And this, to date, has met emergencies to the
7 east of California?

8 A That is true. We have not had to curtail any of
9 our east-of-California Priority One and Priority Two re-
10 quirements up to this time. I mean, we have additional con-
11 trols, though, we have other operating ranges, which we were
12 required to use this past winter to meet those emergencies.

13 Q Thank you.

14 CHAIRMAN RAMEY: Any other questions?

15
16 CROSS EXAMINATION

17 BY MR. STAMETS:

18 Q Mr. Macfarlane, are there any other remedies
19 available to El Paso to increase production in other areas of
20 their lines which would offset the lost production -- not
21 lost -- but the shut in of the production from these over-
22 produced wells?

23 A I am not qualified to state facts on production,
24 I'm sorry.

25 Q So as far as you know, it's possible that there

1 could be something which would offset the negative impact?

2 A I don't know of anything. If there is, I know of
3 none; it's my understanding that we don't have anything shut
4 in; we do not husband natural gas, I know that, so I assume
5 there is nothing that we could draw from to offset that loss.

6 Q But what you've mentioned here may only be one of
7 a series of things which could have a negative impact, as far
8 as you know?

9 A Well, that's possible, yes.

10 MR. STAMETS: That's all.

11

12

CROSS EXAMINATION

13

BY MR. LUCERO:

14

Q You mentioned something, you made other delivery
15 arrangements. What were they?

16

A Well, we have arrangements with our California
17 customers, there's two different types of arrangements: One
18 with Southern California Gas Company whereby on days where
19 El Paso is unable to meet the Priority Two needs of its east-
20 of-California customers, and the withdrawal capability from
21 Rhodes Storage Reservoir is insufficient to meet those defi-
22 ciencies, we can reduce the deliveries that we would otherwise
23 make to Southern California up to 300,000 mcf per day in order
24 to deliver that gas, or divert it, to the east-of-California
25 Priority One and Two loads. As soon as possible thereafter,

1 we will repay Southern Cal for volumes diverted from Southern
2 Cal to east-of-California Priority One and Two customers.

3 And the second arrangement is with Pacific Gas and
4 Electric Company, whereby we have advance sold about 28 billion
5 cubic feet of natural gas and have the right to reduce de-
6 liveries to PG&E to recover that 28 billion cubic feet of
7 natural gas whenever we're unable to meet the Priority One
8 and Priority Two needs of east-of-California customers, if
9 the deficiencies exceed, number one, Rhodes, and number two,
10 the Southern California special operating arrangement.

11 We can further reduce Pacific Gas and Electric
12 up to 300,000 mcf per day to meet the east-of-California
13 Priority One and Two deficiencies.

14 Q Maybe I missed it, but how much gas did you fur-
15 nish to the New Mexico customers during the peak heating
16 period, the highest month?

17 A I don't have it on the monthly basis. As I recall,
18 and I didn't testify to it, but as I recall it's something
19 like 40 million mcf annually is El Paso's sales to customers
20 located in New Mexico.

21 Q And how much of that is to the poor industrial
22 customers?

23 A I don't have that breakdown with me. I can supply
24 that to you; I don't have it with me right now, as to how
25 much of that 40 million mcf goes to industrial customers.

1 Q And you mentioned a transportation arrangement
2 of gas purchased by the Energy Board in your testimony. That
3 didn't come from El Paso wells, though, did it?

4 A No, that's just where El Paso transports gas,
5 state royalty gas.

6 Q But that just transports it, it doesn't have any-
7 thing to do with any wells we're talking about here?

8 A That's true. That's true.

9 MR. LUCERO: I have no questions.

10
11 RE CROSS EXAMINATION

12 BY MR. RAMEY:

13 Q Mr. Macfarlane, do you happen to know, what's the
14 status of California swimming pools? Are they still being
15 heated with New Mexico natural gas?

16 A I don't know.

17 Q I think during the emergency they declared they
18 couldn't do that and I just wondered if they were still con-
19 tinuing.

20 CHAIRMAN RAMEY: Any other questions of the witness?

21 He may be excused.

22 MR. SCHMIDT: We have nothing further to present.

23 MR. FURAY: Joseph Furay with Northern Natural
24 Gas Company.

25 CHAIRMAN RAMEY: How do you spell that?

1 MR. FURAY: F-U-R-A-Y.

2 CHAIRMAN RAMEY: You may proceed.

3
4 A. DEAN FULLER

5 called as a witness, having been first duly sworn, was exam-
6 ined, and testified as follows:

7
8 DIRECT EXAMINATION

9 BY MR. FURAY:

10 Q Would you please state your name and address?

11 A Alton Dean Fuller, I reside at 2406 Stoddard,
12 Midland, Texas.

13 Q By whom are you employed and in what capacity?

14 A Northern Natural Gas as Production Engineer,
15 Permian Region, Gas Supply Operations Department.

16 Q Have you previously testified before the Commission
17 and are your credentials a matter of record?

18 A Yes, I have.

19 MR. FURAY: Does the Commission have any questions
20 regarding his qualifications?

21 CHAIRMAN RAMEY: No questions.

22 Q (Mr. Furay continuing.) Mr. Fuller, I'm going to
23 show you a copy of a transcript of the hearing held April 20,
24 1977, before the New Mexico Oil Conservation Commission, Case
25 Number 5872, pages 55 through 60, and ask if this is a true

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1 copy of your sworn testimony given at that time?

2 A Yes, it is.

3 Q Also attached to that is an exhibit marked Exhibit
4 A, which you referred to in that testimony and which was ad-
5 mitted in evidence in the April 20 hearing. Is that a true
6 copy of that exhibit?

7 A Yes, it is.

8 Q Do you adopt that prior testimony as your own for
9 purposes of this hearing?

10 A Yes, I do.

11 MR. FURAY: At this time I would ask that this
12 copy of the April 20th transcript, pages 55 through 60, be
13 marked as an exhibit to be admitted into evidence for the
14 purposes of this hearing, and made part of the record.

15 CHAIRMAN RAMEY: I think we're going to incorporate
16 the transcript of the previous hearing into this hearing.

17 MR. FURAY: Okay.

18 Q (Mr. Furay continuing.) Now, one final question.
19 Does Northern have an opinion concerning the question of cor-
20 relative rights?

21 A Yes.

22 Q What is that opinion?

23 A In our opinion, correlative rights will be vio-
24 lated if wells six times overproduced are not required to be
25 balanced. Since allowables are assigned based on acreage,

1 correlative rights will be violated, in our opinion, if six
2 times overproduced wells are not balanced. This will occur
3 because smaller acreage units will be allowed to produce more
4 than their fair share. Since the deliverability of a well is
5 not dependent upon the acreage assigned to a unit, proration
6 must be utilized to set allowables and protect correlative
7 rights. It is our opinion that the present system used in
8 New Mexico to set allowables and require balancing is very
9 equitable.

10 Q Do you have any further comments?

11 A No, I don't.

12 MR. FURAY: Well, that ends the direct examination
13 of Mr. Fuller and I would tender him for cross examination.

14 CHAIRMAN RAMEY: Any questions of the witness?

15 He may be excused.

16 MR. LOPEZ: Before the witness steps down, Mr.
17 Ramey, could I ask one question?

18 CHAIRMAN RAMEY: Yes.

19
20 CROSS EXAMINATION

21 BY MR. LOPEZ:

22 Q Would your testimony be any different if Northern
23 Natural had pipeline capacity sufficient to meet the emer-
24 gency situation that exists?

25 A No, sir.

1 CHAIRMAN RAMEY: Mr. Caton?

2 MR. CATON: Yes, Mr. Chairman, you've already
3 adopted the testimony that was taken in the previous hearing
4 and we would ask that you consider that testimony of Mr.
5 Bob McCrary, pages 70 to 79. There have been no changes
6 since the testimony was given that would alter New Mexico
7 Gas Company's position at this time, and the position at that
8 time was that in response to the emergency, some overproduction
9 had been done but it was not a large amount of overproduction.
10 We were primarily concerned that the Commission deal with
11 the underage production in the normal manner so that our
12 planning processes can be continued.

13 The order, as entered by the Commission on May
14 the 1st, does not injure New Mexico Gas Company in any way,
15 and we affirmatively endorse that portion of it that deals
16 in the normal manner with the underage.

17 If the Commission had any questions, we'd be
18 happy to answer them.

19 CHAIRMAN RAMEY: Are there any statements or any-
20 thing further at this time?

21 If not, the Commission will take the case under
22 advisement.

23 (Hearing concluded.)
24
25

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REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill,
and ability.

Sally Walton Boyd, C. S. R.

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 20, 1977

EXAMINER HEARING

IN THE MATTER OF:

Case 5872 being reopend pursuant to the)	CASE
provisions of Order No. R-5373 which)	5872
order suspended Rules 15(A) and 15(B))	(Reopened)
of the General Rules for Prorated Gas)	
Pools.)	

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

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1 MR. STAMETS: At this time we will call Case 5872.

2 MS. TESCHENDORF: Case 5872 in the matter of Case 5872
3 being reopened pursuant to the provisions of Order No. R-5373
4 which order suspended Rules 15(A) and 15(B) of the General
5 Rules for Prorated Gas Pools as promulgated by Order No. R-1670,
6 as amended.

7 MR. STAMETS: This case resulted from the national
8 gas emergency and a request by the Secretary of Interior,
9 Cecil Andrus, that the states do everything they could to increase
10 gas production.

11 The Commission initially issued an emergency order,
12 No. E-30, the twenty-seventh day of January, 1977, suspending
13 15(A) and 15(B) of the General Rules for the Prorated Gas Pools
14 in Northwest and Southeast New Mexico. Subsequently a hearing
15 was held on the eleventh of February, 1977, and Order R-5373 was
16 issued suspending the Rules 15(A) and 15(B) until a hearing
17 could be scheduled during April of this year, the hearing that
18 we are attending here today.

19 In Order R-5373 the findings (8) through (11) brought
20 out some questions which had not been resolved by the original
21 hearing. These questions should be addressed today.

22 The questions were these: That the evidence presented
23 at this hearing was not sufficient to quantify the effect of
24 the Commission's actions in suspending Rules 15(A) and 15(B).
25 The evidence presented was not sufficient to demonstrate whether

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1 or not correlative rights might be violated by said suspension
2 of 15(A) and 15(B). That the evidence presented was not
3 sufficient to weigh the effect of this suspension on said
4 rules against other factors which may restrict any pipeline's
5 ability to connect new wells or otherwise deliver gas to the
6 area of the emergency and the evidence presented was not
7 sufficient to determine the number of wells which might be shut
8 in due to overproduction following the end of this suspension
9 of Rules 15(A) and 15(B), nor the extent and effect of such a
10 shut in.

11 We would hope that these questions as well as any
12 other pertinent facts would be discussed at this hearing today.

13 At this time I will call for appearances.

14 MS. TESCHENDORF: Lynn Teschendorf appearing on
15 behalf of the Commission and I have one witness.

16 MR. STAMETS: Other appearances?

17 MR. CATON: Byron Caton appearing for Gas Company of
18 New Mexico.

19 MR. SCHMIDT: Rand Schmidt appearing on behalf of
20 El Paso Natural Gas.

21 MR. HAMMER: Robert Hammer appearing on behalf of
22 Northern Natural Gas Company.

23 MR. OLDHAM: Jack Oldham appearing on behalf of
24 Transwestern Pipeline Company.

25 MR. STAMETS: Any other appearances?

1 I would like to have all of the witnesses stand and
2 be sworn at this time, please.

3 (THEREUPON, the witnesses were duly sworn.)

4 MR. STAMETS: Ms. Teschendorf, you may proceed.

5
6 DANIEL S. NUTTER

7 called as a witness, having been first duly sworn, was examined
8 and testified as follows:

9
10 DIRECT EXAMINATION

11 BY MS. TESCHENDORF:

12 Q State your name and position, please?

13 A Dan Nutter, Chief Engineer for the New Mexico Oil
14 Conservation Commission.

15 Q Have you previously testified before the Commission
16 and made your credentials a matter of record?

17 A Yes, I have.

18 Q Are you familiar with Case 5872?

19 A Yes, I am.

20 Q What are your recommendations concerning this case?

21 A Well, I don't have any recommendations at this point.
22 I do have a summary here of some pool statistics.

23 As the Examiner mentioned this case is the second
24 hearing in this matter, the first one being held in February
25 after the issuance of the emergency order. The President, of

1 course, had proclaimed a national gas emergency and the Secre-
2 tary of Interior had sought to have additional gas put into the
3 pipelines to serve the East. We might note that the President
4 has by his proclamation No. 4495 dated April 1st, 1977 declared
5 that the national gas emergency which was declared to exist
6 by Proclamation No. 4485, was terminated, so we don't have to
7 worry about the gas emergency now.

8 But this Exhibit Number One is a summary of the
9 status of the pools. It's taken in part from the exhibit
10 that was offered at the hearing in February in which the status
11 of the pools as of the latest information available at the
12 time, which was December 31st, was tabulated.

13 Now, that information has been repeated on the left
14 side of this exhibit and the latest total information that we
15 have at this time is February 28th of 1977, is tabulated on
16 the right-hand side of the exhibit.

17 Now, it is unfortunate that the timing of this case
18 is such as it is because we have just received the C-111's
19 for the month of March and we don't have the March production
20 in any of these exhibits we have here. If the hearing had been
21 a week later we could be much more up-to-date on the matters
22 that we are discussing here today, but we don't have that.

23 Now, if you will note the overall status of the pools
24 in Southeast New Mexico as of December 31st of '76 was six
25 hundred and seventy-six thousand, eight hundred and eighty-

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1 six MCF overproduced. There were a hundred and forty-four
2 overproduced wells in Southeast New Mexico and those over-
3 produced wells had a total overproduction of twelve million,
4 seven hundred and forty-eight thousand MCF. Now, of course,
5 there was a lot of underproduction in the pools also so the
6 pool status was only six hundred and seventy-six thousand over-
7 produced.

8 Now, at the end of December there were three wells
9 in Southeast New Mexico that were six times overproduced and
10 those six times over wells had a total overproduction of a
11 million, six hundred and fifty-nine thousand.

12 Now, the pool status as of February 28th which is
13 after two months of the cold weather, it was one month of
14 January prior to the issuance of the emergency order and the
15 month of February which was subject to the emergency order and
16 the order that was subsequently issued.

17 The total net status of the pools in Southeast
18 New Mexico is two million, five hundred and ninety-one
19 thousand underproduced. Now, there is a lot of overproduction
20 in the pools but as I mentioned before there is a lot of
21 underproduction too. The allowables have been increased in
22 Southeast New Mexico in the last few months and that is one
23 reason that the underproduction has increased. Another reason,
24 of course, is that there was a cancellation and redistribution
25 of allowables after the December 31st reclassification and

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1 this is reflected in the new underproduction that is added
2 to the pools.

3 There are now a total of a hundred and twenty-nine
4 wells that are overproduced as compared with a hundred and
5 forty-four at the end of December. The overproduction of
6 those overproduced wells is fourteen million, two hundred and
7 thirty-two thousand as compared with twelve million, seven
8 hundred and forty-eight thousand. So we see that while the
9 pools have gone into an increased underproduced status as a
10 whole, the overproduction of the overproduced wells has
11 increased. Instead of having three wells that are six times
12 over as of December 31st, as we had it December 31st, we now
13 have at the end of February, seven wells that are six times
14 overproduced and those seven wells have a total of one million,
15 eight hundred and eighty-nine thousand total MCF accrued against
16 them in overproduction.

17 Northwest New Mexico presents much the same picture
18 in a little bit different light. At the end of December the
19 underproduction in the Northwest was three, point, four
20 million MCF. The underproduction now is one, point, six
21 million MCF, so underproduction has gone down by one, point,
22 eight million, so that would indicate that there has been more
23 production. There were three hundred wells that were over-
24 produced in the Northwest at the end of December, there are
25 now four hundred and forty wells that are overproduced. The

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1 overproduced wells at the end of December had five, point,
2 six million MCF against them, whereas now the four hundred and
3 forty overproduced wells have seven, point, one, four, five
4 million MCF. There were five overproduced wells then, there
5 are eight now that are six times over and the overproduction
6 accrued against those overproduced wells is a hundred and
7 fifty-seven thousand in December and four hundred and twenty-
8 four thousand at the end of February.

9 Now, if we get into the allowables themselves that
10 have been issued by the Commission since the first of the
11 year and compare them to allowables for the first four months
12 of 1976, we see the Basin-Dakota allowables are pretty much
13 the same as they were. The Blanco-Mesaverde allowables have
14 been fairly stable, they are probably somewhat higher than they
15 were last year. The South Blanco-Pictured Cliffs allowables
16 by virtue of the methods that apply in pool balancing have
17 actually been less this year than they were last year. The
18 Tapacito-Pictured Cliffs allowables have been less.

19 For the prorated pools in Southeast New Mexico, the
20 allowables in the Atoka-Penn have been less than they were.
21 The Blinebry allowables have been higher than they were. The
22 Buffalo Valley allowables are somewhat less. The Burton Flat
23 allowables are less than they were a year ago. That was
24 Burton Flat-Morrow. The Burton Flat-Strawn allowables are up
25 higher than they were a year ago. The South Carlsbad-Morrow

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1 allowables are about the same, possibly a little bit less. The
2 Catclaw Draw allowables are less than they were a year ago. The
3 Crosby-Devonian allowables can't be compared because it was
4 all marginal a year ago. The Eumont allowables are well above
5 what they were a year ago. The Indian Basin-Upper Penn
6 allowables are about the same, possibly a little less. The
7 Jalmat allowables are a little bit less, or just about the
8 same, maybe a little bit less. The Justis-Glorieta allowables
9 are well over what they were a year ago. The Monument McKee
10 allowables are about what they were a year ago and the Tubb
11 allowables are higher than they were a year ago.

12 Now, if we make an analysis of the overproduced wells
13 that we have, this is a summary of three pages of the over-
14 produced wells in Southeast New Mexico. Now, I took the wells
15 that were overproduced at the end of February and I compared
16 those wells with the wells that were overproduced at the end
17 of December and if there had been a decrease in overproduction
18 of those wells they were eliminated from the comparison. If
19 a well had an underproduced status at the end of December and
20 now has an overproduced status it is included in the summary.
21 I put down the amount of overproduction that the well had at
22 the end of February in the first column. I put down the increase
23 in overproduction that well had experienced from December 31st
24 to February 28th, a two month period, in the second column.
25 Then I tabulated the March allowable for that well, not the

1 pool allowable but the individual well's allowable taking into
2 consideration the size of its proration unit and so forth, its
3 acreage factor. Then I took the increase in overproduction as
4 a percentage of the March allowable to see what increase in
5 overproduction these wells had experienced in terms of one
6 month's allowable during this period of time and you will see
7 that wells that had an increase in their overproduction,
8 ranging from just two percent up to a high -- I think the high
9 well on here is seven hundred and some percent. There is a
10 well in Eumont there that in the two month period had an
11 increase in overproduction of seven hundred and twenty-six
12 percent of its March allowable. In other words, during the
13 two month period it produced its allowable plus seven times
14 its allowable.

15 Now, it is normal under gas prorationing in any
16 winter season for wells to go into an overproduced status or
17 pools to change their balance from a less underproduced status
18 to a more overproduced status. So some figure in here in this
19 column on the right-hand side is an acceptable figure that
20 shouldn't cause any cause for concern whatsoever because it is
21 normal to expect in a two month period, January and February,
22 for wells to overproduce. I don't know what that figure is.
23 The Commission in establishing its gas proration rules,
24 established that wells could be overproduced by six times
25 their allowable and not be subject to shut in. So apparently

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1 the Commission when they established that was thinking that
2 wells during the high demand winter season are going to well
3 overproduce their allowable and we are not going to shut them
4 in if they go as high as six times over. So there is some
5 figure in there that the Commission has adopted as being an
6 acceptable figure for overproduction. I think if you go to
7 fifty percent of the allowable you will find that there are
8 only thirty-two wells on this list in which the overproduction
9 increased during January and February exceeds half of a March
10 allowable.

11 Now, in looking at these pool statuses, there is one
12 pool in particular that shows a lot of overproduction in
13 Southeast New Mexico. That is the Indian Basin-Upper
14 Pennsylvanian pool. That shows that the twenty-eight over-
15 produced wells in that pool have a total of six, point, eight
16 million MCF or six, point, eight billion cubic feet of over-
17 production against them. Now, things aren't as bad as they
18 look in that pool because we have had gas balancing suspended
19 in there for a period of two years. The pool will be balanced
20 the first of -- at the beginning of this next proration period
21 for the first time, as soon as we have the March production
22 in.

23 And I just looked at the seven wells in that pool
24 that had the most underproduction and every one of those
25 seven wells during the last three months, which isn't a

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1 cancellation period or reclassification period but it would
2 include December, January and February, the last three months
3 that I had and none of those seven wells had made its allowable
4 during any one of those production months, or hadn't made its
5 average monthly allowable during any one and those seven wells
6 have a total of seven, point, two billion cubic feet of under-
7 production accrued to them as a result of the suspension of the
8 balancing rules in the pool for two years. So you take that
9 seven, point, two billion and put that back in the pot and
10 this pool is not in near the condition, these overproduced
11 wells are not in nearly the bad condition that they are.

12 There are only a few wells in the State of New Mexico
13 that are in a bad position. As far as pipelines are concerned,
14 I don't know. I think the pipelines might be in a worse
15 position than the pools are because it appears that some of
16 the better wells that they swing on are the ones that are in
17 trouble, so to speak. It's unfortunate that some of the better
18 wells seem to have some of the smallest allowables and they
19 have been produced heavily the last sixty to ninety days and
20 as a result they are a way overproduced.

21 I don't have any specific recommendation. I think
22 what the Commission should actually do is defer any action on
23 this final decision in the matter until after we've got the
24 March production in the machines and tabulated and after the
25 pools have been balanced. This is the end of the proration

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1 period, it's a one year period, this is the end of it. We
2 are going to see a lot of change in status. Now, some of
3 these wells that are severely overproduced, no amount of
4 redistribution is going to get them out of the hole. However,
5 these wells have produced their allowable and then some and
6 if they are subject to shut in it won't deprive them of having
7 had some production because they certainly have had some
8 production.

9 But if we look at these wells that are in bad shape,
10 in the Northwest we now have eight wells that are six times
11 over. The first well has a hundred and six thousand MCF over-
12 production. Its current allowable is eleven thousand.

13 We have a well in the Blanco-Mesaverde that has
14 eighty-five thousand overproduction. Its allowable is
15 eleven thousand for the month of March.

16 We have a well in the Blanco-Mesaverde that has
17 ninety-seven thousand overproduction. Its allowable is about
18 twelve thousand for March.

19 We have a well in South Blanco-Pictured Cliffs that
20 is twenty-one thousand, five hundred overproduced but its
21 March allowable is only fourteen hundred. It is fifteen, point
22 two, seven times over.

23 We have another well in South Blanco that has a
24 total of twenty-six thousand MCF of overproduction. Its
25 allowable is only sixteen hundred and it's sixteen, point, two,

1 seven times overproduced.

2 We have three wells in Tapacito that are six times
3 over. The first one is forty-eight thousand, it has an
4 allowable of two thousand, so it is twenty-three, point, seven
5 times -- seven, nine times over.

6 We have another well that has an allowable of twenty-
7 nine thousand, five hundred and sixty-seven or an overproduction
8 of twenty-nine thousand, five hundred and sixty-seven and its
9 allowable is thirteen hundred, so it's twenty-two, point, five,
10 five overproduced.

11 We have another well in Tapacito that has a total
12 overproduction of forty-eight thousand, seven hundred and
13 ninety, with an allowable of four thousand, so it is twelve,
14 point, two times overproduced.

15 By the way, these latest figures I have given you
16 have been handpicked off of the C-111's, they haven't gotten
17 into the machine yet but these are current figures through
18 March on these particular wells.

19 Now, in Burton Flat-Morrow we had one well that was
20 six times over but now with the April production and the April
21 allowable attributed, the March production against the March
22 allowable, that well is no longer six times over. It is
23 heavily overproduced but it's not six times anymore.

24 The well in Catclaw Draw that has been subject to
25 curtailment for several months because of overproduction is

1 still six times over.

2 Getting into the Eumont Pool we have one well that
3 has two hundred and six thousand and seventy MCF of over-
4 production with an allowable of thirteen thousand for March.
5 So it's fifteen, point, seven, seven, nine times overproduced.

6 Another well in Eumont has a hundred and twenty-nine
7 thousand MCF of overproduction against an allowable in March
8 of twenty-six thousand, so it is four, point, nine, five times
9 over.

10 We have a well in Eumont that has a hundred and
11 twenty-two thousand overproduction against twenty-six thousand
12 allowable. It's overproduced four, point, six, eight times
13 its allowable.

14 And we have a well in Jalmat that has a hundred
15 and forty-nine thousand overproduction against an allowable
16 of nine thousand, nine hundred, so it's fifteen, oh, two times
17 overproduced.

18 We have two wells in the Tubb Gas Pool that are six
19 times over. The first one has a hundred and fifty-five
20 thousand MCF of overproduction against a thirty-seven
21 thousand, five hundred allowable, so it's four, point, one,
22 five overproduced and the other six times over well in the
23 Tubb has approximately eighty-six thousand MCF of overproduction
24 against thirty-seven thousand, five hundred allowable, two,
25 point, two, nine times overproduced.

1 So that's the sum and total of the six times over
2 wells right now in the State. There are fourteen of them,
3 eight in the Northwest and six in the Southeast. That's all.

4 Q Mr. Nutter, I would like to clarify the exhibits.
5 Exhibit One was the exhibit you were talking about at first.
6 It shows the comparisons and the pool statuses as of December
7 31st and February 28th?

8 A That is correct.

9 Q And Exhibit Two is a three page exhibit that has in
10 the last column the increase and decrease of March allowable
11 overproduction?

12 A Right.

13 Q Were Exhibits One and Two prepared by you or under
14 your supervision?

15 A Yes, they were.

16 MS. TESCHENDORF: I offer Exhibits One and Two.

17 MR. STAMETS: Exhibits One and Two will be admitted.

18 (THEREUPON, OCC Exhibits One and Two
19 were admitted into evidence.)
20

21 CROSS EXAMINATION

22 BY MR. STAMETS:

23 Q Mr. Nutter, if I understood your recommendation
24 right, are you suggesting that we should make this next gas
25 proration schedule a part of the record in this case?

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1 A I think that would be appropriate. The figures are
2 pretty well going to speak for themselves. The Commission has
3 so many different options open to it in a matter like this.
4 They can grant total amnesty to overproduced wells during the
5 last three month period. This could easily be accomplished
6 by just inserting additional allowables to overproduced wells
7 like you would reclassification without disturbing the balance
8 in the pool by increasing the allowable. You could increase
9 allowables retroactive to the pools, however, this throws the
10 whole pool out of kilter because you will be increasing
11 allowables to underproduced wells as well and I don't think
12 underproduced wells are presenting any problem here today at
13 all. The thing is advertised to consider what if any special
14 consideration would be given to underproduction approved wells
15 during the period of suspension. I don't think anything has to
16 be done for the underproduced wells.

17 Another method of doing it would be to leave all
18 the status as is, no amnesty, no forgiveness of overproduction,
19 no additional allowable put into the pool, no redistribution of
20 some boogie factor that is put into it but just extend the
21 period in which wells could make up their overproduction.

22 I think that we don't have enough of the total
23 picture right now to decide which of these options the
24 Commission should take. I think you have an idea of what the
25 overall picture is but the statistics that are meaningful are

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1 not complete since we don't have March production, so if those
2 March figures can be considered when the decision is made it
3 will make a better decision possible.

4 Q Do you think we will ever be able from the records
5 that the Commission has to really put a number on what effect
6 this suspension of rules has had concerning the gas shortage?

7 A We haven't experienced a real increase in gas
8 production any of these months, I don't think. Now, there has
9 been a decline in some wells. I'm looking at the overall gas
10 production for the State and we haven't seen that occur. Some
11 of the wells have produced a lot more than they normally would,
12 then other wells have declined and are producing less. I don't
13 know if we will ever be able to pinpoint what the total result
14 has been.

15 Q To your knowledge has the Commission attempted to
16 find out if the Secretary of Interior was doing anything
17 in the crisis to try and increase the overall supply and not
18 just speed up the use of the existing supply?

19 A Yes, a letter of inquiry was directed to the Secretary
20 of Interior and to my knowledge he hasn't replied.

21 Q Looking at your Exhibit Number One it appears as
22 though we are not talking about too many wells being in
23 trouble. You have fifteen wells that you figure might be
24 somewhat more or somewhat less at the end of the next month?

25 A The number of wells that we are concerned with is a

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1 small number of wells. As I mentioned before, it may be more
2 of a pipeline problem than it is a well problem because the few
3 wells that are in trouble are shut in and the pipelines are
4 going to lose a lot of their swing wells.

5 MR. STAMETS: Are there any other questions of the
6 witness? Mr. Maxwell?

8 CROSS EXAMINATION

9 BY MR. MAXWELL:

10 Q Mr. Nutter, are any of those wells in the Northwest,
11 wells that the overproduction is caused because of failure to
12 file timely tests, they had produced a considerable length of
13 time before they got the tests in then they didn't have any
14 allowable during that period?

15 A I don't know.

16 Q Have you got some Linco wells on there?

17 A There are a couple of Linco wells, right.

18 Q I think that's their problem, they didn't file timely
19 tests and produced.

20 A The allowables on the wells are very small but the
21 overproduction is there but maybe the allowable wasn't a
22 current allowable but that is what is assigned to them.

23 MR. STAMETS: So there can be factors other than
24 the current demand which could affect the overproduced status
25 of these wells?

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1 A. Possibly so.

2 MR. STAMETS: Any other questions of the witness?

3 He may be excused.

4 (THEREUPON, the witness was excused.)

5 MR. STAMETS: Who would like to go next?

6 MR. NUTTER: Do you want this Presidential document

7 as part of the record? We can offer it as an exhibit also.

8 MR. STAMETS: Yes, I think it would be well to have

9 that for the record. Would you like to call that Exhibit

10 Number Three?

11 MR. NUTTER: That will be Exhibit Number Three.

12 MR. STAMETS: Exhibit Number Three will be admitted.

13 (THEREUPON, OCC Exhibit Number Three was

14 Admitted into evidence.)

15 MR. STAMETS: Mr. Caton, do you wish to go next?

16 MR. CATON: We would like to defer at this time.

17 MR. STAMETS: Mr. Schmidt?

18 MR. SCHMIDT: My name is Rand Schmidt. I'm with

19 El Paso Natural Gas and for the purpose of presenting testimony

20 in this hearing I have a letter associating myself with the

21 Montgomery, Federici firm.

22 I have one witness which I would like to present

23 and he has been previously sworn.

24

25

E. R. MANNING

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

DIRECT EXAMINATION

BY MR. SCHMIDT:

Q Will you please state your name and residence?

A E. R. Manning. I live in El Paso, Texas.

Q By whom and in what capacity are you employed?

A I'm employed by El Paso Natural Gas Company as Chief
Proration Engineer.

Q Have you previously testified before this Commission
in Case Number 5872 on February 11th of this year?

A Yes, sir.

Q Are you aware that this is a reopening of that case?

A Yes, sir, I am.

Q Did El Paso Natural Gas subsequent to February 11th
file an application in the matter of the final disposition of
overproduction and underproduction which accrued during the
period of suspension of Rules 15(A) and 15(B)?

A Yes, sir, we did.

Q Are you aware that El Paso's application relative
to this overproduction and underproduction has been combined
with this reopened Case 5872?

A Yes, sir, I was told that.

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1 Q Are you familiar with El Paso's case in this hearing?

2 A Yes, sir, I am.

3 MR. SCHMIDT: Are Mr. Manning's qualifications

4 acceptable?

5 MR. STAMETS: They are.

6 Q (Mr. Schmidt continuing.) In what capacity does

7 El Paso appear here today?

8 A El Paso appears here today both as an interstate

9 pipeline company and as an operator of gas wells in the State

10 of New Mexico.

11 Q Are you aware that an emergency existed during which

12 the Secretary of Interior asked all operators to produce

13 all wells on Federal acreage to help alleviate the national

14 shortage of natural gas?

15 A Yes, sir, I'm aware of that.

16 Q Are you also aware that the New Mexico Oil Conserva-

17 tion Commission issued an emergency order on January 27th,

18 1977 suspending Rules 15(A) and 15(B) whereby overproduced

19 wells could be produced during this emergency situation and

20 that the Commission issued another Order R-5373 to continue

21 that suspension until further order of the Commission?

22 A Yes, sir.

23 Q Did El Paso take any action in line with this

24 request in this suspension of rules that helped to alleviate

25 the emergency shortage of gas?

1 A Yes, sir, we did. El Paso turned on every well
2 permitted to produce regardless of its status of overproduction.
3 El Paso's customers and those of the Northwest Pipeline made
4 arrangements with customers in the eastern part of the United
5 states whereby we helped deliver approximately three hundred
6 million cubic feet of gas per day by displacement to customers
7 in the eastern part of the United States.

8 Q Is El Paso still delivering gas through this
9 displacement process to the customers in the northeast area
10 of the United States?

11 A No, sir, we are not.

12 Q In producing all wells connected to El Paso's system
13 at the time in question did El Paso do anything contrary to
14 what might be considered normal operations?

15 A Yes, sir, we did.

16 Q Would you elaborate on that, please?

17 A In normal operations El Paso or in normal El Paso
18 operations we continually monitored the status of all prorated
19 wells so that we attempt to maintain every well in such a
20 status that it can be produced at any time desired. In other
21 words we try to keep the wells less than six times over-
22 produced while at the same time attempting to balance all wells
23 during the proration period. With this type of operation we
24 have every well available for production should a condition
25 arise which requires maximum production from our system.

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1 During this emergency period El Paso turned on every
2 well connected to its system. This caused some wells to become
3 far greater overproduced than we would have had them under
4 normal operating conditions.

5 Q You are aware, are you not, that this national
6 emergency is now over?

7 A Yes, sir, I am.

8 Q Did El Paso begin curtailing production from over-
9 produced wells after hearing of the end of the emergency?

10 A No, we didn't. El Paso continued to produce all wells
11 and is continuing to produce all wells at this time due to
12 suspension of Rules 15(A) and 15(B) of Order R-1670 as
13 amended.

14 Q In continuing to produce all of these wells have some
15 of the wells become overproduced more than six times the
16 average monthly allowable?

17 A Yes, we estimate that we will have some seventeen
18 wells by the end of April which will have overproduced from
19 six times to as high as twenty-eight times its average monthly
20 allowable.

21 Q Have you had an opportunity to study the individual
22 wells connected to El Paso's system that are in a highly over-
23 produced status?

24 A Yes, sir, I have.

25 Q You have looked at these overproduced wells and

1 compared their status and the number of days called on to
2 produce with surrounding or offset wells in the same pools?

3 A Yes, sir, I have.

4 Q Have you prepared an exhibit for the convenience of
5 the Examiner?

6 A Yes, sir.

7 Q Would you please identify and explain this exhibit?

8 A This Exhibit is numbered Number One and it contains,
9 I believe sixteen pages of data which consists of plats,
10 location plats, which have seventeen gas wells in various pools
11 that became increasingly overproduced during the emergency
12 period. Now, these overproduced wells are identified by a
13 circle around them and each of these wells produce into El Paso's
14 system.

15 Q And you estimate that each of these wells will
16 probably be at least six times overproduced by the end of May?

17 A Yes, sir, according to our projection.

18 Q Okay.

19 A Now, these particular wells, and their corresponding
20 offset wells, have an "M" slightly to the right, or an "NM"
21 slightly to the right of the well location. The "M" indicates
22 that this well is marginal and the "NM" indicates that this
23 well is nonmarginal.

24 There also appears two numbers there, one over the
25 other. The upper number indicates the number of measurement

1 days in February and March. The lower number represents the
2 number of days this well was called upon to produce.

3 Q Now, you have also identified each of these wells by
4 name, the well name, the operator and the pipeline, is that
5 correct?

6 A That is correct. For instance on the first page here
7 the well with the circle around it is Shell's Argo Well No. 5,
8 going into El Paso Natural Gas Company's pipeline. It is a
9 nonmarginal well. It had measurement days, fifty-six measurement
10 days and it was called upon fifty-six of the days to produce.

11 To the west of that well is Sun's State Land 15 No. 4.
12 Here is a marginal well, it goes to Northern Natural Gas's
13 pipeline.

14 Q Now, as I understand it, pages one through six
15 represent seven wells in Southeast New Mexico and pages seven
16 through sixteen represent ten wells in Northwest New Mexico,
17 is that correct?

18 A Yes, that is correct.

19 Q Okay. What have you done with respect to offset
20 wells that are not flowing into El Paso's system?

21 A Well, offset wells which are not operated by El Paso
22 or connected to El Paso's system do not show the number of
23 days that they were called upon but it was assumed that they
24 were produced for all of February and March as they were equally
25 affected by the Secretary of Interior's plea for additional

1 gas.

2 Q Mr. Manning, what conclusion have you arrived at by
3 studying this data?

4 A Well, based on the Secretary of Interior's request or
5 on this Commission's emergency order of January 27th, 1977 and
6 on Order Number R-5372 dated February 11th, 1977, it is my
7 opinion that every well shown on the exhibits were called upon
8 to produce every day during the emergency. Now, whether offset
9 wells actually overproduced or underproduced is irrelevant.
10 All individuals or firms had the opportunity and the moral
11 obligation to produce their wells at maximum rates to help
12 alleviate our country's gas crisis.

13 Q Mr. Manning, should the suspension of Rules 15(A)
14 and 15(B) as promulgated by Order Number R-1670 as amended be
15 terminated today what would El Paso's plan of action be?

16 A Well, El Paso would be required by Rules 15(A) and
17 15(B) to shut in all wells overproduced six times or more.
18 El Paso would also shut in as many of the overproduced wells
19 as possible and still maintain the necessary high priority gas
20 supply to our customers.

21 Q When you say shut in as many of the overproduced
22 wells, you are talking about the wells that are less than six
23 times overproduced?

24 A Yes, sir, there will be some wells that will be
25 less than six times overproduced.

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1 Q Okay. What action does El Paso recommend that the
2 Commission take concerning the suspension of Rules 15(A) and
3 15(B)?

4 A El Paso recommends that the suspension of Rules 15(A)
5 and 15(B) be terminated effective at the end of April, 1977
6 business month. We recommend ending the suspension at the end
7 of the reporting month's business so that we will not have to
8 split integrate any of our measurement charge or to otherwise
9 divide the monthly production into emergency type production
10 and a normal month's production and even though the emergency
11 order E-30 was issued by the Commission on January 27th to
12 be effective at twelve, oh, one A.M. January 28th, we recommend
13 that the beginning of the business month of February be the
14 official beginning of record keeping for this emergency
15 production.

16 Q Mr. Manning, if the Commission decides as a result
17 of this hearing today to end the suspension of Rules 15(A) and
18 15(B) how do you recommend the Commission deal with the over-
19 production accrued during this time?

20 A As a matter of happenstance April 1st became the
21 date for cancellation and redistribution of allowables for all
22 prorated pools in New Mexico. We recommend that this cancella-
23 tion and redistribution be done as in any other year. This
24 cancellation and redistribution could lessen the amount of
25 overproduction that has accrued to some wells. Along with this

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1 cancellation and redistribution we recommend that the Commission
2 compare the status of each well at the end of January, 1977 with
3 its status at the end of April, 1977 and assign the lower value
4 of overproduction to each overproduced well. In other words,
5 what we are saying is that we recommend the Commission carry
6 forward the status at the end of January but if by cancellation
7 and redistribution the overproduction accrued to any well
8 becomes less after the cancellation and redistribution that
9 value would be used for the beginning status for May 1977.

10 Q Mr. Manning, then what you are saying might be
11 considered a policy of forgive and forget during the emergency,
12 is that correct?

13 A That is correct. El Paso Natural Gas Company as well
14 as many other companies reacted in good faith to the national
15 emergency by supplying gas that otherwise would remain in the
16 ground for our customers' future use. If we are now penalized
17 by not being able to operate status quo, gas storage operation
18 could suffer and then our customers could be placed in jeopardy
19 during the next heating season.

20 El Paso needs this production in order to have its
21 storage filled by the beginning of the next heating season. For
22 this reason we feel the Commission should carry forward the
23 status of the wells as we have recommended.

24 Q Do you believe that the correlative rights of any
25 operator would be violated by this procedure?

1 A No, sir, I don't. If every well were producing at
2 its maximum ability throughout this emergency period then
3 every well has had the opportunity to produce equitably. I
4 feel that their correlative rights were protected, not
5 violated.

6 Q Do you feel that this manner of accounting for the
7 gas will create any waste?

8 A Well, in my opinion no waste has occurred due to this
9 action.

10 Q If I may change the subject slightly, one matter
11 that was to be considered today or other factors which may
12 have restricted pipelines' abilities to connect new wells or
13 otherwise deliver gas to the area of the national gas
14 emergency. Has El Paso encountered factors that tended to
15 restrict its ability to connect new wells to its gathering
16 system?

17 A In the San Juan Basin we have not experienced any
18 great difficulty in being able to get clearances to connect
19 new wells. In fact, I have been advised by those concerned
20 with these matters in the Farmington office that seemingly
21 there is more effort or more effort has been expended by
22 responsible Federal government agencies to help expedite these
23 clearances.

24 Q Do you have anything further you would like to
25 present in this case?

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1 A No, sir, I don't, that pretty well wraps up what I
2 have to say.

3 Q Was Exhibit Number One prepared by you or under your
4 supervision?

5 A Yes, sir, it was.

6 MR. SCHMIDT: Mr. Examiner, I have no further
7 questions.

8 MR. STAMETS: Are there questions of this witness?
9

10 CROSS EXAMINATION

11 BY MR. STAMETS:

12 Q Mr. Manning, you indicated that El Paso made three
13 hundred million a day available for the East, how much of this
14 was New Mexico gas?

15 A I have no idea. Mr. Examiner, I guess we really
16 helped transport three hundred million a day. The deal was
17 made -- the California customers, our customers in California
18 made the deal with the customers in the East. We were just
19 an intermediary in this.

20 Q So it could have been a very small amount or none at
21 all?

22 A Well, no, in my opinion I believe there probably was
23 some New Mexico gas, it could have been a substantial amount
24 but it is very difficult to trace out what molecule went where
25 on it.

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1 Q Now, a concern in a situation like this, dealing with
2 overproduction, dealing with allowables, prorations, is to
3 protect correlative rights and I believe what you have said
4 here is that everybody should have produced everything they
5 could during this period of time and in your opinion everybody
6 had the opportunity to produce and you feel that correlative
7 rights had been protected, is that correct?

8 A Yes, sir, they had been granted the opportunity.

9 Mr. Examiner, as maybe a little further clarification
10 on this, if you will refer to the first page of our Exhibit
11 Number One, I would like to point out something to you on it
12 that concern these wells and the surrounding wells. For
13 instance, the Shell Argo No. 5 had fifty-six chart days or
14 measurement days and it was called on fifty-six days to operate.
15 The latest shut-in pressure on that well was five hundred and
16 fifteen pounds. That well has what we call a YAQ which is
17 year to day average ability to produce of two million a day.

18 Now, to the southeast of that well, Gulf Eubank, has
19 a marginal well, No. 1, and it goes into Northern Natural
20 Gas Company's pipeline. It has a shut-in pressure of five
21 hundred and six pounds. I do not have its comparable ability
22 to produce.

23 To the west of that well, going also into Northern
24 Natural Gas's pipeline, Sun has their State Land No. 4. It
25 has a shut-in pressure of six hundred and seventy-two pounds.

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1 To the northeast Northern Natural has the Marathon
2 Warlick C No. 1 which is also a marginal well with a shut-in
3 pressure of five hundred and seventy-one pounds.

4 And to the north of that well El Paso has the Shell
5 State 15 which has a shut-in pressure, it's a marginal well
6 also, a shut-in pressure of four hundred and ninety-two pounds
7 and it has an ability to produce of two hundred and fifty-eight.

8 It is hard for me to visualize any drainage under
9 there when the offsetting pressures are higher than the good
10 well. So in my opinion I don't believe any correlative rights
11 were violated.

12 Q Okay, now, so turn everything loose, produce all
13 you can and you protect correlative rights, so is what you are
14 saying is that there is no need to prorate?

15 A No, sir, I'm not saying that there is no need to
16 prorate. I'm not saying that at all. I'm just saying, don't
17 penalize us for trying to help out.

18 Q Should we suspend prorationing during the winter
19 months?

20 A No, sir, that is not my recommendation here today.

21 Q Are you saying this is a one-shot deal that we should
22 forgive and forget?

23 A I would like for you to consider this as a one-shot
24 deal and forgive and forget on this but I can't with all clear
25 conscience say that I believe this is going to be a one-shot

1 deal. I would suspect that this may happen again next winter.

2 Q Is one of the overproduced wells connected to
3 El Paso's system? This well that Mr. Nutter showed on his
4 exhibit that increased its overproduction by something like
5 seven hundred and twenty-six percent of its May allowable?

6 A Which one was that? I feel sure it is but I would
7 like to check it out.

8 Q Okay, Mr. Nutter indicates that that would be the
9 well on page two of your Exhibit Number One.

10 A All right, sir.

11 Q No, I'm sorry, page three, the Continental Britt B.

12 A Page three, Continental. Would you repeat the
13 question, please, sir?

14 Q All right, I believe the question was, I'll have to
15 rephrase it, but Mr. Nutter during his testimony mentioned a
16 well in the Eumont Pool which in this period increased its
17 overproduction seven hundred and twenty-six percent of its
18 March allowable. Is that a well connected to El Paso's
19 system?

20 A It very well could be, although I haven't broken
21 mine down on percentage increase. We can run it out here real
22 quick and determine if it is.

23 Q Just for the moment let's assume that it is that
24 Continental Britt B which is on the the third page of your
25 Exhibit Number One?

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1 A All right, sir.

2 Q Do you know how much acreage is distributable to
3 that well?

4 A Yes, I do.

5 Q How much?

6 A Forty acres. Now, let me expand on that a little bit
7 with you, Mr. Examiner, if I may.

8 Q Go ahead, please.

9 A This well is what an Oklahoman would consider a barn
10 burner. Unfortunately, Continental is boxed in there by Arco,
11 Gulf, Citgo, Union and Amerada. There is no way they can get
12 additional, continuous and contiguous acreage for this well.
13 Now, let's start with the Amerada Adkins No. 3 to the northwest
14 which is connected to Northern Natural Gas. It has a shut-in
15 pressure of six hundred and thirteen pounds.

16 Moving to the east, Union of Texas Britt B 1 is a
17 nonmarginal well also connected to Northern Natural Gas. It
18 has a shut-in pressure of six hundred and ten pounds.

19 Continuing to the east is Citgo Laughlin B No. 5,
20 another nonmarginal well connected to Northern Natural Gas with
21 a shut-in pressure of five hundred and eighty-six pounds.

22 Now, we will come to the Continental Britt B 8, or
23 B-8 No. 1. This is a nonmarginal well on forty acres, a
24 proration unit, that has a shut-in pressure of five hundred
25 and ninety-three pounds, yet it has a deliverability of a

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1 capability, if you please, of approximately two, point, six
2 million cubic feet per day.

3 To the east of that well is the Gulf Bertie Whitmire
4 No. 2, another nonmarginal well connected to Northern. It has
5 five hundred and ninety-seven shut-in pressure.

6 Moving to the west is Union of Texas Britt B-3
7 connected to Northern, which has five hundred and seventy-three
8 pounds shut-in pressure.

9 To the east of that is the Arco Gas Unit or Barber
10 Gas Unit No. 1. It is a nonmarginal well that has a shut-in
11 pressure of five hundred and ninety-three pounds and it has
12 a capability, it is connected to El Paso and it has a capability
13 of one, point, seven million cubic feet a day.

14 To the south of that well is a well, the Amerada
15 Anderson No. 1, a nonmarginal well connected to Northern Natural.
16 It has six hundred and three shut-in pounds.

17 And, Mr. Examiner, I submit to you that if there is
18 any drainage in there it is going the other way, if anybody
19 violates any correlative rights.

20 Q It's all going the other way?

21 A Well, that's the conclusion as an engineer that I
22 have to draw from it.

23 Q Have you made any reservoir studies in here to
24 determine if there is enough reservoir underneath this forty
25 acres that Continental is on to hold all of that gas that's

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1 coming out of it?

2 A No, sir, I have not.

3 Q Assuming now that the Commission is correct and this
4 prorationing based on acreage in this pool, which we have had
5 for many, many years, and assuming that this Continental well
6 is taking out more on an acreage basis than the other wells in
7 there, are we protecting the correlative rights of the other
8 owners in the pool?

9 A Well, I think I can analyze that better by looking
10 at the Arco Barber Gas Unit No. 1 on which I have more data
11 which comes to us. It has the same shut-in pressure but it has
12 approximately a million less ability to produce than the
13 Continental Britt B-8 1 so I would say that Continental rigged
14 that rig up in a better place than Arco did down here on the
15 Barber well and that it is just a better well but nothing is
16 keeping Arco from working their well over or doing what they
17 can, maybe they have, I don't know, to get an equal amount of
18 gas that Continental is able to withdraw up there, but they
19 do have that opportunity.

20 Q You are not disputing in this particular case that
21 straight acreage formula is the appropriate allowable formula?

22 A Oh, no, sir, I'm not arguing that point at all.

23 MR. NUTTER: It sounds like shades of the Jalmat
24 case over again.

25 A I wouldn't touch that with a ten-foot pole.

1 Q (Mr. Stamets continuing.) Would you say that all
2 things being equal and we have nonmarginal wells that the well
3 with the small amount of acreage should receive a smaller
4 allowable in order to protect the correlative rights of the
5 other owners in the pool?

6 A I think that other things have to be looked at just
7 rather than strictly an acreage, just the surface acres that
8 it encompasses or that is assigned to that well.

9 Q Just assume, though, that everything else is equal,
10 is it necessary for the Commission to regulate these productions
11 in order to protect correlative rights?

12 A Well, the answer is yes. You have to do that but
13 you do need to condition it with everything else being equal,
14 but, unfortunately, according to Murphy's Fifth Law, everything
15 else in the oil field is not equal. This is the one about
16 Mother Nature, as you recall?

17 Q Yes.

18 A So every well is not equal.

19 Q You indicated that you have a number of wells which
20 would have to be shut-in for six times overproduced and a number
21 of other wells which you probably would shut in, overproduced
22 wells. How many wells are you talking about there?

23 A We projected to May 1st and we were in a little bit
24 better shape on our production figures than Mr. Nutter was. We
25 did have an advantage on him in that we had March's production.

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1 So we used February and March's production and we have projected
2 for April and we estimate that by the first we will have
3 definitely some seventeen wells, you know, that could be shut
4 in and there may be some others, it depends on the classification
5 and redistribution how it fits into the picture.

6 Mr. Examiner, I think-- I'm not arguing a big
7 quantity of gas and I'm not arguing a bunch of wells but as you
8 are aware, El Paso has plans for some gas storage within the
9 the State of New Mexico and the time for us to go in storage
10 would be in the summer months, if you please, May, June, July,
11 August and September, along in there, in order to get our
12 storage up and we just don't feel like that we can be denied
13 access to a well such as this Britt B-8 1 in order to
14 maximize our storage project, in the filling of it, and for
15 this reason we are asking that we be forgiven for this over-
16 production that accrued during this emergency.

17 Q You indicated that there would be some other over-
18 produced wells shut in besides those that were just six times
19 over, do you have a number there?

20 A No, sir, I don't. That statement was based on the
21 fact that if we have some wells that are pushing six times,
22 say five, point, five, we would probably shut those back in
23 order to have them available during a demand, you know, a
24 high demand for gas.

25 Q What it boils down to then would be these seventeen

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1 wells would be shut in which would make the gas which would be
2 available then for you to put in storage?

3 A Yes, sir. If you could grant us on all seventeen
4 wells here, I feel like we would be in fairly good shape.

5 Q And these wells then would not be overproduced on
6 their current allowables?

7 A I didn't understand the question.

8 Q Okay, let's go back and forgive and forget.

9 A We are just asking you to classify and redistribute
10 and then take the lesser of the two.

11 Q Would it be your intention, assuming that they all
12 start off with a zero status, would it be your intention to
13 produce these seventeen wells within the assigned allowable?

14 A Yes, sir.

15 Q Mr. Nutter mentioned the possibility of extending
16 the period of time in which to make up overproduction. Would
17 this provide El Paso any relief or would this complicate
18 El Paso's problems?

19 A We feel like that this would or could lead to some
20 severe complications with us, inasmuch as it is hard to tell
21 what the weather is going to be like next winter, whether
22 another emergency is coming up and then we feel that this
23 could just go on year after year after year and we would rather
24 see it dealt with on a timely basis and then deal with the next
25 emergency when it comes up.

1 Q Either way, either shut them in or forget?

2 A We don't want to shut in any of our wells.

3 Q In other words, you might prefer a longer period of
4 time to having the wells shut in?

5 A Yes, sir, but we would have to fall back and reexamine
6 that a little more.

7 MR. STAMETS: Are there any other questions?
8 Mr. Nutter?

9
10 CROSS EXAMINATION

11 BY MR. NUTTER:

12 Q Mr. Manning, the President issued his Proclamation
13 declaring the previous Proclamation null and void now as the
14 gas emergency was terminated on April 1st but you continued to
15 produce to the maximum all of the wells after the end of the
16 emergency period, I presume?

17 A Yes, sir, we did.

18 Q Why was that?

19 A Because we didn't know if the offset people were
20 shutting in or whether they weren't.

21 Q And you continued to produce this Britt B-8 No. 1
22 in order to protect itself from drainage, I presume?

23 A Yes, sir, it wasn't solely to protect itself from
24 drainage, Mr. Nutter.

25 Q Now, you mentioned that you would hate to lose this

1 well as being a source of gas to fill this gas storage project
2 you are proposing for the State of New Mexico. The well has
3 a deliverability into the pipeline of two, point, six million a
4 day but it's average allowable is something like five hundred
5 MCF a day. Really, you are not going to fill much storage with
6 that well if it is producing under its allowable anyway?

7 A No, sir, this well is one that we swing on quite a
8 bit. This is one of the swing wells you referred to in your
9 testimony.

10 Q But it has only got a five hundred MCF swing allowable
11 hasn't it?

12 A We are constantly getting this well ten times
13 overproduced and bringing it back down and then ten times over-
14 produced, it is just up and down on this well but it is a well
15 we need in case there -- or mechanical problems, which we can
16 open it up. Now, we would hate to be going into storage with
17 other wells and develop some mechanical problems in which we
18 would have to call upon this Britt B 1 and go out there and
19 the Commission had a lock on it and we would be denied access
20 to it. So this is the reason. We probably, and I do not
21 schedule the gas nor the wells that they produce, but I would
22 estimate or assume that this well would be one that would be
23 handled very carefully.

24 Q This well's real problem is a lack of acreage, isn't
25 it?

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1 A Yes, sir, it is.

2 MR. NUTTER: Thank you.

3 MR. STAMETS: Mr. Kendrick.

4
5 CROSS EXAMINATION

6 BY MR. KENDRICK:

7 Q Mr. Manning, would you explain the real difference
8 between this situation and any normal high demand period in a
9 normal winter, except being preferenced by a Presidential
10 decree?

11 A Yes, sir, we wouldn't have operated this way if it
12 hadn't been a Presidential decree. Well, not necessarily a
13 Presidential decree but if Secretary Andrus and the Presidential
14 decree, we would have continued our normal operation, trying
15 to, as I explained in my testimony, trying to keep these wells
16 in a condition where we could call on them whenever we needed
17 it.

18 Q But is your operation here substantially different
19 to any other high demand period?

20 A During the Presidential decree?

21 Q During this three months, yes, sir.

22 A Yes, sir, it is in that approximately three hundred
23 million cubic feet of gas per day went the other way.

24 Q Wasn't the gas gathered by El Paso Natural Gas
25 Company?

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1 A Some of it was, yes. Of course, Mr. Kendrick, it's
2 not normal to have 15(A) and 15(B) suspended either.

3 Q I understand that but during other winters we have
4 had periods of higher demand than we have during periods in
5 the summertime, isn't that correct?

6 A Well, I'm sure --

7 Q This period was just an extra high demand period, is
8 that correct?

9 A This was what?

10 Q This was an extra high period of demand?

11 A Well, yes, sir, it was. We were asked to leave
12 everything on.

13 Q So really this is a type of situation that prorationing
14 is aimed at, to be able to control wells and supply the gas
15 during the periods of high demand, is that correct?

16 A Oh, I don't know that I can go one hundred percent
17 on that with you, Mr. Kendrick. I probably can agree within
18 reason on it. I think you are trying to relate this to the
19 past, Mr. Kendrick. In the past we had a better deliverability
20 or better availability and, therefore, we could run these spurts,
21 these three month spurts, and then fall back, shut in and
22 bounce out, but this is getting closer and closer and
23 unfortunately or fortunately, I guess it's better fortunately
24 for the people of New Mexico and for our customers east of
25 California. This is about the time that we were into a big

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1 gas storage project so it seems like there are several things
2 that have contributed to our dilemma, I guess you would say
3 if you want to classify it as a dilemma.

4 Q Did El Paso put gas in storage during this three
5 month period?

6 A No, sir.

7 Q None in storage?

8 A No, sir.

9 Q Do you anticipate this type of operation coming up
10 in the winters in the near future?

11 A I have no reason to doubt that it won't reoccur,
12 in fact, it probably will. We are told by our weather
13 prognosticator that these cold spells are what, on a hundred
14 year cycle and if you will recall in the last ten or fifteen
15 years they have been telling us it is getting warmer and then
16 all at once they tell us the cycle is over and we are going
17 back the other way, so I would certainly like to be prepared
18 for it.

19 Q How long a period do we need of this type before
20 you would be ready to recommend that prorationing be
21 discontinued?

22 A I have no opinion on that, Mr. Kendrick, at this
23 time.

24 MR. STAMETS: Mr. Nutter.
25

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RE CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Manning, I read the other day that Columbia Gas in Charleston, West Virginia was now paying back five, point, six, five billion cubic feet of gas they borrowed from California of Pacific Gas and Electric and Pacific Lighting and that this gas was now being delivered by El Paso to the California border. Does this mean that your demand for California is now lessened since you will be delivering gas from the east to the west?

A I think ours is a transportation agreement, Mr. Nutter, it is not a volume deal like that and right now our demand is not -- the gas, I think, that you refer to and I may be corrected on this, I think goes into storage in California.

Q That was what my next question was going to be, if they had the facilities in California to accept this five, point, six, five billion payment back and put it in storage there or if this would be part of their daily market and that your market demand on the coast would be lessened?

A I have the impression that this is going into storage from what I've read and from what I've heard.

Q But you don't know for sure?

A No, sir, I do not know about it absolutely.

MR. NUTTER: Thank you.

MR. STAMETS: Mr. Ramey.

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CROSS EXAMINATION

BY MR. RAMEY:

Q Mr. Manning, are you putting gas in your New Mexico storage at this time?

A No, sir.

Q You are in effect, the emergency is over and you are producing your wells at capacity but you are not putting anything in storage at this time?

A Correct, we are sort of taking up some slack or, you know, we are trying to get a little slack that where we got in a bind in this high demand thing.

MR. NUTTER: Where is the gas going?

A It's going to California.

Q (Mr. Ramey continuing.) For their storage, you said?

A I don't know. Once it leaves the border there I don't know, I'm not sure where it goes. It's a very complicated system.

Let me confer with my attorney. You guys are hitting me from both sides here.

(THEREUPON, a discussion was held of the record.)

MR. MANNING: I'm ready again.

MR. STAMETS: Were you looking for an answer to a question that had already been asked or ones that you thought were coming up?

1 MR. MANNING: I think that information is privy
2 between the attorney and his client, isn't it?

3 Q (Mr. Ramey continuing.) Mr. Manning, did the
4 intrastate purchasers have the same opportunity to produce
5 as the interstate during this emergency?

6 A Mr. Ramey, I'm not sure but I would assume they did.
7 If I were an intrastate operator and you suspended Rule 15(A)
8 and 15(B) I would certainly take advantage of it.

9 Q Did they have the market?

10 A I'm not aware of their market. That's out of my realm
11 of expertise, if I have any.

12 Q Well, unless they had an eastern market there would
13 certainly be the chance that there could be drainage from
14 intra to an interstate under these conditions?

15 A I don't know what the New Mexico intrastate market
16 is but I do understand that there was some intrastate gas
17 in Texas, quite a bit of it, that went back to the eastern
18 coast. Something on the order of a billion cubic feet a
19 day, I heard at one time. In fact, as I was reminded here
20 by my attorney, the FPC made a ruling in there that intrastate
21 gas or they permitted intrastate purchasers to sell their gas
22 to interstate pipelines that needed it during this emergency
23 period, without being subject to the jurisdiction of the FPC.
24 So I would assume that they had the opportunity but I don't
25 know for sure that they did it here in New Mexico.

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1 Q Back to this storage situation in New Mexico, could
2 you explain why there is no gas going into New Mexico storage
3 at this time?

4 A Well --

5 Q You explained that you use these wells to swing, to
6 put gas in storage and such and yet you are producing these
7 wells at capacity and not filling New Mexico storage.

8 A We don't have a permit for gas storage in the Barker
9 Dome.

10 Q I'm not talking about Barker Dome, what about your
11 storage in Southeast New Mexico which you used for your customers
12 east of California.

13 A That's not an ideal storage place and we have, as
14 I recall --

15 Q But you have used it for storage for years?

16 A We have used it, yes, sir, and as I recall, looking
17 at the daily report on that, we have some eleven billion cubic
18 feet of gas in the storage now and these are east of California
19 customers, this is gas for east of California customers.

20 Q What is the capacity of that storage?

21 A I would guess now, around twelve to fourteen billion.
22 It's not much and it's not an ideal storage place. We have
23 quite a bit of gas in it. I think it was eleven point something.

24 Just a minute, let me confer with one man here and
25 maybe he can give me that. He doesn't know, but for all

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1 practical purposes the storage is full. If we put anymore
2 gas in there there is terrible leakage in it and there are
3 some wells there that possibly could have infinite reserves
4 in them as long as we kept the storage full that, you know, or
5 in the area where our storage is.

6 This storage project, the Rhodes is the one you are
7 speaking of, is that correct?

8 Q Yes.

9 A This is not the storage which I'm referring to. We
10 have, as you are aware, we filed an application for Barker
11 Dome which if everything jells right we will use that as a
12 storage. We are also in another project in the Clay Basin of
13 Utah which is an exchange type and a transportation type of a
14 deal with Northwest Pipeline in storing gas that Mountain Fuel
15 owns the storage project and we are riding piggyback on
16 Northwest Pipeline and these are the two main storages that
17 I'm concerned with right now.

18 Q Will your Barker Dome storage, will you be able to
19 utilize that gas for New Mexico customers?

20 A Yes, sir, that is east of California customers and
21 New Mexico is an east of California customer.

*This was
not the
question*

22 What kind of a stand is taken by the Energy Board at
23 this time?

24 A I don't appreciate it.

25 MR. STAMETS: Mr. Manning, I did want to clarify this

1 date problem. You would like any order issued in this case to
2 make the effective date of the emergency and I'm not sure
3 whether to go back retroactively to start it but the effective
4 date the beginning of the meter month or the business month
5 of February 1976? 1977

6 MR. MANNING: Yes, the business month. We can sort
7 of forgive those three or four days that were in January.

8 MR. STAMETS: And then the same thing would be
9 true --

10 MR. MANNING: We would like for you to end it on
11 May 1st, that would be the best thing, at the end of April's
12 business.

13 MR. STAMETS: Okay. Mr. Schmidt, have you offered
14 your exhibits?

15 MR. SCHMIDT: If I haven't I would like to offer
16 my exhibit at this time.

17 MR. STAMETS: Exhibit One will be admitted at this
18 time.

19 (THEREUPON, El Paso Exhibit One was
20 admitted into evidence.)

21 MR. STAMETS: Any other questions of the witness?
22 He may be excused.

23 (THEREUPON, the witness was excused.)

24 MR. STAMETS: Mr. Hammer?

25 MR. HAMMER: Mr. Examiner, I'm Robert Hammer with

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1 Northern Natural Gas Company, Omaha, Nebraska, associated with
2 the firm of Kellahin and Fox. We have some testimony which
3 contains the bulk of what we plan to put on today and we have
4 an exhibit attached to it which we will take off for the
5 convenience of the parties.

6
7 ALTON DEAN FULLER

8 called as a witness, having been first duly sworn, was examined
9 and testified as follows:

10
11 DIRECT EXAMINATION

12 BY MR. HAMMER:

13 Q Would you state your name and residence?

14 A My name is Alton Dean Fuller and I reside at
15 2406 Goddard, Midland, Texas.

16 Q By whom are you employed and in what capacity?

17 A I am employed by Northern Natural Gas Company as the
18 Production Engineer for the Permian Region Gas Supply
19 Operations Department.

20 Q Have you ever testified before the Oil Conservation
21 Commission of New Mexico?

22 A No, I haven't.

23 Q Would you briefly describe your educational back-
24 ground and your professional experience?

25 A I graduated from New Mexico State University in

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1 Las Cruces in 1970, having received a Bachelors degree in
2 mechanical engineering. I was employed by El Paso Natural Gas
3 as an engineer in the Technical Services Department of the
4 Permian Division from 1970 to 1973. I was involved in many
5 facets of the gathering, treating and compression of natural
6 gas. I am presently, and have been for approximately three
7 years, employed by Northern Natural Gas. I am the Production
8 Engineer for the Permian Region. I have maintained gas
9 supplies by administrating contractual and economic assistance
10 to producers within guidelines laid out by the regulatory
11 bodies and by Northern's management. I am also a member of
12 the Society of Petroleum Engineers and the American Society of
13 Mechanical Engineers.

14 MR. HAMMER: Do you have any questions regarding
15 Mr. Fuller's qualifications?

16 MR. STAMETS: No, since he is a graduate of New Mexico
17 State he surely must be qualified and the Examiner considers
18 him so.

19 Q (Mr. Hammer continuing.) What is Northern's interest
20 in this matter?

21 A Northern Natural Gas Company is a major interstate
22 pipeline company whose pipeline extends from New Mexico and
23 West Texas through the Texas Panhandle, Oklahoma Panhandle,
24 Kansas, Nebraska, Iowa, South Dakota, Minnesota and Wisconsin.

25 Northern purchased approximately ninety BCF of gas

1 from New Mexico oil and gas fields in the past twelve months.
2 This is approximately eleven percent of our total requirements.

3 Our market area weather has moderated considerably
4 during the last two months. However, through early February,
5 temperatures averaged twenty-two percent colder than normal.
6 During this cold period we were able to continue service with
7 virtually no interruption in our curtailment of category one
8 and category two customers. These are the homes, the schools,
9 and small businesses. We call them our priority one and two
10 customers.

11 We believe there are two reasons why we were able
12 to make it through this winter with only moderate problems.
13 First, in the early 1970's we began an active program to protect
14 high priority customers by advising our utility customers of
15 the severity of the gas supply problems. We urged that lower
16 priority customers make arrangements for alternative fuels.
17 Most of our curtailed customers were relatively well prepared
18 for this winter. Second, we actively sought storage and the
19 authority to curtail low priority users as necessary to fill
20 storage which is used to serve our high priority needs. As
21 a result, natural gas used for electric power generation will
22 be virtually nil this year, in 1977, as compared to about a
23 hundred and eighty-five BCF in 1971.

24 The importance of this storage can be illustrated by
25 noting that it supplied nearly one-third of Northern's average

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1 peak day sales requirements of two point six BCF this winter.
2 Northern is completing additional underground storage with an
3 ultimate twelve BCF capacity at Lyons, Kansas and project
4 completion of the Cunningham, Kansas underground storage field
5 with forty BCF cycle capacity in 1970 to 1980. We are pursuing
6 additional lease storage agreements and will complete in 1978
7 our second two BCF LNG plant. It is located in northern Iowa.
8 Northern expects to have approximately seventy-three point four
9 BCF available from storage for the '77-'78 heating season, of
10 which half of this will come from lease storage agreements.

11 Northern's present and future storage accounts play a
12 major role in our ability to service our market. It is evident
13 that Lea County volumes not only serve us as a base load, but
14 also in replenishing our much needed storage requirements.

15 Q I would now refer you to the four questions or issues
16 set out in findings (8) through (11) in the Commission's
17 Order dated February 11, 1977, in this case. Are you familiar
18 with this Order?

19 A Yes, I am.

20 Q The Commission requests under finding (8) of Order
21 No. R-5373, that the effect of the suspension of Rules 15(A)
22 and 15(B) should be quantified. Would you quantify the effect
23 that Northern has experienced?

24 A Okay, Northern has not experienced any effect to date
25 stemming from the suspension of these Rules.

1 Q The Commission requests under finding (9) that
2 evidence should be rendered to establish whether or not
3 correlative rights might be violated under the suspension.
4 Would you please state if, in your opinion, these rights could
5 have been violated and under what circumstances such violation
6 could have existed?

7 A It is my understanding that in New Mexico correlative
8 rights are protected under Statute 65-3-10 of the New Mexico
9 Statutes Annotated which empowers the Commission not only to
10 prevent waste but to also protect said correlative rights.
11 This protection allows each owner in an orderly manner
12 assurance of the opportunity of recovering or receiving his
13 fair share of the oil and gas from a common pool.

14 It should be so noted that correlative rights are
15 normally protected to an extent by the Commission under its
16 allocation procedures and the enforcement of Rules 15(A)
17 and 15(B).

18 The Commission also retains that power to act in
19 the public interest in an emergency situation as has been
20 exhibited in the action taken in emergency Order No. E-30 and
21 as extended under Order No. R-5373. In the case of this
22 emergency wells were permitted to be overproduced more than
23 six times over the allowable and not be shut in as is commonly
24 practiced under these rules.

25 The ability to overproduce can be related to the

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1 well capability, the allowable assigned and the physical
2 ability to move the gas. The capability in some cases can
3 be directly related to the system pressure into which the
4 well produces. The system pressure can be related to system
5 design which takes into account downstream horsepower as well
6 as pipe sizing and field pipeline efficiency. Under normal
7 circumstances and normal operating parameters the mechanism to
8 yield equity in production rights does exist. Under an
9 emergency situation such equity could only exist if all pur-
10 chasers had essentially the same gathering facilities for a
11 given pool. The ability of most Northern wells in our
12 traditional Lea County producing area to become six times over-
13 produced is much smaller when compared to more recent comple-
14 tions by others in newly discovered gas well gas pools.

15 Northern is not in a position to state whether or
16 not correlative rights have, in fact, been violated. We will
17 state that in an emergency situation the potential of such a
18 violation is present. Northern is of the opinion that if
19 correlative rights have been violated during the emergency
20 period through allowing accumulation in excess of six times
21 overproduction that appropriate procedures now exist to balance
22 that overproduction and that those procedures should be used.
23 We believe this would be both reasonable and consistent with
24 the public interest.

25 Q Do you mean that any accumulation in excess of six

1 times overproduction should be balanced?

2 A. Yes, I do.

3 Q Referring to finding (10) of the subject order, has
4 Northern had any factors which restricted its ability to
5 connect new wells or otherwise deliver gas to the area of the
6 emergency?

7 A. Northern has experienced what seems to be excessive
8 lead time in acquiring approval to connect a well located on
9 State or Federal lands. Although the instances have been very
10 few, we believe it is important to go ahead and make them a
11 matter of record and show the additional time needed to
12 receive their approval to tie these wells to our system.

13 Q Have you prepared an exhibit reflecting this time lag
14 in obtaining this approval?

15 A. Yes, I have.

16 Q I hand you what has been marked as Exhibit Number

17 A. Was this prepared by you or under your supervision?

18 A. It was prepared by me.

19 Q Would you please explain Exhibit A?

20 A. Okay, what we have done here is shown four wells
21 that we have been affected by as far as lead time in getting
22 approval to connect these. These are two on State and two on
23 Federal. These are the only four wells that we have experienced
24 this problem since the first of the year so you see there is
25 not a great deal of volume concerned.

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1 I will just look at the two State wells first, the
2 Gulf Ramsey and the Amerada State P-3 and you can see as you
3 go down through when we first gave notification to start
4 action to acquire the right to move across the land. We can
5 see a lag time of seven, eight and twenty-three days on the
6 Gulf Ramsey of thirty-eight days just for administrative time
7 required. On the Amerada State P-3, a total of forty-one days.

8 I have also shown here the miles of pipe involved
9 which show that there is not much in either one of these two.

10 On the Federal land and we have to work with the
11 Bureau of Land Management on these, you can see there is more
12 time required, especially for the archaeological survey,
13 and also for our internal approval that we have to have an
14 officer sign for. We can't use someone in our office in
15 Midland, Texas. It has to go back to Omaha for the approval
16 of an officer and you can see that lag time, not only with the
17 bodies that we have to deal with outside of our company but
18 we have our own lag time that we have to cut through and so
19 it presents us with a problem.

20 Q Mr. Fuller, in one of the columns you have GSO,
21 would you explain that?

22 A Okay, that's Northern Natural Gas-Gas Supply Operation
23 notification. That's when we have our contract to go ahead
24 and move on a well then we notify our operation people to
25 proceed with the right-of-way.

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1 Q Has Northern experienced any additional undue
2 restrictions in connecting wells?

3 A No, we haven't. At the time of the emergency Northern
4 was moving a maximum amount of gas to its customers especially
5 from our Lea County area. It is important to note that this
6 maximum amount of gas moved from Lea County, includes those
7 volumes processed for our account by El Paso Natural, Skelly
8 and Warren. It appeared to Northern that those facilities of
9 El Paso Natural, Skelly and Warren handling our gas were also
10 being operated at a maximum.

11 Q So you are stating that Northern did not have
12 additional capacity to support the emergency?

13 A From Lea County, yes, we were operating at a maximum
14 effort. However, we do believe we served the emergency by
15 transporting gas through our system as we were able.
16 Specifically, Northern transported approximately two hundred
17 MMCF per day emergency purchased gas during the crisis period.

18 Q Referring to finding (11) of Order No. R-5373, how
19 many wells has Northern shut in due to overproduction directly
20 relating to the suspension of Rules 15(A) and 15(B)?

21 A Northern during the emergency period had one Lea
22 County well shut in for six times overproduction. This well
23 remained shut in because Northern had no means to move said gas
24 to the emergency market.

25 Q Would you please briefly summarize Northern's

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1 position in this matter?

2 A Yes, I will.

3 Northern believes the Commission acted expediently
4 in issuing said order. Northern has done its part in the
5 national interest by transporting volumes to the crisis area.
6 Northern has not seen nor moved significant gas quantities to
7 the emergency area from its southeastern New Mexico production
8 area. We are of the opinion that if correlative rights have
9 been violated that excess of six times overproduction acquired
10 throughout the emergency period should be balanced, if not
11 during the next proration period at least over several
12 following periods as shown to be reasonable.

13 Northern further believes that the suspension of
14 Rules 15(A) and 15(B), in order to allow maximization of
15 volumes to the emergency area, was just and prudent. However,
16 in the best interest of the total public, when the crisis wanes,
17 the emergency should be recalled as soon as practical. Efforts
18 can then be turned to balancing overproduction and replenishing
19 storage in preparation for the following heating season. A
20 continuation of the called suspension would be in essence
21 "robbing Peter to pay Paul" and could cause excessive over-
22 production problems in the following heating season, as well
23 as set a precedent that could circumvent the whole proration
24 system.

25 We believe that for our portion of Southeastern

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1 New Mexico production, adequate relief for overproduction is
2 available through current rules and regulations of the Oil
3 Conservation Commission of New Mexico. We see no reason for
4 the extended suspension of Rules 15(A) and 15(B).

5 MR. HAMMER: Mr. Examiner, this completes Northern's
6 testimony. I would offer Exhibit A into evidence.

7 MR. STAMETS: Exhibit A will be admitted.

8 (THEREUPON, Northern's Exhibit A was
9 admitted into evidence.)

10 MR. STAMETS: Are there any questions of Mr. Fuller?
11 I have just one, Mr. Fuller.

12
13 CROSS EXAMINATION

14 BY MR. STAMETS:

15 Q On Exhibit A you indicate an application to Omaha
16 for an officer approval?

17 A Yes, sir.

18 Q Is that purely an internal thing or is that required
19 by some agency of the Federal government?

20 A Okay, the Bureau of Land Management asks that we
21 have an officer who represents our company sign before we can
22 proceed with the application.

23 Q Then this is a bureaucratic delay?

24 A Yes, sir. I believe that on university land in
25 Texas, for an example, we have to go through the same procedure

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1 yet they go ahead and let us start laying the line before we
2 can get easement which, you know, aids us a little bit. That
3 might be a good recommendation in times to come as we see more
4 and more of this take place as we get on Federal land and State
5 land. I don't know whether anyone else has experienced these,
6 you know, situations. It is not a large problem to us at
7 all, really, we just thought we would point it out because it
8 was questioned in the proceedings before.

9 MR. STAMETS: Any other questions of the witness?
10 Mr. Ramey.

11
12 CROSS EXAMINATION

13 BY MR. RAMEY:

14 Q Mr. Fuller, I missed the first part of your testimony.
15 During this emergency period, was Northern Natural producing
16 from all of their wells at capacity?

17 A During the emergency?

18 Q Yes.

19 A Yes, sir, we were, as well as we could handle it
20 through our system, we sure were.

21 MR. STAMETS: Any other questions? The witness may
22 be excused.

23 (THEREUPON, the witness was excused.)

24 MR. STAMETS: I believe that Mr. Oldham would be
25 next.

1 MR. OLDHAM: Mr. Examiner, I'm Jack Oldham. I'm
2 Proration Supervisor with Transwestern Pipeline Company.

3 I have never appeared before this body formally
4 before. I have a geology degree from the University of Houston.
5 I have worked as a geologist and have been in the gas business
6 since 1950. The last fifteen years of that has been as a
7 Proration Supervisor for Transwestern Pipeline Company.

8 MR. STAMETS: I presume, Mr. Oldham, you are not
9 represented by counsel here today?

10 MR. OLDHAM: That's right.

11 MR. STAMETS: In that event, your presentation would
12 be in the form of a statement?

13 MR. OLDHAM: That's right.

14 MR. STAMETS: No qualifications would be necessary
15 under those conditions.

16 MR. OLDHAM: That's fine. I will proceed to read
17 my statement.

18 Transwestern Pipeline Company, a Delaware Corporation
19 with headquarters in Houston, Texas, operating an interstate
20 natural gas gathering system in New Mexico, hereby responds to
21 the questions raised in the Order of the Commission issued
22 February 11, 1977 in the above-captioned proceeding regarding
23 the findings Numbers (8) through (12) of the subject order, that
24 order being R-5373.

25 The Oil Conservation Commission is to be commended

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1 for the actions that it has taken to furnish natural gas in
2 excess of the normal allowable production to combat the
3 severe fuel shortage in the Northeastern States during the
4 1976-77 winter heating season.

5 Transwestern submits the following information to
6 enable the Commission to resolve the questions asked in the
7 findings Numbers (8) through (12) of Order No. R-5373.

8 Number (8), gas wells connected to Transwestern's
9 system in Southeast New Mexico overproduced approximately
10 seventy thousand MCF during the allowable period covered by
11 the suspension of Rules 15(a) and 15(B).

12 Number (9), wells taking gas from the fields from
13 which Transwestern takes gas have accrued sizable amounts of
14 overproduction. Portions of this gas would otherwise have
15 been produced and delivered to Transwestern. It has not been
16 possible to determine at this time how much of this overage
17 accrued during the suspension of Rules 15(A) and 15(B). If
18 these wells are not required to make up this overproduction, the
19 correlative rights of the wells delivering gas to Transwestern
20 will be violated.

21 Number (10), Transwestern knows of no evidence that
22 the suspension of Rules 15(A) and 15(B) had any effect on its
23 ability to connect new wells or otherwise to deliver gas to
24 the area of the emergency.

25 Number (11), there are no wells on the Transwestern

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1 system in danger of being shut in because of the suspension of
2 Rules 15(A) and 15(B). Indeed, wells delivering gas to Trans-
3 western will need to continue producing while other wells in
4 those fields are either shut in or producing at reduced rates
5 in order to recover Transwestern's rightful share of the gas
6 in the fields. Otherwise, the correlative rights of those wells
7 serving Transwestern will be violated.

8 Number (12), Transwestern knows of no reason to
9 recommend the continued suspension of Rules 15(A) and 15(B).
10 To the contrary, Transwestern submits that the continued
11 suspension of those rules is contrary to the public interest.

12 In consideration of the above, Transwestern
13 recommends that:

14 Number One, the suspension of Rules 15(A) and
15 15(B) be terminated.

16 Two, any well which overproduced at rates sufficient
17 to have acquired what would have been shut-in status under
18 the normal operation of Rules 15(A) and 15(B) during the
19 suspension of those rules be allowed to make up its overproduc-
20 tion by producing at a reduced flow rate rather than being
21 shut in.

22 Three, all other overproduction accrued to wells
23 during the suspension of Rules 15(A) and 15(B) be made up
24 under normal allowable balancing procedures.

25 Transwestern reminds the Commission that Trans-

1 western is in a curtailment situation over its entire system
2 and needs all of the gas that can be legally produced in the
3 State of New Mexico. It is, therefore, recommended that the
4 Commission do nothing that will cause the allowables on the
5 wells delivering gas to Transwestern to be lowered.

6 The above comments and recommendations do not in any
7 way prejudice Transwestern's right to petition the Commission
8 in the future concerning any problem which may arise out of
9 the suspension of Rules 15(A) and 15(B).

10 I will make one further recommendation here. I
11 would go along with Mr. Nutter's recommendation concerning the
12 shut-in wells, that the wells with a shut-in status be deferred
13 until the Commission can gather more information. I think that
14 would be a fair condition.

15 MR. STAMETS: Thank you, Mr. Oldham. We appreciate
16 your statement.

17 Mr. Caton.

18 MR. CATON: The witness has been previously sworn.

19
20 ROBERT McCRARY

21 called as a witness, having been first duly sworn, was examined
22 and testified as follows:

23
24 DIRECT EXAMINATION

25 BY MR. CATON:

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1 Q Would you tell us your name, please?

2 A I'm Robert McCrary.

3 Q And by whom are you employed?

4 A Southern Union Company or Gas Company of New Mexico,
 5 Southern Union Gathering Company.

6 Q How long have you been employed by them?

7 A Twenty-five years.

8 Q What is your present position?

9 A I'm the Manager of Gas Purchasing and Prorationing.

10 Q How long have you held that position?

11 A About fourteen years.

12 Q You have previously testified before the New Mexico
 13 Oil and Gas Commission?

14 A I have not as such. I have made several statements
 15 and all but not under oath.

16 Q Would you give us a brief summary of your background
 17 in the oil industry, please?

18 A Well, I got my college training at Decatur Baptist
 19 College and after Decatur Baptist College I attended
 20 Northwestern State University out of Oklahoma after which I
 21 completed a correspondence course in accounting. I have had
 22 a number of technical and correspondence courses since joining
 23 the company and all. I joined Southern Union Company in 1951
 24 in the accounting department and since then I have been
 25 transferred in various departments.

1 Q Are you generally familiar with the well production,
2 Mr. McCrary, that was involved during the emergency situation
3 that we are dealing with today?

4 A Yes, I am familiar with the application of the
5 prorationing administered by the State, as well as other
6 states.

7 Q Are you responsible for that application?

8 A I am responsible for the administration of pro-
9 rationing and the allocation of production by the fields of the
10 various wells.

11 MR. CATON: Do you accept his qualifications,
12 Mr. Examiner?

13 MR. STAMETS: Yes, Mr. McCrary's qualifications are
14 accepted. I have one question, are you a member of the
15 New Mexico Bar or are you associated with someone?

16 MR. CATON: I am a member of the New Mexico Bar.

17 MR. STAMETS: Thank you, we appreciate that.

18 MR. CATON: I'm sorry, I should have explained that.

19 Q (Mr. Caton continuing.) Mr. McCrary, did the
20 emergency that was declared and the suspension of the regs
21 15(A) and (B) affect the operation of the New Mexico Gas
22 Company?

23 A Yes.

24 Q And would you describe to the Hearing Officer in
25 what manner that was and how did that affect your operation?

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17 MR. STAMETS: Thank you, we appreciate that.

18 MR. CATON: I'm sorry, I should have explained that.

19 Q (Mr. Caton continuing.) Mr. McCrary, did the
20 emergency that was declared and the suspension of the regs
21 15(A) and (B) affect the operation of the New Mexico Gas
22 Company?

23 A Yes.

24 Q And would you describe to the Hearing Officer in
25 what manner that was and how did that affect your operation?

1 A Well, after receiving a call from the Commission
2 and the suspension of 15(A) and 15(B) was placed into effect,
3 the Gas Company of New Mexico went back and took a look at the
4 flow data that we had scheduled for each well. Southern Union,
5 I'm going to speak of Southern Union Company which they operate
6 Gas Company of New Mexico and I'll speak just as Southern
7 Union Company.

8 It has a program on the machine where each well is
9 programmed for production for each month on there. I'm sure
10 it is similar to the one El Paso has and other large companies,
11 where we try to go into the peak season with a well at a zero
12 balance or at least underproduced or not over enough that we
13 can produce during the heating season on there so that it will
14 get us through the time for peak load production.

15 Q And how did the emergency affect that particular
16 planning process?

17 A At that particular time Gas Company of New Mexico
18 only had one well that was shut in. We had some other wells
19 that were in an overproduced status that we had curtailed back
20 at this particular time.

21 Q All right, now, how do you produce your wells in
22 terms of a year, in terms of how you produce it, Mr. McCrary?

23 A Well, we look at the projected allocations and we
24 project on that well and on a well that's not in a prorated
25 pool we take our acreage and an AD packer on the well and

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1 try to allocate or prorate so that every well in the whole
2 area will receive its prorated share, as much as is possible.

3 Q And what about in the prorated pools?

4 A In a prorated pool they are reviewed each month and
5 we try to keep them in balance and try not to get them out of
6 balance, at least where they will reach a state that they have
7 to be shut in because US is a pipeline gatherer and an
8 individual operator, I'm sure they don't like to have their
9 wells shut in for an extended period of time.

10 Q Is it your opinion that it is destructive to a well
11 to have it shut in?

12 A In my opinion, yes.

13 Q Now, would you ordinarily overproduce a well during
14 the winter months and try to balance it out during the summer,
15 Mr. McCrary?

16 A Yes, that has been the practice. I don't say that we
17 do intentionally but it is to supply the market and meet the
18 peak days. Sometimes it becomes necessary to overproduce
19 during the winter months.

20 Q Now, as a result of the emergency did you put any wells
21 that were not on the line on the line?

22 A Yes, for a certain period of time. They weren't
23 running consistently on there but we did switch some production.

24 Q Do you have an opinion as to whether the production
25 that you switched, as you stated, effected the production of

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1 gas for the purposes of the emergency situation?

2 A Yes, to some extent where we had a split-connected well
3 we were able to cut that well back from our take and it could
4 be diverted to the other company on there.

5 Q By a split well do you mean a well that had both an
6 interstate and intrastate connection?

7 A Yes.

8 Q Actually then what happened is that in some cases you
9 were able to curtail intrastate shipments and allow an increased
10 interstate flow?

11 A That's right.

12 Q Now, Mr. McCrary, what has been the total effect on
13 the New Mexico Gas Company's planning processes by your
14 responding to the emergency?

15 A Well, as I stated previously, Gas Company of New Mexico
16 is an intrastate company primarily. It didn't have that much
17 effect on us because, as I say, we only had one well over. Our
18 other wells did reach a state or a point where they were six
19 times overproduced and there wasn't that much gas diverted to
20 the other companies on there. We had other sources that we
21 could draw on. I would say that the volume that we directed to
22 the interstate market was nil.

23 Q All right. Now, as far as the well that you mentioned
24 that was shut in, did you open that well?

25 A We didn't open it, no, but we run gas from it, yes.

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1 Q And was that to meet any specific needs in New Mexico
2 Gas --

3 A It was Gas Company of New Mexico, an emergency within
4 the State to supply on peaking days only.

5 Q Now, what was this a result of, your peak load,
6 Mr. McCrary?

7 A Cold weather, for an extended period of time of cold
8 weather.

9 Q And what is the net effect on this particular well
10 that was shut in as far as its present status now, Mr. McCrary?

11 A Well, if prorationing had continued in a normal
12 manner it would be some overproduced more -- greater than if
13 we hadn't produced it during that period of time.

14 Q So the well will be shut in for a longer period of
15 time as a result of what was produced if you are not given
16 credit?

17 A Well, it would be shut in for a longer period of
18 time, yes.

19 Q Now, Mr. McCrary, do you have any recommendations for
20 the Commission as to how overages on overproduced wells should
21 be dealt with?

22 A Well, as I say, we are in a situation where we are
23 not bothered with too many of them, the volume is not too
24 great. We do have some and we did overproduce some that
25 accrued a greater overage on there. We would recommend that

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1 we immediately drop the suspension of 15(A) and all and
2 reinstate it back at some early as possible time. I can't
3 give them a date on there but we would recommend that the
4 Commission go ahead and reallocate and cancel underage in the
5 normal manner and procedure and that they take the lesser of the
6 underage of the output of the well, either from 2-1-77 or the
7 current status after the allocation. That would give some of
8 the wells, we agree, some benefit that overproduced during that
9 period of time. We had an emergency situation existing on
10 there and we feel like there may be some concession in there
11 that we are due on there.

12 MR. CATON: I have no other questions.

13 MR. STAMETS: Are there any questions of the witness?
14 Mr. Ramey?

15
16 CROSS EXAMINATION

17 BY MR. RAMEY:

18 Q Mr. McCrary, did the Gas Company of New Mexico or
19 Southern Union produce all of their wells at capacity all of
20 the time during this emergency?

21 A No, sir, and they are not producing them now.

22 MR. RAMEY: Thank you.

23 MR. STAMETS: Any other questions of the witness?

24 He may be excused.

25 (THEREUPON, the witness was excused.)

1 MR. STAMETS: Is there anything further in this case?

2 MR. MEDLEY: Mr. Examiner, Natural Gas Pipeline would
3 like to make a statement if we could at this time.

4 MR. STAMETS: This is the appropriate place.

5 MR. KAUFMAN: Mr. Examiner, I'm Herman Kaufman of
6 Natural Gas Pipeline and I would like to make a statement on
7 behalf of Natural Gas.

8 Natural Gas Pipeline made a thorough review of the
9 prorated wells connected to its system affected by Order No.
10 R-5373 which suspended Rules 15(A) and 15(B) of the general rules
11 for prorated gas pools and has determined that the Order
12 R-5373 has not resulted in any additional gas volumes being
13 made available to Natural during this period of suspension.

14 Natural entered the period of suspension with no
15 connected gas wells shut in due to Rules 15(A) and 15(B) and
16 the reinstatement of these rules at the present time will not
17 cause any wells to be shut in.

18 Natural supports the reinstatement date of May 1st,
19 1977 of Rules 15(A) and 15(B). We suggest that all overproduc-
20 tion and underproduction accrued during the period of suspension
21 be carried forward as it would under normal proration
22 practices. Natural also suggests that any party with wells
23 that might be shut in due to the suspension of Rules 15(A) and
24 15(B) which would cause a hardship be allowed to petition the
25 Commission for relief until such a time as the overproduction

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1 could be balanced.

2 Natura continues to have the need for additional
3 volumes of gas supplies to meet its market demand and will
4 continue to purchase new gas as it becomes available. Thank
5 you.

6 MR. STAMETS: Thank you. Does anyone else have
7 anything? Mr. Lyon?

8 MR. LYON: V. T. Lyon with Continental Oil Company.

9 This statement is directed primarily to the four of
10 the original prorated pools in Southeast New Mexico, the
11 Blinebry, Eumont, Jalmat and Tubbs. We have no holdings in
12 the other Southeast pools and feel that the impact on the
13 Northwest pools will be minimal.

14 It is unfortunate that these four pools are
15 declining and we are approaching the day, perhaps not too
16 far distant, that gas proration, if continued, will be merely
17 a matter of record keeping for marginal wells. The Commission
18 has used the system of relatively minor modifications for
19 twenty-four years which is supposed to represent equity among
20 properties and wells. Any disruption of that system then
21 disrupts correlative rights and we regret that this must be
22 the result of some of the proposals presented today.

23 Continental is happy to do its part in overproducing
24 our wells to a system in this national emergency and quite
25 frankly we enjoyed the additional revenue. I wish we had more

1 wells we could do that with. We are willing to abide by the
2 Commission's decision in handling the overproduced wells and
3 we are still concerned, however, about underproduced wells
4 which may be subject to reclassification due to the unusual
5 situation of high demands.

6 Continental strongly urges the Commission to hold
7 off reclassification of wells but to proceed with normal
8 cancellation of underproduction. For those who may not
9 recognize the difference, only a portion of the underproduction
10 is cancelled by the normal cancellation procedures but if
11 you reclassify a well to marginal it's all cancelled. We
12 would really like to see the underproduction carried forward
13 just the same as the overproduction is proposed to be forgiven,
14 but we recognize that this would represent in a large degree
15 unproducable allowables and that the market demand should be
16 met so long as waste does not result. We feel that this is a
17 reasonable compromise in this very critical situation.

18 MR. STAMETS: Any other statments on this case?

19 MR. BUTERBAUGH: Mr. Examiner, I'm Don Buterbaugh
20 with Northwest Pipeline and I have a very short statement.

21 Northwest Pipeline Corporation has only four wells
22 that are more than six times overproduced and assuming an
23 average allowable based on the past year it would take as long
24 as eighteen months to bring these four wells into balance.
25 Eighteen months from now is October of 1978. Of course, many

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1 other wells are overproduced to a lesser degree but nevertheless
2 they must also be balanced. It is difficult to understand why
3 those wells which have a better than average ability to produce
4 must now be penalized for helping during the emergency period
5 by being shut in for a long period of time to bring the wells
6 into balance.

7 Northwest proposes that the well status at the end
8 of January be carried to the end of the declared emergency
9 period and that any overproduction which occurred during the
10 February-April emergency period be forgotten and forgiven.

11 MR. STAMETS: Any other statements?

12 The Examiner will take the next gas proration
13 schedule and give that consideration in reaching a decision
14 in this case.

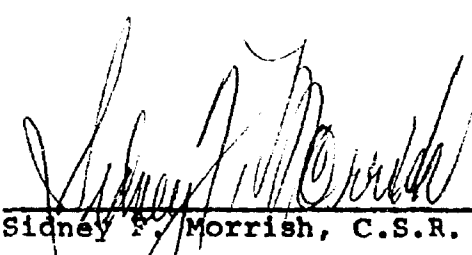
15 If there is nothing further the case will be taken
16 under advisement and there will be a five minute recess.

17 (THEREUPON, the hearing was in recess.)
18
19
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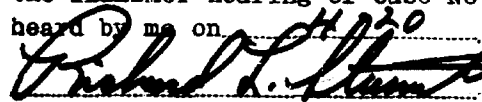
REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.


 Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5872
heard by me on 4/20, 19 97.
, Examiner
New Mexico Oil Conservation Commission

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date FEBRUARY 11, 1977 TIME: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Jason Kellahin Ben McBray	Kellahin & Fox Southern Union Co	Santa Fe Dallas
DAVID T. BURLISON	El Paso Natural Gas Co.	El Paso, TEXAS
E.R. Manning	El Paso Natural Gas Co	El Paso, TX
J. B. MAGNUSON	" " "	" "
John F. NANCE	" " "	" "
R. C. Medley	Natural Gas Pipeline	Midland TX
Daryl L. Smith	Northern Natural Gas Co	Midland TX
Robert Hammen	Northern Nat. Gas Co.	Omaha
Phil Wade	Northern NAT GAS CO	Midland, TX
DEAN FULLER	Northern NAT GAS Co.	MIDLAND, TX
JERRY LONG	USGS	DURANGO, CO.
AR Kendrick	Oce	Arco
D. C. Euterbaugh	Northwest P/L Corp	Salt Lake City, UT
J. W. Sutherland	USGS	AIB
Gene Deniel	USGS	AIB
Don Lopez & Thomas W. Olson	Managan Petroleum Corp	Santa Fe

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 11, 1977

COMMISSION HEARING

IN THE MATTER OF:

The hearing called by the Oil
Conservation Commission on its
own motion to consider the sus-
pension of Rules 15(A) and 15(B)
of the General Rules for Prorated
Gas Pools as promulgated by Order
No. R-1670, as amended, to permit
overproduced wells to continue to
produce gas during the present
severe weather conditions without
danger of being shut in for over-
production.

CASE
5872

BEFORE: Richard L. Stamets, Examiner

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission:	Lynn Teschendorf, Esq. Legal Counsel for the Commission State Land Office Building Santa Fe, New Mexico
For El Paso Natural Gas Co.:	John F. Nance, Esq. El Paso, Texas
For Hanagan Petroleum Corp.:	Thomas W. Olson, Esq. and Owen M. Lopez, Esq. MONTGOMERY, FEDERICI, ANDREWS & HANNAHS 325 Paseo de Peralta Santa Fe, New Mexico 87501

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E. R. MANNING

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(Read by Mr. Hammer)

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1 MR. STAMETS: I'd kind of like to make a short
2 statement before we get started in regards to why we are here
3 and what may be expected in today's hearing.

4 At least since the middle 1950's state oil and
5 gas regulatory agencies have been warning that the control
6 of wellhead gas prices by the Federal Power Commission would
7 eventually lead to decreased supplies of this essential
8 product and higher energy prices to consumers.

9 The gas shortages now being experienced by much
10 of our nation demonstrated the foresight of those issuing
11 such warnings.

12 Being right on this issue is of little comfort
13 to those who were and none to those who are freezing or out
14 of work due to the shortage.

15 In response to an appeal to move more gas to the
16 areas where severe winter weather is causing unprecedented
17 demand for natural gas the Commission issued its Emergency
18 Order Number E-30. This order suspended Rule 15(A) and 15(B)
19 of the General Rules and Regulations for the gas pools of
20 the northwest and southeast New Mexico, making gas available
21 to pipelines from wells which would otherwise be shut in to
22 make up for overproduction.

23 This hearing today will be for the purpose of
24 considering the continued suspension of these rules. As in
25 any such hearing statements will be considered; however, the

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1 resulting order must be based on the sworn testimony received.

2 Among questions which should be addressed at
3 today's hearing would appear to be the following:

4 1. Has the Commission's action caused any relief?
5 If not, why not, and if yes, to what extent? If this sus-
6 pension is to be continued, how long should it be for?
7 What can be done at some future date with the accumulated
8 overproduction resulting from the emergency and the rules
9 suspension? Are there any other significant problems re-
10 stricting your ability as pipelines to deliver gas to the
11 east, such as the deliverability of the wells, pipeline
12 capacity, problems related to connecting new wells?

13 A question which need not be answered at this
14 hearing but which will be a factor at some point in the
15 future, in today's supply and demand situation, how will
16 the Commission protect correlative rights?

17 At this point I would call for appearances in
18 this case, after which I would like everybody who is going
19 to present testimony to stand and be sworn. And I will
20 start with the Commission's attorney.

21 MS. TESCHENDORF: Lynn Teschendorf, and I have
22 one witness for the Commission.

23 MR. STAMETS: Do you have other appearances,
24 please?

25 MR. NANCE: David Burleson and John Nance for

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1 for El Paso Natural Gas Company, El Paso Pipeline.

2 MR. STAMETS: Any other appearances today?

3 First, I'd like to have those who are presenting
4 testimony. In other words, we're only going to have testi-
5 mony from the Commission and El Paso Natural Gas Company?

6 I would remind all of those pipelines who are
7 here of the importance of presenting testimony in this case
8 for the continued suspension of these rules.

9 Anyhow, at this point we will go ahead with the
10 Commission testimony in this case and then El Paso and allow
11 the rest of the pipeline companies an opportunity to con-
12 sider again whether they will offer testimony or not.

13 I'd like to have those witnesses for the Commission
14 and for El Paso stand and be sworn, please.

15 (Witnesses sworn.)

16 Ms. Teschendorf, you may proceed.

17 MS. TESCHENDORF: I might add for the record that
18 this is Case 5872, in the matter of the hearing called by the
19 Oil Conservation Commission on its own motion to consider
20 the suspension of Rules 15(A) and 15(B) of the General Rules
21 for Prorated Gas Pools as promulgated by Order No. R-1670,
22 as amended.

23
24
25

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DAN NUTTER

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

DIRECT EXAMINATION

BY MS. TESCHENDORF:

Q Would you state your name, position, and place of residence, please?

A Dan Nutter, Chief Engineer for the New Mexico Oil Conservation Commission. I live in Santa Fe, New Mexico.

Q Have you previously testified and had your credentials made a matter of record before the Commission?

A Yes, I have.

Q Are you familiar with the subject matter of Case 5872?

A Yes, I am.

Q And what is the purpose of this case?

A As the Examiner pointed out, this is the culmination of a long series of events beginning some years back and the immediate situation, as we are confronting it today, resulted from a telegram which the Secretary of Interior, Mr. Cecil Andrus, sent to the governors of the oil and gas producing states. The telegram reads as follows: "As you know, the nation is currently experiencing a natural gas shortage as a result of prolonged severe

1 weather conditions. The Department of Interior has issued
2 a notice to its lessees and operators requesting that gas
3 production from their federal leases be increased during
4 this emergency situation to the maximum rate possible given
5 the restraints of existing federal and state laws or regu-
6 lations and good petroleum engineering practice, and main-
7 tained thereafter at that rate until further notice.

8 We respectfully request to the extent permitted
9 by law, that you waive any constraints presently imposed by
10 state rules and regulations which would prevent maximizing
11 gas production in your state for the duration of this emer-
12 gency.

13 Among the measures you may wish to consider would
14 be: (1) producing gas temporarily at the maximum possible
15 rate if it is determined that ultimate recovery will not be
16 seriously impaired; and (2) shifting gas production tempo-
17 rarily within fields to those producers capable of greatest
18 short term production.

19 I would appreciate your informing me as soon as
20 possible as to the measures you are taking to increase gas
21 production and the amount of additional gas production you
22 expect to achieve in your state. Signed Cecil Andrus,
23 Secretary of the Interior."

24 At the same time the Secretary of Interior sent
25 a notice to lessees of federal leases, of on-shore federal

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1 leases, and the notice to all the lessees reads as follows :

2 "Notice to lessees and operators of on-shore
3 federal oil and gas leases. The nation is currently ex-
4 periencing a severe natural gas shortage as a result of
5 prolonged severe weather conditions. It is therefore in the
6 public interest to maximize domestic gas production. Ac-
7 cordingly I request that the gas production from your federal
8 leases be increased during this emergency situation to the
9 maximum rate possible, given the existing restraints of
10 federal and state laws or regulations and good petroleum
11 engineering practice, and maintained thereafter at that rate
12 until further notice.

13 Please inform the appropriate U.S.G.S. Oil and
14 Gas Supervisor as to the amounts of additional gas production
15 you expect to achieve from each lease under your control
16 in response to this request as soon as possible and not later
17 than February 10, 1977. Signed Cecil Andrus, Secretary of
18 the Interior."

19 Well, immediately upon receiving the telegram
20 from the Secretary of Interior, the governor of the State
21 of New Mexico asked the Oil Conservation Commission to take
22 such action as would be necessary to aid in this situation;
23 whereupon, as the Examiner mentioned, Emergency Order Number
24 E-30 was issued on 27 January 1977. It became effective at
25 one minute after midnight, Mountain Standard Time, January 29.

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1 1977, to remain in effect for not more than fifteen days,
2 and this order did suspend Rule 15(A) and 15 (B) of the
3 Prorated Gas Pool rules for New Mexico.

4 After this order was issued the following tele-
5 gram was sent to the Secretary of Interior by the Governor:

6 "To the Honorable Cecil Andrus, Secretary of the
7 Interior, Washington, D. C. In response to your telegram
8 of 1-26-77 the State of New Mexico has issued an emergency
9 order waiving overproduction shut in requirements on all
10 gas wells connected to interstate pipelines. This will
11 enable overproduced shut in gas wells in the state to return
12 to production. This is the only mechanism available to in-
13 crease production to the interstate market, since essentially
14 all wells connected to the interstate pipelines in New Mexico
15 are producing at their physical capacity."

16 The Governor sent the telegram and this case was
17 docketed and by statute the emergency order can last only
18 fifteen days, so this hearing was called for today, on Feb-
19 ruary 11th.

20 Now, I have prepared a little summary of the
21 status of the gas pools in the state as of December 31st,
22 1976.

23 MS. TESCHENDORF: This will be our Exhibit A?

24 THE WITNESS: This will be our Exhibit A, yeah.

25 A Now, this summarizes the status of all the pro-

1 rated gas pools in the state as of December 31st, 1976, as
2 I mentioned.

3 Now, this is the status that's the most recent
4 available to us and is the status of the pools as they appear
5 in the February gas proration schedule, which is the schedule
6 in effect at this time and was the schedule just coming out
7 at the time this telegram and the suspension of rules went
8 into effect. So its the status as of now and prior to
9 lifting of the -- prior to suspending Rules 15(A) and 15(B).

10 You'll notice the first column shows the status
11 before reclassification of the pools. Now, at the end of
12 December we did have a reclassification period which is
13 provided by Rule -- by Order Number 1670 and every three
14 months wells that have not made their allowable are re-
15 classified as marginal wells. So this is the status of the
16 pools prior to reclassification as of December 31st.

17 The next column is the amount of underproduction
18 which was cancelled as of December 31st, 1976. Then the new
19 pool status beginning January 1, 1977 is listed in the third
20 column.

21 You'll see that in southeast New Mexico that the
22 overall status of all of the pools is 676,886 Mcf overpro-
23 duced. Now some of the pools are underproduced; some of the
24 pools are overproduced, but the net status of all the pools
25 is that 676,000 overproduced.

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1 There were several pools in here in which we
2 notice a rather unique change. Now, take Blinebry. Prior
3 to the reclassification Blinebry was 654,000 underproduced,
4 but so much underproduction was cancelled on wells that were
5 reclassified to a marginal status that the pool now has an
6 overproduced status, because this underproduction was can-
7 celled at a period like that does not go back into a pool.
8 So the overproduced status is the present status of the
9 pool.

10 Now, in northwest New Mexico we see that all pools
11 are underproduced and that the net status of -- as of January
12 1 is 3 billion cubic feet underproduced.

13 Now, the next few columns relate to the total
14 units in the pool; this is not wells; this is units. It's
15 more appropriate to carry units because some pools have
16 proration units of varying sizes. So we have a total in
17 southeast New Mexico of 1338 proration units. We have 1105
18 of those 1300 classified as marginal and 232 classified as
19 non-marginal or 17.4 percent of the units are classified as
20 non-marginal; the remainder being marginal.

21 The production from the non-marginal units is
22 then listed in the next column, being 15 billion cubic feet
23 of gas in the month of December. The December production
24 for all of those pools, including marginal and non-marginal,
25 was 25 billion cubic feet of gas. Or we see that 17.4 per-

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1 cent of the wells produced 59.6 percent of the gas in south-
2 east New Mexico in December.

3 In northwest New Mexico there are a total of
4 6103.71 units and of those 5485 are classified as marginal
5 and 618 are non-marginal units, or 10 percent; 10.1 to be
6 exact are non-marginal. Of the production for December
7 11 billion cubic feet came from the non-marginal wells and
8 the total pools production was 37 billion or 31.7 percent of
9 the production came from 10 percent of the wells.

10 Now, the state summary, whether it means anything
11 or not, shows that 11.43 percent of the total proration
12 units are classified as non-marginal and those 11.43 percent
13 of the units produced 43 percent of the gas in December.

14 Now, when we get to the crux of the thing, why
15 we suspended the Rule 15(A) and 15 (B), in southeast New
16 Mexico in that proration schedule for February, I counted
17 two wells that are carrying the asterisk which is indicative
18 of being six times overproduced. I counted five wells in
19 the northwest gas proration schedule carrying the six times
20 overproduced symbol. Now, as far as individual wells being
21 overproduced, there are a lot more than just those that are
22 six times over. The Basin Dakota pool has twenty-one over-
23 produced wells. The Blanco Mesa Verde has a hundred seventy-
24 seven overproduced wells. The South Blanco Picture Cliffs
25 pool has eighty-one overproduced wells and the Tapacito pool

1 has twenty-one overproduced wells.

2 In the southeast the Atoka - Penn has two over-
3 produced wells. The Blinebry pool has seven overproduced
4 wells. The Buffalo Valley - Penn has no overproduced wells.
5 The Burton Flat - Morrow has four overproduced wells; Burton
6 Flat - Strawn, one overproduced well. Carlsbad - Morrow --
7 South Carlsbad - Morrow has five overproduced wells. Catclaw
8 Draw has one overproduced well. The Crosby - Devonian has
9 one overproduced well. The Eumont pool has fifty-seven over-
10 produced wells. Indian Basin has no overproduced wells --
11 Indian Basin - Morrow. Indian Basin - Upper Penn has twenty-
12 nine overproduced wells. The Jalmat pool has eleven over-
13 produced wells. Justis-Glorieta, one. Monument McKee, one,
14 And the Tubb gas pool has thirteen overproduced wells.

15 So even though there were only seven wells that
16 I found in the proration schedules that had the six-times-
17 over flag, there are a number of other wells in the state
18 that are overproduced. So this not only -- the suspension
19 of the Rule 15(A) and 15 (B) not only affects those seven
20 wells that were shut in, it also protects the other wells
21 that are overproduced in the event they should be produced
22 harder during this emergency period and to prevent them from
23 being shut in for being six-times-over.

24 Now, the amount of gas that has been made available
25 is questionable. I have no handle on exactly what it amounts

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1 to. We can see here that we have very few wells percentage-
2 wise that can be called upon to produce additional gas.

3 Processing facilities and handling facilities in
4 the field are limited. Now, we see here in our schedule
5 for southeast New Mexico that the best pool in the southeast
6 is the Indian Basin - Upper Pennsylvanian pool, but that
7 pool's producing capacity is limited by the processing
8 facilities that are in the pool. It's a very sour gas. It
9 must go through the gasoline plant there in the field and
10 the gasoline plant has limited capacity. So I don't think
11 that a great deal of additional gas could be produced from
12 that field. Most of these other fields have mostly marginal
13 wells which are producing at their capacity now, anyway.
14 There is some additional excess producing capacity but it is
15 limited.

16 That about summarizes the status of the pools and
17 the status of the situation. I have no particular recommend-
18 ation to make. I think that while we are in this critical
19 situation that the rules should continue to be suspended.
20 For how long, I don't know. I realize that if wells get
21 overproduced unless some other action is taken which is be-
22 yond the scope of this hearing today, that there's a possi-
23 bility they may get so far overproduced that they might have
24 to be shut in when the rules are no longer suspended. They
25 might have to be shut in for very prolonged periods of time

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1 and we have to think about weather conditions next winter,
2 also.

3 So while I think that the rule should continue
4 to be suspended for the time being, I have no recommendation
5 as to how long it would be for.

6 Q Mr. Nutter, was Exhibit A prepared by you?

7 A Yes.

8 MS. TESCHENDORF: At this time I'll offer Exhibit
9 A in evidence and I would also ask that the Examiner take
10 administration notice of the Commission's gas proration
11 schedule for February for the northwest and southeast New
12 Mexico gas pools.

13 MR. STAMETS: Exhibit A will be admitted and ad-
14 ministrative notice will be taken to the proration schedules.

15 Are there questions of the witness.

16 Mr. Nutter, could you just run over the names of
17 the major pipelines that serve New Mexico both interstate
18 and intrastate?

19 A Yes. In northwest New Mexico we have two major
20 interstate pipelines. That would be El Paso Natural, Northwest
21 pipeline and then there is an intrastate purchaser up there
22 that being Southern Union or Southern Union Gathering or
23 New Mexico -- Gas Company of New Mexico, whatever. In ad-
24 dition, there are some minor intrastate purchasers in the
25 northwest.

In the southeast we have El Paso Natural Gas Company; we have Northern Natural Gas Company; we have Natural Gas Pipeline and TransWestern, those are the major interstate purchasers. In addition, we have two major intrastate purchasers, being Tuco or LLano and Southern Union or Gas Company of New Mexico, and some other minor intrastate purchasers. I hope I haven't left any big pipelines out.

MR. STAMETS: Looks like about seven major pipelines.

THE WITNESS: I think so.

MR. STAMETS: Any other questions of the witness? You may be excused.

(Thereupon the witness was excused.)

MR. STAMETS: Mr. Burleson, I'll ask you to proceed at this time.

MR. NANCE: Your Honor, my name is John Nance. I have a letter from the law firm of Montgomery, Federici indicating that we are associated with them for the purposes of offering evidence in this hearing.

E. R. MANNING

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

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1 BY MR. NANCE:

2 Q Would you please state for the record your name
3 and where you reside?

4 A My name is E. R. Manning. I reside in El Paso,
5 Texas.

6 Q Would you also tell us for whom you work and in
7 what capacity?

8 A I'm employed by El Paso Natural Gas Company as
9 Chief Proration Engineer.

10 Q In this capacity as Chief Proration Engineer have
11 you previously qualified as a witness before this Commission
12 or one of its examiners?

13 A Yes, I have.

14 MR. NANCE: Are the witness' qualifications
15 acceptable to the Commission?

16 MR. STAMETS: They are.

17 Q (Mr. Nance continuing.) Mr. Manning, could you
18 please explain briefly the extent of El Paso's interest in
19 this proceeding.

20 A El Paso Natural Gas Company is both an operator
21 or a producer and an interstate pipeline company. El Paso
22 is concerned about the amount of gas from its wells that
23 will be permitted to produce in the future and also the
24 availability of gas to its pipeline.

25 Q Are you familiar with the New Mexico Oil Con-

1 servation Commission's emergency order, Number E-30 which
2 suspended certain rules of the general rules of Order. Number
3 R-1670?

4 A Yes, sir, I am.

5 Q Does this affect El Paso's operations as a pipe-
6 line company?

7 A Yes, sir, it does.

8 Q How has El Paso operated under the general rules
9 of Order R-1670 in the past?

10 A El Paso has operated very well under the limits
11 of the general rules of Order R-1670. Now, there's been
12 some instances where we have experienced some difficulty in
13 complying with Order R-1670 and we have applied for exceptions
14 where we have experienced this difficulty to certain rules
15 for a period of time. Now, we have not asked for -- ever
16 asked for suspension of the six-times-overproduced rule.
17 We have asked in the past maybe a delay on balancing.

18 Q I see. So, in general, you would say, though,
19 that operations under the rule have been satisfactory.

20 A In my opinion they have, yes, sir.

21 Q Okay. Now, the exceptions that you have asked
22 for in the past, have they been numerous or few in number?

23 A They've been relatively few.

24 Q All right. Now taking into consideration El Paso's
25 operations up until January 28th of 1977, could you explain

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1 those operations in serving El Paso's customers?

2 A Well, prior to the E-30 El Paso was meeting the
3 demands of its high priority customers. We continually --
4 or continuously try to balance production from wells ac-
5 cording to their prorated allowables and every attempt is
6 made to prevent a well from being overproduced to such an
7 extent that it would be shut in according to Rule 15(A) and
8 Rule 15 (B) of Order R-1670.

9 Q Now that Emergency Order E-30 has been issued
10 how is El Paso operating?

11 A Well, upon the issuance of Order E-30 El Paso
12 turned on all federal, Indian, state and fee lease wells
13 tied to our system, regardless of their overproduced status,
14 provided that they were not ordered shut in due to failure
15 to comply with other rules and regulations of the Commission.

16 Q Now, have you made a study of the conditions of
17 the wells that are tied into El Paso's system?

18 A Yes, sir.

19 Q How many wells did El Paso have shut in in order
20 to comply with Rules 15(A) and 15(B) of Order 1670 at the
21 time Emergency Order E-30 was issued?

22 A El Paso had nine wells connected to its system
23 which were shut in at the time of the issuance of this --
24 or Order E-30.

25 Q Now, if this emergency should be extended what

1 effect would this have on El Paso's system?

2 A We've estimated the status for the month of
3 February, March, and April of 1977 for all prorated gas wells
4 in the State of New Mexico connected to El Paso's system.

5 In estimating the status it was assumed that all
6 wells would be produced at maximum and allowables would re-
7 main the same as assigned in the past.

8 The study reflected that with continued production
9 and no increase in allowable additional wells would become
10 overproduced to such an extent that they would normally be
11 shut in.

12 Our study also reflected that at the end of
13 February, 1977, there would be eleven wells six-times over-
14 produced. One of these wells is located on a federal lease
15 and will be approximately twenty-times overproduced.

16 By the end of March there will be a total of
17 twelve wells six-times overproduced or more. Now this same
18 well that I spoke of located on a federal lease, will be
19 twenty-nine times overproduced at the end of March.

20 By the end of April there will be eighteen wells
21 six-times or more overproduced. Now this same well we've
22 been speaking of -- that I've been speaking of here, will
23 be thirty-five-times overproduced, and this overproduction
24 will require that this well be shut in for approximately
25 three years in order to balance it.

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1 Q Now do you feel that El Paso can continue oper-
2 ating during this emergency period under an order similar
3 to Emergency Order E-30?

4 A Yes, as I've just explained, there will be more
5 and more wells that will be overproduced to such an extent
6 that they would of necessity have to be shut in when the
7 emergency order is terminated unless some provisions are made
8 to handle this.

9 Q All right. With this in mind do you have a re-
10 commendation of what might be done to eliminate the possi-
11 bility of these wells becoming so far overproduced?

12 A Yes. My recommendation would be that -- would be
13 for the New Mexico Oil Conservation Commission to allow any
14 well to accrue overproduction during the emergency.

15 Q Will you restate that, I'm sorry?

16 A My recommendation would be for the New Mexico Oil
17 Conservation Commission to not -- I'm sorry, I left that out --
18 not allow any wells to accrue overproduction during the
19 emergency period.

20 Q Very well. How could this be accomplished?

21 A Well, the New Mexico Oil Conservation Commission
22 should make provisions that the overproduced status for any
23 well would not exceed the value existing as of February the
24 1st, 1977.

25 Q Now, for this overproduced status you're talking

1 about at the end of the declared emergency period, is that
2 correct?

3 A That is correct, that when the emergency is de-
4 clared over, then the status would be picked up as of Feb-
5 ruary the 1st, 1977.

6 Q Very well. Why is El Paso making this recommend-
7 ation?

8 A Unless some provision such as I've just suggested
9 be made at the end of this emergency, there will be gas
10 wells overproduced to the extent that it would be necessary
11 to shut them in. By shutting in these overproduced gas wells
12 gas will be precluded from going to storage and the storage
13 of gas is necessary for use during subsequent heating seasons
14 for high priority customers. I'd like to point out that
15 some of these high priority customers are located in the
16 State of New Mexico.

17 Q As long as a national emergency is considered to
18 exist do you feel that the New Mexico Oil Conservation Com-
19 mission should continue to operate under an order similar
20 to Emergency Order E-30?

21 A Yes, sir. The Secretary of Interior, Mr. Cecil
22 Andrus has stated in a letter to all operators of federal
23 leases that an emergency now exists and requests that all
24 federal leases be produced at their maximum efficient rate
25 until further notice. El Paso believes that all leases

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1 should be produced during this emergency period; however, we
2 believe that no well should be penalized by accruing addi-
3 tional overproduction during this emergency.

4 Q I see. Let us emphasize, when you're talking about
5 all leases, you mean federal, Indian, state, and fee leases?

6 A Yes, sir.

7 Q Okay. Would the action you recommend prevent waste
8 and protect correlative rights?

9 A Yes, sir, in my opinion this course of action will
10 prevent waste and protect correlative rights.

11 Q Do you have anything further in this case?

12 A No, sir, I don't.

13 MR. NANCE: Mr. Examiner, this does conclude our
14 direct testimony.

15 MR. STAMETS: Thank you. Are there any questions
16 of the witness? Mr. Arnold?

17 MR. ARNOLD: Just exactly how do you protect cor-
18 relative rights on that kind of situation?

19 THE WITNESS: My thoughts on that, Mr. Arnold,
20 are that if every well is given the opportunity to produce
21 its maximum that there will be no violation of correlative
22 rights there.

23 MR. ARNOLD: Doesn't the proration order assume
24 that wells are assigned an allowable in accordance with the
25 reserve that the well has and doesn't it presume that that

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1 production rate is necessary in order to protect correlative
2 rights?

3 A Yes, sir, and when the proration formula works
4 through a period of time as the production and the allowables
5 increase, then wells become unable to produce the nonprorated
6 or the prorated allowable and they become marginal, that
7 production is thrown back to the other wells and in time this
8 will take care of itself.

9 MR. ARNOLD: Well, I realize that that time the
10 order would take care of it, certainly. I just had some
11 question that as long as a pool is still prorated and wells
12 are still non-marginal, how you actually protect correlative
13 rights under the order.

14 A Well, I think if all wells are turned on and given
15 the opportunity to produce their maximum, in my opinion, Mr.
16 Arnold, this is not violating any correlative rights.

17 MR. ARNOLD: Okay, thank you.

18 MR. STAMETS: I would point out, Mr. Manning, it
19 would appear that El Paso's proposal relative to freezing
20 the overproduced status of the wells would seem to be beyond
21 the call of this particular hearing today and I'm sure it
22 could be considered at some later date by the Commission.
23 You pointed out one well which you said would be overproduced
24 thirty-five times at the end of April. Do you know what
25 volume of production you're talking about there?

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1 A Yes, sir. I turned right to that page whenever
2 I concluded my testimony. That's 2.5 million a day.

3 MR. STAMETS: That's the volume of overproduction?

4 A Oh, overproduction at the end of this time?

5 MR. STAMETS: Right.

6 A No, sir, that's the deliverability, or that is
7 what the well is capable of producing. It's overproduction
8 would be 75,660,000 cubic feet.

9 MR. STAMETS: Mr. Manning, have you had any in-
10 dication that the relief that we've given here has really
11 caused some good in the east?

12 A Well, sir, we do not serve the east. Are you
13 asking just for an opinion or are you asking for some studies
14 that I've made on this or what?

15 MR. STAMETS: Mr. Manning, from your expert know-
16 ledge of the situation do you know that there have been
17 some trade-offs that have resulted in additional gas?

18 A Yes, sir, I'm aware of trade-offs. Now to what
19 extent, I cannot testify to that, but I am aware that some
20 of the gas has been going east, yes, sir.

21 MR. STAMETS: Okay, do you have any indication
22 how long we should consider continuing this particular sus-
23 pension?

24 A Well, I heard this morning on TV that now that
25 the gas crisis was over we should still continue to conserve

1 energy by one of the men back east, but I assume you're
2 asking me for a recommendation on how long to continue this,
3 is this correct?

4 MR. STAMETS: Right, do you have some opinion
5 on that point?

6 A Well, I would say probably till the end of May
7 or maybe you could terminate it the first of May. I think
8 it will have something to do with how fast the east warms
9 up and then remains warm.

10 MR. STAMETS: Such a continuance would allow us
11 to just go ahead and write an order continuing this in-
12 definitely and then establishing a hearing date at some
13 later time to consider suspending the suspension.

14 A Yes, sir.

15 MR. STAMETS: In your opinion are there any other
16 problems, such as getting Bureau of Land Management clearance
17 to connect new wells, which would make it equally difficult
18 to get gas flowing in the pipelines to our rules 15(A) and
19 15(B)?

20 A I'm not aware of any. Of course, that's out of
21 my field of endeavor with El Paso, but I'm not aware of any.
22 There may be some.

23 MR. STAMETS: Any other questions of this witness?

24 MR. MEDLEY: R. L. Medley with Natural Gas Pipe-
25 line. I got a little confused awhile ago when you were

1 talking about the gas going east. Is that this E-30 gas
2 going east or is that gas that El Paso is moving east as a
3 result of California having a mild winter?

4 A Well, this was the gas that I was talking about
5 that -- where the tradeouts to send gas back east and some
6 of it would probably include some gas that wasn't needed in
7 California and others where they were being able to pick up
8 some intrastate gas in Texas and send it east. This is what
9 I had reference to, not just the gas that became available
10 from E-30, Reggie.

11 MR. MEDLEY: One other question, and it's a clar-
12 ification on the volume you stated. It seemed kind of small.
13 Would 75,600,000 be right for your well there?

14 A Yes, sir.

15 MR. MEDLEY: With a two and a half million a day
16 deliverability?

17 A Yes, sir.

18 MR. MEDLEY: For what date, or when?

19 A As of -- that would be on May the 1st.

20 MR. MEDLEY: Two and a half million a day?

21 That's thirty days production to get to 75,000,000.

22 A Well, that's not its allowed; that's its deliver-
23 ability.

24 MR. NUTTER: That's its production over its al-
25 lowable, isn't it?

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Phone (505) 962-9212

1 MR. MEDLEY: I got a little confused on --
2 A Yes, it is, the '76, you're talking about, Dan?

3 MR. NUTTER: The two and a half is over the allow-
4 able?

5 A No, two and a half is deliverability of that well.
6 MR. MEDLEY: I'm confused, I'll quit.

7 MR. STAMETS: Any other questions of this witness?
8 You may be excused.

9 MR. NANCE: One question on redirect.

10 REDIRECT EXAMINATION

11 BY MR. NANCE:

12 Q With regard to the Examiner's question on the
13 period of time that such an extension of this order should
14 be considered, do you think it would be fair to say that
15 this extension should coincide with the period of time that
16 the Secretary of Interior and President declare or feel that
17 an national emergency exists?

18 A Yes, sir, I do. I believe that would be the
19 proper time to terminate it.

20 Q Very well.

21 MR. STAMETS: Any other questions?

22 The witness may be excused.

23 (Thereupon the witness was excused.)
24
25

1 MR. STAMETS: At this time I'd like to ask if
2 anyone else plans to offer any testimony in this case?

3 MR. HAMMER: Robert Hammer, Northern Natural Gas
4 Company, we'd like to submit a statement.

5 MR. STAMETS: Okay. There appears to be no other
6 people presenting testimony at this hearing. We will then
7 take statements.

8 MR. KELLAHIN: Jason Kellahin, Kellahin and Fox,
9 I'm appearing in association with Mr. Robert Hammer on behalf
10 of Northern Natural Gas Company. Mr. Hammer is a member of
11 the Nebraska Bar and we will have a statement.

12 MR. STAMETS: Mr. Hammer, you may go ahead and
13 read your statement at this time.

14 MR. HAMMER: Okay, thank you, Mr. Examiner.
15 Northern Natural Gas Company is a major interstate pipeline
16 company that purchases approximately twelve percent of its
17 gas from New Mexico. Its line extends from New Mexico and
18 West Texas through the Texas panhandle, Oklahoma panhandle,
19 Kansas, Nebraska, Iowa, Minnesota, and Wisconsin. Northern
20 believes the proposal at hand would be acceptable if ad-
21 ministered in a manner in which all overproduction would
22 be accounted for and said overproduction will be balanced
23 at the end of the emergency period through normal channels.
24 However, at present Northern is moving all gas for which
25 we have facilities and processing agreements to handle under

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Phone (505) 982-9212

1 normal maximum conditions, normal estimates based on present
2 allowables, that even at full production, only two wells
3 with a total ability of six Mmcf that could become six-times
4 overproduced. At this time Northern would begin and start
5 storage replenishment.

6 Considering these circumstances it would be pre-
7 ferable for Northern to seek administrative relief from the
8 Commission for specific wells under a case-by-case basis
9 for six-times overproduction relief.

10 Northern states that even if it were not physically
11 bound, it would still desire not to overproduce beyond six-
12 times because of its responsibility to summer storage re-
13 plenishment activities. Our capability to fulfill winter
14 market requirements is heavily contingent upon the ability
15 to have maximum storage volume as the heating season is
16 entered. If by chance, if we're still in the process of
17 balancing previous over -- emergency overproduction, it would
18 hinder our efforts to our Priority I and II customers in
19 the '77-'78 season.

20 Northern appreciates the efforts of the Commission
21 to make maximum amounts of gas available; however, we would
22 urge the Secretary-Director to deal with joint applications
23 by purchasers and operators for administrative relief for
24 specific wells which generate at six-times overproduction
25 status rather than extending Order E-30. Thank you.

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Phone (505) 982-9212

1 MR. STAMETS: Do I have other statements?

2 MR. OLSON: Mr. Examiner, we have a statement on
3 behalf of Managan Petroleum Corporation. Unfortunately, it's
4 on the way over here, it's being typed now. If we could
5 defer that until later in the morning.

6 MR. STAMETS: Well, we may have to have you sub-
7 mit that subsequent to this hearing.

8 MR. MEDLEY: I don't have a statement but I would
9 like for it to go on the record that Natural Gas Pipeline
10 Company had a representative here. To follow that up, our
11 major takes out of southeast New Mexico are Indian Basin
12 field. As Mr. Nutter mentioned, we have facility limita-
13 tions in the Indian Basin field so that we have a maximum
14 capability of production because of those facilities and we
15 can't change it at this time. That's all.

16 MR. STAMETS: In other words, what you've done
17 is confirm Mr. Nutter?

18 MR. MEDLEY: I'm confirming what Mr. Nutter said,
19 yes.

20 MR. STAMETS: Thank you, I appreciate that. Any
21 other statements?

22 MR. STAMETS: Before we close this hearing, I'd
23 like to call your attention to the fact that as Mr. Nutter
24 pointed out there are seven major pipelines operating in
25 this state. We have a national emergency situation; we

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1 have the Commission taking significant action on a factor
2 affecting correlative rights, proration. We've had only
3 testimony by only one pipeline. We've had statements by
4 one pipeline. And it's my personal feeling that the pipelines
5 have been remiss in not coming to this hearing with testi-
6 mony on which we could base an order.

7 I don't know if we have enough from El Paso to
8 go ahead and continue this suspension or not. We'll have
9 to give that some consideration during the day. When I
10 make my recommendation to the Commission, -- of course, we
11 have two members of the Commission here. I would certainly
12 hope if we have any future hearings concerning this issue
13 that the pipelines would come prepared to present testimony.
14 I thank you kindly. Anything further in this case?

15 The case will be taken under advisement.

16 (Thereupon the hearing was concluded.)
17
18
19
20
21
22
23
24
25

STATE OF NEW MEXICO)
COUNTY OF SANTA FE)

REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, Notary Public and Certified Short-hand Reporter, Santa Fe, New Mexico, DO HEREBY CERTIFY that the facts as stated in the caption hereto are true and correct; that at the time and place aforesaid, I reported the captioned proceedings; that the preceding 32 pages, numbered 1 through 32 inclusive, are a full, true and correct transcript of the notes taken during this hearing.

WITNESS my hand and seal, this 6th day of March, 1977, at Santa Fe, New Mexico.

Sally Walton Boyd
Sally Walton Boyd
Notary Public and Certified Short-hand Reporter

My Commission expires:
10 September 1979

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5872 heard by me on 2-14-77.
Richard D. Stamm, Examiner
New Mexico Oil Conservation Commission

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General Court Reporting Service
825 Calle Meja, No. 122, Santa Fe, New Mexico 87501
Phone (505) 981-9212

	POOL STATUS @ 12-31 (AFTER RECLASS)		NO. OF OP WELLS	OVER- PROD	NO. OF WELLS EXOP	OVERPROD BY EXOP WELLS	POOL STATUS @ 2-28	NO. OF OP WELLS	OVER PROD	NO. OF WELLS EXOP	OVERPROD. BY EXOP WELLS
	STATUS @ 12-31 (AFTER RECLASS)	OP WELLS									
ATOKA - DENN	115,787 OP	2	314,225				43,020 UP	1	362,686		
BLINEBRY	253,509 OP	17	675,547				7,983 UP	15	872,330		
BUFFALO VALLEY	6,558 UP	0					236,19 UP	0			
BURTON FLAT - MRW	969,048 OP	4	1,712,204	1	973,293		178,244 OP	5	1,567,085	1	760,850
BURTON FLAT - STN	33,588 OP	1	33,588				21,815 OP	1	21,815		
S. CHARLESBROD - MRW	308,429 OP	6	1,234,795				189,801 OP	6	1,265,973		
CATELAW DRAIN	489,280 UP	1	638,884	1	638,884		736,471 UP	1	534,262	1	534,262
CHIOSBY - DEU	62,947 OP	1	62,947				223,758 UP	1	63,922		
EUMONT	220,177 OP	57	1,692,766	1	47,217		1,204,158 UP	46	1,748,987	3	341,213
INDIAN BASIN - MRW	MARGINAL	0									
INDIAN BASIN - O.P.	804,558 UP	29	5,719,109				728,100 UP	28	6,804,874		
JALMART	273,724 UP	11	169,973				203,082 UP	12	394,461	1	115,168
JUSTIS - GLOE	46,576 OP	1	46,576				47,508 OP	1	47,508		
MONUMENT MCKEE	29,652 UP	1	16,264				60,469 UP	1	4,159		
TOBA	270,397 OP	13	431,246				252,049 OP	11	548,643	1	137,337
SOUTHERST TOTAL	676,886 OP	144	12,748,106				2,591,223 UP	129	14,231,705	7	1,888,830

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1

CASE NO. 5872

Submitted by DAN HUTTEK

Hearing Date 4-20-77

BISIN - DAKOTA	2,162,292 UP	21	435,455				1,537,968 UP	40	1,092,862		
BLANCO MESAVARDE	489,018 UP	177	4,380,858				196,083 OP	225	4,635,733	3	256,828
S. BLANCO PC	593,639 UP	81	427,889	2	41,647		17,507 UP	141	806,997	2	44,166
TAPACITO PC	198,112 UP	21	344,241	3	115,603		266,157 UP	34	610,124	3	122,741
	3,463,061 UP	300	5,588,443	5	157,250		1,625,649 UP	440	7,145,716	8	423,735

	Amt of OP @ 2-28	Inc in OP from 12-31	March Allow.	% of Mar Allow OP Inc
Atoka	362686	56046	102322	55
Blincy	41008	9222	17116	54
	53465	9637	68464	14
	209552	53551	68464	79
	165279	142774	68464	209
	78246	55214	68464	81
	57467	52436	68464	77
	17652	16819	51348	33
	54158	22202	51348	44
Burton Flat Morrow	7679	7679	119861	7
S. Cbd Mor	171101	37246	77395	49
	89979	23157	77395	30
	216102	26245	77395	34
Crosby Dev	68922	5975	39000	16
Enmont	44134	20564	26099	79
	41544	9643	78296	13
	37087	11036	52197	22
	59941	18673	91345	21
	*141901	94684	13049	726
	1151	1151	52197	3
	78250	3254	156591	2
	35927	22046	52197	43
	24898	3297	13049	26
	40866	16980	13049	131
	25796	14666	26099	57
	39980	12151	52197	24
	60464	20016	52197	39
	45774	12302	52197	24

BEFORE EXAMINER'S SIGNATURES
OIL CONSERVATION COMMISSION

CASE NO. 5872
EXHIBIT NO. 2

Submitted by DAN NUTTER
Hearing Date 4-20-77

73102	36494	52197	70
29500	9629	26099	37
44299	15182	52197	29
52343	8246	52197	16
*103184	44072	26099	169
56176	26583	52197	51
*96128	50631	26099	194
8819	1039	13049	8
59794	28984	26099	111
31286	12486	52197	24
35942	1426	39148	4
20686	5542	52197	11
556	556	13049	5
7554	3475	13049	19

Ind Basin	229182	102106	127990	80
U.P.	148857	21931	138229	16
	283856	38078	127990	30
	246758	8003	131829	6
	262108	68403	135669	51
	283117	32520	127990	26
	380593	44957	127990	36
	288496	14654	127990	12
	244404	48798	127990	39
	241774	46509	127990	37
	405166	87223	127990	69
	343190	39784	135669	30
	210823	78823	127990	62
	164442	18046	127990	14
	526912	50983	127990	40
	224194	46123	127990	36
	175853	18877	127990	15
	203834	11624	127990	7
	47308	16367	127990	13

287598	63456	127990	50
284189	69533	127990	55
280138	19272	127990	15
267967	38921	127990	31
299534	62562	127990	49
45716	39510	127990	31

Jelmat	25547	10983	4964	222
	11063	4496	14097	32
	1969	1421	19855	8
	35813	13736	19855	70
	60777	44922	19855	227
	12292	2381	14891	16
	*115168	62131	9927	626
	42827	14529	14891	98
	445	445	19855	3
	22112	21350	4964	430
	63441	47312	59564	80
	3007	782	59564	2

Justis	47508	932	34720	3
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Tubb	*137337	22078	37500	59
	18006	8611	37500	23
	100421	60770	37500	162
	31151	8942	18760	48
	49218	19391	37500	52
	122722	39074	37500	105
	33728	22840	9375	244

presidential documents

Title 3--The President

Proclamation 4495

April 1, 1977

Termination of Natural Gas Emergency

By the President of the United States of America

A Proclamation

On February 2, 1977, Proclamation No. 4485 was issued which proclaimed and declared the existence of a natural gas emergency within the meaning of Section 3 of the Emergency Natural Gas Act of 1977. Such action was necessary because of the imminent shortage of natural gas for high-priority uses and the inadequacy of remedial measures other than the extraordinary measures authorized by Section 4 of that Act. Section 3 of the Emergency Natural Gas Act of 1977, however, requires termination of such emergency when the President finds that such shortages no longer exist and are no longer imminent.

I now find that the severe natural gas shortages which necessitated the declaration of a natural gas emergency within the meaning of Section 3 of said Act no longer exist and are no longer imminent.

NOW, THEREFORE, I, JIMMY CARTER, President of the United States of America, by virtue of the authority vested in me by the Constitution and statutes of the United States, including the Emergency Natural Gas Act of 1977, do hereby proclaim and declare that the natural gas emergency declared to exist by Proclamation No. 4485 of February 2, 1977 is terminated.

The fact that this winter's natural gas emergency is over in no way signals an end to our energy crisis. On the contrary, it is a reminder that our natural gas supply is far short of potential demand. Unless we take remedial action to develop a natural gas policy as part of a comprehensive energy policy, our economy, and even our homes, will be in increasing danger with each passing year. On April 20, 1977, I shall propose a policy to provide a long-term solution to our energy problems.

IN WITNESS WHEREOF, I have hereunto set my hand this first day of April, in the year of our Lord nineteen hundred seventy-seven, and of the Independence of the United States of America the two hundred and first.



39.07
7/1/88
174

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
OCC EXHIBIT NO. 3
CASE NO. 5872
Submitted by Staff
Hearing Date 4/20

FR Doc. 77-10219 Filed 4-1-77; 4:59 pm]

	POOL STATUS @ 12-31 (AFTER RECLAS56)	NO. OF OP WELLS	OVER- PROD	NO. OF WELLS EX OP	OVER PROD BY EX OP WELLS
ATO-KR-DENN	115,787 OP	2	314,225		
BLUMEBRY	253,509 OP	17	675,549		
BUFFALO VALLEY	6,558 UP	0	0		
BURTON FLAT-MRW	969,048 OP	4	1,712,204	1	973,293
BURTON FLAT-STN	33,588 OP	1	33,588		
S. CARLSBAD-MRW	308,629 OP	6	1,234,795		
CATCLAW DRAW	489,280 UP	1	638,884	1	638,884
CRESBY-DEU	62,947 OP	1	62,947		
EUMONT	220,177 OP	57	1,672,766	1	47,217
INDIAN BASIN-MRW	MARGINAL	0	0		
INDIAN BASIN-	804,558 UP	29	5,719,109		
JALMONT	273,724 UP	11	169,973		
JUSTIS-GLOE	46,576 OP	1	46,576		
MOUNDMENT MCKEE	29,652 UP	1	16,264		
TUEB	270,397 OP	13	431,226		
SOUTHEAST TOTAL	676,886 OP	144	12,748,106	3	1,659,394

	POOL STATUS @ 2-28	NO. OF OP WELLS	OVER PROD	NO. OF WELLS EX OP	OVER PROD. BY EX OP WELLS
	43,020 UP	1	362,686		
	7993 UP	15	872,330		
	23619 UP	0	0		
	178,244 OP	5	1,567,085	1	760,860
	21,815 OP	1	21,815		
	189,801 OP	6	1,265,973		
	732,471 UP	1	534,262	1	534,262
	223,768 UP	1	68,922		
	1,204,138 UP	46	1,748,987	3	341,213
MARGINAL					
	728,100 UP*	28	6,804,874		
	203,082 UP	12	394,461	1	115,168
	47,568 OP	1	47,508		
	60,469 UP	1	4,159		
	252,049 OP	11	348,643	1	137,337
	2,591,223 UP	129	14,231,705	7	1,888,830

* includes 7.2 billion under production held by
7 wells which have not made their
average monthly allowance during 2001
only the last 3 months

El Paso NATURAL GAS
COMPANY

P. O. BOX 1492
EL PASO, TEXAS 79978
PHONE: 915-543-2600

May 13, 1977

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 5872

Gentlemen:

Pursuant to the Oil Conservation Commission's Rule 1220, El Paso Natural Gas Company ("El Paso") respectfully requests that a de novo hearing be set before the Commission to reconsider Case No. 5872.

Under emergency Order No. E-30, issued on January 27, 1977, and Order R-5373 issued on February 11, 1977, the Commission suspended Rules 15 (A) and 15 (B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico in order to allow maximum production during the national natural gas emergency.

On April 26, 1977, the Commission, following a hearing held on April 20, 1977, issued Order No. R-5373-A, terminating the suspension of Rules 15 (A) and 15 (B) effective 12:01 A.M. (MDT), May 1, 1977. Order R-5373 adversely affected El Paso in that it gave no consideration to overproduction or underproduction accrued to gas wells during the period of suspension of said rules. In order to avoid a hardship which will be worked on El Paso's system because of compliance with the above mentioned orders, El Paso desires a ruling that no overproduction be accrued for gas wells in prorated gas pools for the reporting months beginning with February, 1977 and continuing through the end of April, 1977.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By

E. R. Manning



J. M. Brown
Division Engineering
Manager

June 6, 1977

File: HHR-986.51NM-2266

Re: Case 5872 (Reopened)
June 13, 1977
Commission Hearing Docket

Mr. Joe D. Ramey
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, NM 87501

Dear Mr. Ramey:

Amoco Production Company recommends that Order No. R-5373 be rescinded. Suspension of Rules 15(A) and 15(B) did not result in additional production of gas from Amoco operated wells in Southeastern New Mexico. We support granting additional allowable to a pool for any overproduction accrued during the suspension of Rules 15(A) and 15(B) and allowing underproduction to be taken care of by field rules or the general rules. We are opposed to giving special consideration to an individual well.

Please enter this letter into the record of the hearing on Case No. 5872 (Reopened).

Yours very truly,

JM Brown

JEP:sam

Amoco Production Company

500 Jefferson Building
P.O. Box 3092
Houston, Texas 77001

JUN - 8 1977

CONSERVATION COMM.
Santa Fe

presidential documents

Title 3—The President

Proclamation 4495

April 1, 1977

Termination of Natural Gas Emergency

By the President of the United States of America

A Proclamation

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NOW, THEREFORE, I, JIMMY CARTER, President of the United States of America, by virtue of the authority vested in me by the Constitution and statutes of the United States, including the Emergency Natural Gas Act of 1977, do hereby proclaim and declare that the natural gas emergency declared to exist by Proclamation No. 4485 of February 2, 1977 is terminated.

The fact that this winter's natural gas emergency is over in no way signals an end to our energy crisis. On the contrary, it is a reminder that our natural gas supply is far short of potential demand. Unless we take remedial action to develop a natural gas policy as part of a comprehensive energy policy, our economy, and even our homes, will be in increasing danger with each passing year. On April 20, 1977, I shall propose a policy to provide a long-term solution to our energy problems.

IN WITNESS WHEREOF, I have hereunto set my hand this first day of April, in the year of our Lord nineteen hundred seventy-seven, and of the Independence of the United States of America the two hundred and first.

~~BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
OCC EXHIBIT NO. 1
CASE NO. 5872
Submitted by Staff
Hearing Date 4/20~~

[FR Doc. 77-10219 Filed 4-1-77; 4:59 pm]

Jimmy Carter
~~BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
OCC EXHIBIT NO. 1
CASE NO. 5872
Submitted by OCC Staff
Hearing Date 6/13/77~~

	POOL STATUS @ 12-31 (AFTER RECLASS)				POOL STATUS @ 2-28			
	STATUS	NO. OF OP WELLS	OVER-PROD	NO. OF WELLS BY EXOP WELLS	STATUS	NO. OF OP WELLS	OVER-PROD	NO. OF WELLS BY EXOP
ATOKA - PENN	115,787 OP	2	31,225		93,020 UP	1	362,686	
CLINEBERY	253,509 OP	17	673,549		79,823 UP	15	872,330	
BUFFALO VALLEY	6,558 UP	0	0		23,619 UP	0	0	
BURTON FLAT - MRU	969,048 OP	4	1,712,204	1	178,244 OP	5	1,567,085	760,86
BURTON FLAT - STN	33,588 OP	1	33,588		21,815 OP	1	21,815	
S. CARLSBAD - MRU	308,629 OP	6	1,234,795		189,801 OP	6	1,265,973	
CATCLAW DRAIN	489,280 UP	1	638,884	1	736,471 UP	1	534,262	534,26
CROSBY - DEV	62,947 OP	1	62,947		223,768 UP	1	68,922	
EUMONT	220,177 OP	57	1,692,766	1	1,204,138 UP	46	1,748,987	341,21
INDIAN BASIN - MRU	MARGINAL	0	0		MARGINAL			
INDIAN BASIN - U.P.	804,558 UP	29	5,719,109		728,100 UP	28	6,804,874	
JFLMART	273,724 UP	11	169,973		203,082 UP	12	344,461	115,16
JUSTIS - GLOR	46,576 OP	1	46,576		47,508 OP	1	47,508	
MONUMENT MEKEE	29,652 UP	1	16,264		60,469 UP	1	4,159	
TUBB	270,297 OP	13	431,226		252,049 OP	11	548,643	137,33
SOUTHEAST TOTAL	676,886 OP	144	12,748,106	3	2,591,223 UP	129	14,231,705	1,868,824

BASIN - DAKOTA	2,182,292 UP	21	435,455		1,537,968 UP	40	1,092,862	
BLANCO MESAVERDE	489,018 UP	177	4,380,858		196,083 OP	225	4,635,733	256,88
BLANCO PC	593,639 UP	81	427,889	2	17,507 UP	141	806,997	44,16
TAPACITO PC	198,112 UP	21	344,241	3	26,157 UP	34	610,124	122,77
	3,463,061 UP	300	5,588,443	5	1,625,649 UP	440	7,145,716	423,77

WELLS OVER PROD BY 6XOP WELLS	POOL STATUS ② 2-28	NO. OF OP WELLS	OVER PROD	NO. OF WELLS 6 X OP	OVER PROD. BY 6XOP WELLS	POOL STATUS ② 4-30	NO. OF OP WELLS	OVER- PROD.	NO. OF WELLS 6 X OP	OVER PROD BY 6XOP WELLS
973,293	43,020 UP	1	362,686		58,412 UP	1	380,015	0		
	7,983 UP	15	872,330		512,314 OP	15	1,506,901	0		
	236,19 UP	0	0		13,533 UP	0	0	0		
	178,244 OP	5	1,567,085	1	745,968 OP	6	2,918,743	1		882,350
	21,815 OP	1	21,815		471,262 OP	2	555,977	1		518,942
	189,801 OP	6	1,265,973		1,133,825 OP	7	1,277,945	0		
638,834	736,471 UP	1	534,262	1	422,300 OP	2	587,945	1		397,038
	223,768 UP	1	68,922		77,471 OP	1	77,471	0		
47,217	1,204,138 UP	46	1,748,987	3	2,315,213 UP	38	1,819,369	4		594,009
	MARGINAL				MARGINAL	0	0	0		
	728,100 UP	28	6,804,874		7,498,955 OP	29	7,740,962	0		
	203,082 UP	12	394,461	1	491,681 UP	15	705,829	2		208,258
	47,508 OP	1	47,508		65,548 OP	3	133,836	0		
	60,469 UP	1	4,159		68,201 UP	0	0	0		
	252,049 OP	11	548,643	1	252,131 OP	11	507,770	2		19,542
1,659,394	2,591,223 UP	129	14,231,705	7	8,236,734 OP	130	17,692,765	11		2,796,139
	1,537,968 UP	40	1,092,862		455,510 UP	57	1,807,837	0		
	196,083 OP	225	4,635,733	3	3,795,283 UP	201	6,527,019	3		420,640
41,647	17,507 UP	141	806,997	2	44,725 UP	144	887,461	4		94,677
115,603	266,157 UP	34	610,124	3	90,144 UP	42	638,343	3		122,703
157,250	1,625,649 UP	440	7,145,716	8	4,385,662 UP	444	9,860,660	10		638,020

Catchbas Draw 1 well six times overproduced

Hemagau Catchbas Unit #9 640 acres Lane

	Allow	Prod	Over/Under
J 76	125,000	113,048	472,295 over
F	109,875	110,697	473,117 "
M	100,000	133,780	506,897 "
A	75,000	115,082	544,979 "
M	50,000	95,786	592,765 "
J	45,000	124,784	672,549 "
J	39,595	126,948	759,902 "
A	45,000	92,768	807,670 "
S	40,000	1,714	768,884 "
O	45,000	0	723,884 "
D	45,000	0	678,884 "
J 77	40,000	8,631	638,884 "
F	92,439	19,186	607,515 "
M	93,817	25533	534,262 "
A	81,525	12,585	463,978 "
M	81,000		397,038 "
J	85,000		

BEFORE THE OIL CONSERVATION COMMISSION

CASE NO. 5872

EXHIBIT NO. 3

Submitted by OCC Staff

Hearing Date 6/13/77

Tubb Gas Pool 2 wells six times overproduced

Wiser Reinwall B # 1 40 acres Northern

Shell Argo # 5 160 acres El Paso

Wiser Allow Prod Over/Under

Allow	Prod	Over/Under	Wiser Allow	Prod	Over/Under
J 76 34919	73270	34921 under	J 76 8730	2181	4792 under
F 33472	62172	6221 "	F 8368	20134	6974 over
M 30000	64139	29633 over	M 7500	9749	9152 "
A 26893	60593	63333 "	A 6723	2521	4950 "
M 13322	41923	91934 "	M 3330	5116	6732 "
J 4983	1983	83934 "	J 2496	1718	5958 "
J 10000	49839	123773 "	J 2500	1668	5126 "
A 15000	0	108773 "	A 3750	1651	3027 "
S 18000	0	90773 "	S 4500	16999	15526 "
D 20000	184	70962 "	D 5000	2470	12494 "
N 25000	6998	121044 "	N 6250	848	7589 "
D 35000	34499	115259 "	D 8750	12049	10188 "
J 77 35000	36821	117080 "	J 77 8750	22053	24191 "
F 35000	55740	137337 "	F 8750	18287	33728 "
M 37500	55740	155577 "	M 9315	20351	44704 "
A 36290	34228	152515 "	A 9073	6396	42027 "
M 36000			M 9000		
J 27904			J 6976		

Jalwat 2021's 6 times overproduced

APCO State #1 40 acres EIPass

E1 Pass Moberly C#3 80 acres EIPass

	Allow	Prod	Over/Under	Allow	Prod	Over/Under
J 76	4817	3721	18587 over	J 76	9634	25685 25176 over
F	4995	784	14376 "	F	9989	5703 20890 "
M	3284	874	11966 "	M	6567	7931 22254 "
A	4247	6016	13735 "	A	8493	6476 20237 "
M	3844	515	10406 "	M	7688	3391 15940 "
J	3421	0	6945 "	J	6921	0 9019 "
J	2543	10482	14884 "	J	5087	27241 31173 "
A	5541	0	9343 "	A	11081	0 20092 "
S	5080	6692	10955 "	S	10160	24969 34901 "
O	5013	0	5942 "	O	10025	0 24876 "
N	6492	10290	10358 "	N	12983	23798 35691 "
D	5221	10445	14564 "	D	11243	28589 53037 "
J 77	5479	11294	20379 "	J 77	10959	32480 74558 "
F	4375	9543	25547 "	F	8750	49360 115168 "
M	4964	8819	29402 "	M	9927	43818 149059 "
A	4688	2415	30829 "	A	9375	37745 177429 "
M	4636			M	9273	
J	3665			J	6730	

Element 4 wells since overproduced

Cont'l Brit B8 #1 40 acres El Paso

Cont'l State 116 #1 40 acres El Paso

John Hendrix 1000 St.

	Allow	Prod	Over/Under		Allow	Prod	Over/Under		Allow	Prod	Over/Under		Allow	Prod	Over/Under
J76	6150	30605	17301 over	J76	6150	11635	19450 over	J76	12300	84703					
F	5847	5312	16528 "	F	5847	2743	16846 "	F	11643	4561					
M	6129	6886	17325 "	M	6154	3134	13851 "	M	12258	57154					
R	5572	4521	16274 "	A	5572	8743	17022 "	A	11144	11685					
M	4880	0	11394 "	M	4880	495	13137 "	M	9760	1783					
J	3749	529	8174 "	J	3749	0	9388 "	J	7448	0					
J	2376	18307	23605 "	J	2876	9242	15754 "	J	5753	12073					
A	3750	0	19855 "	A	3750	0	12004 "	A	7500	0					
S	6354	0	13501 "	S	6354	0	5650 "	S	12708	0					
O	9680	0	3821 "	O	9680	0	4030 under	O	19360	0					
N	10092	25753	19482 "	N	10092	20175	6853 over	N	20183	16081					
D	10681	38416	47217 "	D	10681	27714	23886 "	D	21362	67279					
J77	7796	40348	79769 "	J77	7796	14610	30700 "	J77	15592	36202					
F	10775	72907	141901 "	F	10775	20741	40866 "	F	21549	51570					
M	13049	77218	206009 "	M	13049	32456	60212 "	M	26099	52206					
A	7092	46627	245544 "	A	7092	19408	72528 "	A	14183	16538					
M	4943			M	4943			M	9881						
J	3631			J	3631			J	7267						

40 acres El Paso

John Hendrix Wood Stalk A #2 80 acres El Paso

Shell Stalk C #1 80 acres El Paso

Over/Under	Allow	Prod	Over/Under	Allow	Prod	Over/Under
19950 over	J 76	12300	24703	12300	11643	32798 over
16842 "	F	11693	4521	11693	4325	25430 "
13851 "	M	12258	57154	12258	5553	15725 "
17022 "	A	11144	11685	11144	10250	17831 "
3137 "	M	9760	1783	9760	616	8687 "
9388 "	J	7498	0	7498	0	1189 "
15754 "	J	5753	12073	5753	64007	59443 "
12004 "	A	7500	0	7500	2018	53921 "
5650 "	S	12708	0	12708	0	41253 "
4030 under	O	19360	0	19360	0	21893 "
6853 over	N	20183	16081	20183	19991	21701 "
23836 "	D	21362	67279	21362	58773	59112 "
30750 "	J 77	15592	36202	15592	31812	75332 "
40866 "	F	21549	51570	21549	49401	103184 "
60212 "	M	26099	52206	26099	52217	129179 "
72518 "	A	14183	14538	14183	36478	151470 "
	M	9887		9887		
	J	7262		7262		
	J					

6872 4/20/97

	Amt of OP ② 2-28	Inc in OP from 12-31	March Allow.	% of Mar Allow OP Inc
Atoka	362686	56046	102322	55
Blincbry	41008	1222	17116	54
	53465	9637	68464	14
	209552	53551	68464	79
	165279	142774	68464	209
	78246	55214	68464	81
	57467	52436	68464	77
	17652	16819	51348	33
	54158	22202	51348	44
Burton Flat Morrow	7679	7679	119861	7
S. Cbd Mor	171101	37246	77395	49
	89979	23157	77395	30
	216102	26265	77395	34
Crosby Dev	68922	5975	39000	16
Eumont	44134	20564	26099	79
	41544	9643	78296	13
	37087	11036	52197	22
	59941	18673	91345	21
* 141901		94684	13049	726
	1151	1151	52197	3
	78250	3254	156591	2
	35927	22046	52197	43
	24898	3297	13049	26
	40866	16980	13049	131
	25796	14666	26099	57
	39980	12151	52197	24
	60464	20016	52197	39
	45774	12302	52197	24

73102	36494	52197	70
29500	9629	26099	37
44299	15182	52197	29
52343	8246	52197	16
* 103184	44072	26099	169
56176	26583	52197	51
* 96128	50631	26099	194
8819	1039	13049	8
59794	28984	26099	111
31286	12486	52197	24
35942	1426	39148	4
20686	5542	52197	11
556	556	13049	5
7554	3475	13049	19

Ind Basin			
U.P.	229182	102106	127990
	148857	21931	138229
	283856	38078	127990
	246758	8003	131829
	262108	68403	135669
	283117	32520	127990
	380593	44957	127990
	288496	14654	127990
	244404	48798	127990
	241774	46509	127990
	405166	87223	127990
	343190	39784	135669
	210823	78823	127990
	164442	18046	127990
	526912	50983	127990
	224194	46123	127990
	175853	18877	127990
	203834	11624	127990
	47388	16367	127990

287598	63456	127990	50
284189	69533	127990	55
280138	19272	127990	15
267967	38921	127990	31
299534	62562	127990	49
45716	39510	127990	31

Jalmar	25547	10983	4964	222
	11063	4496	14097	32
	1969	1421	19855	8
	35813	13736	19855	70
	60777	44922	19855	227
	12292	2381	14891	16
	*115168	62131	9927	626
	42827	14529	14891	98
	445	445	19855	3
	22112	21350	4964	430
	63441	47312	59564	80
	3007	782	59564	2

Justis	47508	932	34720	3
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Tubb	*137337	22078	37500	59
	18006	8611	37500	23
	100421	60770	37500	162
	31151	8942	18750	48
	49218	19391	37500	52
	122722	39074	37500	105
	33728	22840	9375	244

NORTHERN NATURAL GAS COMPANY
New Mexico Oil & Gas Commission Case No. 5872

4/20/77

Direct Testimony of Alton Dean Fuller

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION OF NEW MEXICO
TO CONSIDER BOTH THE CONTINUED SUSPENSION OF
SAID RULE 15(A) AND 15(B) AND CONSIDER EVIDENCE
OF THE EFFECT OF THE SUSPENSION TO DATE

- Q. Will you state your name and residence?
- A. My name is Alton Dean Fuller. I reside at 2406 Goddard, Midland, Texas.
- Q. By whom are you employed and in what capacity?
- A. I am employed by Northern Natural Gas Company as the Production Engineer for the Permian Region Gas Supply Operations Department.
- Q. Have you ever testified before the Oil Conservation Commission of New Mexico?
- A. No.
- Q. Would you briefly describe your educational background and your professional experience?
- A. I graduated from New Mexico State University, Las Cruces, New Mexico in 1970, having received the Bachelors Degree in Mechanical Engineering. I was employed by El Paso Natural Gas Company as an Engineer in the Technical Service Department of the Permian Division from 1970 to 1973, and was involved in many facets of the gathering, treating, and compression of natural gas. I am presently, and have been for approximately three years, employed by Northern Natural Gas Company. I am the Production Engineer for the Permian Region Gas Supply Operations Department, Midland, Texas, and help maintain gas supplies by administering contractual and economic assistance to producers within guidelines laid out by the Regulatory bodies and Northern's Management. I am a member of the Society of Petroleum Engineers and American Society of Mechanical Engineers.

Q. What is Northern's interest in this matter?

A. Northern Natural Gas Company (Northern) is a major interstate pipeline company whose pipeline extends from New Mexico and West Texas through the Texas Panhandle, Oklahoma Panhandle, Kansas, Nebraska, Iowa, South Dakota, Minnesota, and Wisconsin. Northern purchased approximately 90 BCF of gas from New Mexico oil and gas fields in the past twelve months. This was approximately 11% of our total requirements.

Our market area weather has moderated considerably during the last two months. However, through early February, temperatures averaged 22% colder than normal. During this cold period we were able to continue service with virtually no interruption to our curtailment category 1 and 2 customers. (These are homes, schools, small business and other essential gas users).

We believe there are two reasons we were able to make it through the winter with only moderate problems. First, in the early 1970's, we began an active program to protect high priority customers by advising our utility customers of the severity of gas supply problems; we urged that lower priority customers make arrangements for alternate fuels. Most of our curtailed customers were relatively well prepared this winter. Second, we actively sought storage and the authority to curtail low priority uses, as necessary, to fill storage which is used to serve high priority needs. As a result, natural gas used for electric power generation will be virtually nil in 1977, compared to about 185 BCF in 1971.

The importance of this storage can be illustrated by noting that it supplied nearly 1/3 of Northern's average peak day sales requirements of 2.6 BCF this winter. Northern is completing additional underground storage with an ultimate 12 BCF cycle capacity at Lyons, Kansas, and project completion of the Cunningham, Kansas, underground storage field with 40 BCF cycle capacity in 1970-80. We are pursuing additional lease storage agreements, and will complete in 1978 our second

2 BCF LNG plant. Northern expects to have approximately 73.4 BCF available from storage for the 1977-1978 heating season, of which half will come from lease storage accounts.

Northern's present and future storage accounts play a major role in our ability to service our market. It is evident that Lea County volumes not only serve us as a base load, but also aid in replenishing our much needed storage requirements.

Q. I would now refer you to the four (4) questions or issues set out in findings (8) through (11) in the Commission's Order dated February 11, 1977, in this case. Are you familiar with this Order?

A. Yes, I am.

Q. The Commission requests under finding (8) of Order No. R-5373, that the effect of the suspension of Rules 15(A) and 15(B) should be quantified. Would you quantify the effect that Northern has experienced?

A. Northern has not experienced any effect, to date, stemming from the suspension of the Rules.

Q. The Commission requests under finding (9) that evidence should be rendered to establish whether or not correlative rights might be violated under the suspension. Would you please state if, in your opinion, these rights could have been violated and under what circumstances such violation could have existed?

A. It is my understanding that in New Mexico, correlative rights are protected under Statute 65-3-10 of the New Mexico Statutes Annotated, which empowers the Commission not only to prevent waste but to also protect said correlative rights. This protection allows each owner, in an orderly manner, assurance of the opportunity of recovering or receiving his fair share of the oil and gas from a common pool.

It should be so noted that correlative rights are normally protected to an extent by the Commission under its allocation procedures and the enforcement of Rules 15(A) and 15(B).

The Commission also retains that power to act in the public interest in an emergency situation as has been exhibited in the action taken in emergency Order No. E-30 and as extended under Order No. R-5373. In the case of this emergency, wells were permitted to be overproduced more than six times over the allowable and not be shut-in as is commonly practiced under Rules 15(A) and 15(B).

The ability to overproduce can be related to the well capability, allowable assigned, and the physical ability to move the gas. The capability in some cases, can be directly related to the system pressure into which the well produces. The system pressure can be related to system design which takes into account downstream horsepower as well as pipe sizing and field pipeline efficiency. Under normal circumstances and normal operating parameters, the mechanism to yield equity in production rights does exist. Under an emergency situation such equity could only exist if all purchasers had essentially the same gathering facilities for a given pool. The ability of most Northern wells in our traditional Lea County producing area to become six times overproduced is much smaller when compared to more recent completions by others in newly discovered gas well gas pools.

Northern is not in a position to state whether or not correlative rights have, in fact, been violated. We will state that in an emergency situation the potential for violation is present. Northern is of the opinion that if correlative rights have been violated during the emergency period through allowing accumulation in excess of six times overproduction that appropriate procedures now exist to balance that overproduction, and that those procedures should be used. We believe this would be both reasonable and consistent with the public interest.

Q. Do you mean that any accumulation in excess of six times overproduction should be balanced?

A. Yes, I do.

- Q. Referring to finding (10) of the subject order, has Northern had any factors which restricted its ability to connect new wells or otherwise deliver gas to the area of the emergency?
- A. Northern has experienced what seems to be excessive lead time in acquiring approval to connect a well located on State or Federal lands. Although the instances have been few, we believe it is important to make record of the additional time needed to receive approval to tie these wells to our system.
- Q. Have you prepared an exhibit reflecting this time lag in obtaining approval?
- A. Yes, I have prepared exhibit _____.
- Q. Has Northern experienced any additional undue restrictions in connecting wells?
- A. No. At the time of the emergency, Northern was moving a maximum amount of gas to its customers, especially from the Lea County Area. It is important to note that this maximum amount of gas moved from Lea County, includes those volumes processed for our account by El Paso Natural, Skelly and Warren. It appeared to Northern that those facilities of El Paso Natural, Skelly and Warren handling our gas were also being operated at maximum.
- Q. So you are stating that Northern did not have additional capacity to support the emergency.
- A. From Lea County - yes - we were operating at maximum effort. However, we do believe we served the emergency by transporting gas through our system as we were able. Specifically, Northern transported approximately 200 MMCFD emergency purchased gas during the crisis period.
- Q. Referring to finding (11) of Order No. R-5373, how many wells has Northern shut-in due to overproduction directly relating to the suspension of Rules 15(A) and 15(B)?
- A. Northern, during the emergency period, had one Lea County well shut-in for six times overproduction. This well remained shut-in because Northern has had no means to move said gas to the emergency market.

Q. Would you please briefly summarize Northern's position in this matter?

A. Yes, I will.

Northern believes the Commission acted expediently in issuing said order. Northern has done its part in the national interest by transporting volumes to the crisis area. Northern has not seen nor moved significant gas quantities to the emergency area from its southeastern New Mexico production area. We are of the opinion that if correlative rights have been violated, that excess of six times overproduction acquired throughout the emergency period should be balanced, if not during the next proration period at least over several following periods as shown to be reasonable.

Northern further believes that the suspension of Rules 15(A) and 15(B), in order to allow maximization of volumes to the emergency area, was just and prudent. However, in the best interest of the total public, when the crisis wanes, the emergency should be recalled as soon as practical. Efforts can then be turned to balancing overproduction and replenishing storage in preparation for the following heating season. A continuation of the called suspension would be in essence "robbing Peter to pay Paul," and could cause excessive overproduction problems in the following heating season, as well as set a precedent that could circumvent the whole proration system.

We believe that for our portion of Southeastern New Mexico production, adequate relief for overproduction is available through current rules and regulations of the Oil Conservation Commission of New Mexico. We see no reason for the extended suspension of Rules 15(A) and 15(B).

Q. Mr. Examiner, this completes Northern's testimony.

NMOCC Hearing
Concerning Suspension
of Rule 15(A) and 15(B)

EXHIBIT 'A'

APPROVAL TO CONNECT WELLS:

STATE LAND:

	<u>GULF RAMSEY</u>	<u>AMERADA STATE P-3</u>
NNG-GSO Notification	3/2/77	3/7/77
Survey	3/9/77	3/21/77
Application to Santa Fe	3/17/77	3/23/77
Approval Received	4/11/77	4/18/77
Miles of Pipe Involved	.50	.134

FEDERAL LAND - BUREAU OF LAND MANAGEMENT:

	<u>UNION-BRITT A FED. #6</u>	<u>UNION-BRITT B 2-C</u>
NNG-GSO Notification	11/9/76	3/4/77
Survey	11/11/76	3/7/77
Route Approval - Roswell	11/25/76	3/10/77
Archaeological Survey	12/10/76	3/15/77
Archaeological Survey - Approval	-	4/6/77
Application to Omaha for NNG Officer Approval	12/20/76	4/6/77
Approval from Omaha	12/29/76	4/19/77
Application to Santa Fe & Roswell	1/24/77	4/20/77
Approval by Bureau of Land Management	2/23/77	Est. 4 Weeks
Miles of Pipe Involved	.235	.132

Dockets Nos. 21-77 and 22-77 are tentatively set for hearing on June 22 and July 6, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - MONDAY - JUNE 13, 1977

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

CASE 5872: In the matter of Case 5872 being reopened pursuant to the provisions of Order No. R-5373 which order suspended Rules 15(A) and 15(B) of the General Rules for Prorated Gas Pools as promulgated by Order No. R-1670, as amended, to permit overproduced wells to continue to produce gas during the severe winter weather conditions without danger of being shut in for overproduction. All interested parties may appear and show cause why said suspension should not be rescinded. Also to be considered will be the matter of final disposition of overproduction accrued during the period of suspension of Rules 15(A) and 15(B), and what, if any, special consideration should be given to underproduction accrued to gas wells during the period of suspension of said rules.

Upon application of El Paso Natural Gas Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 5941: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit operators of injection wells and all other interested parties to appear and show cause why the injection of fluids for salt water disposal or secondary recovery should not be restricted or suspended in the following areas in Lea County, New Mexico:

NORTH AREA

Township 17 South, Range 33 East: Section 36;
Township 17 South, Range 34 East: Sections 1 thru 4, 9 thru 16, E/2 of 20, 21 thru 29, E/2 of 30, and 31 thru 36;
Township 17 South, Range 35 East: W/2 of Section 6, all of 7, S/2 of 8, and all of 17 thru 36;
Township 18 South, Range 34 East: Sections 1 thru 3, N/2 of 4, NE/4 of 5, and all of 11 and 12;
Township 18 South, Range 35 East: Sections 2 thru 8.

CENTRAL AREA

Township 19 South, Range 37 East: Sections 15, 16, 21, 22, 26 thru 28, and 33 thru 36;
Township 20 South, Range 36 East: Sections 13, 24, and 25;
Township 20 South, Range 37 East: Sections 1 thru 5, 7 thru 30, and 35 and 36;
Township 20 South, Range 38 East: Sections 5 thru 8, 17 thru 20, and 29 thru 31;
Township 21 South, Range 36 East: Sections 1 and 12;
Township 21 South, Range 37 East: Sections 5 thru 8.

SOUTH AREA

Township 22 South, Range 37 East: Sections 13 thru 36;
Township 23 South, Range 37 East: Sections 1 thru 12.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 15, 1977

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for July, 1977, from fifteen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for July, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

Dockets Nos. 15-77 and 16-77 are tentatively set for hearing on May 11 and May 25, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 20, 1977

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Rutter, Alternate Examiner:

- ALLOWABLE:** (1) Consideration of the allowable production of gas for May, 1977, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for May, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 5872: (Reopened)

In the matter of Case 5872 being reopened pursuant to the provisions of Order No. R-5373 which order suspended Rules 15(A) and 15(B) of the General Rules for Prorated Gas Pools as promulgated by Order No. R-1670, as amended, to permit overproduced wells to continue to produce gas during the present severe weather conditions without danger of being shut in for overproduction. All interested parties may appear and show cause why said suspension should not be rescinded. Also to be considered will be the matter of final disposition of overproduction accrued during the period of suspension of Rules 15(A) and 15(B), and what, if any, special consideration should be given to underproduction accrued to gas wells during the period of suspension of said rules.

CASE 5888: (Continued from March 23, 1977, Examiner Hearing)

Application of Dalport Oil Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its A. L. Christmas Well No. 3 to be drilled 330 feet from the South line and 2310 feet from the East line of Section 25, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico.

CASE 5901: Application of Gulf Oil Corporation for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 400-acre non-standard gas proration unit comprising the SE/4 of Section 8, and the E/2 NW/4 and NE/4 of Section 17, Township 20 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's Theodore Anderson Wells Nos. 1 and 4, located at unorthodox locations in Unit O of said Section 8 and Unit B of said Section 17, respectively.

CASE 5902: Application of Amoco Production Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Apple Draw Unit Area comprising 3840 acres, more or less, of Federal, State, and Fee lands in Township 25 South, Range 27 East, Eddy County, New Mexico.

CASE 5903: Application of Maddox Energy Corporation for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a gas well to be drilled at a point 2310 feet from the South line and 1650 feet from the West line of Section 9, Township 18 South, Range 26 East, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico.

CASE 5639: (Reopened)

In the matter of Case 5639 being reopened pursuant to the provisions of Order No. R-5173, which order established temporary special pool rules for the South Maljamar-Strawn Pool, Lea County, New Mexico. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 5904: (This Case will be continued to the May 11, 1977, Examiner Hearing)

Application of Palmer Oil & Gas Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Fruitland and Pictured Cliffs formations underlying the NE/4 and/or SE/4 of Section 20, Township 32 North, Range 6 West, San Juan County, New Mexico, and in the Mesaverde and Dakota formations underlying the E/2 of said Section 20, the above-described lands to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5905: (This Case will be continued to the May 11, 1977, Examiner Hearing)

Application of Palmer Oil & Gas Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Dakota formations underlying the W/2 SE/4 and the E/2 SW/4 of Section 3, and the NW/4 of Section 10, and all mineral interests in the Pictured Cliffs and Fruitland formations underlying the NW/4 of Section 10, all in Township 31 North, Range 7 West, San Juan County, New Mexico, to be dedicated to a well to be drilled 1800 feet from the North line and 850 feet from the West line of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5906: (This Case will be continued to the May 11, 1977, Examiner Hearing)

Application of Palmer Oil & Gas Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Dakota formations underlying the W/2 SW/4 of Section 2, the E/2 SE/4 of Section 3, and the NE/4 of Section 10, all in Township 31 North, Range 7 West, San Juan County, New Mexico, to be dedicated to a well to be drilled 1525 feet from the North line and 1850 feet from the East line of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5907: Application of Dome Petroleum Corporation for a special depth bracket allowable, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a special depth bracket allowable of 750 barrels of oil per day for the Papers Wash-Entrada Oil Pool, McKinley County, New Mexico.

CASE 5908: Application of Dome Petroleum Corporation for a special depth bracket allowable, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a special depth bracket allowable of 750 barrels of oil per day for the Ojo Encino-Entrada Oil Pool, McKinley County, New Mexico.

CASE 5909: Application of Dome Petroleum Corporation for pool creation and special depth bracket allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Snake Eyes-Entrada Oil Pool in Section 20, Township 21 North, Range 8 West, San Juan County, New Mexico, and the establishment of a special depth bracket allowable of 750 barrels of oil per day for said pool.

CASE 5910: Application of Yates Petroleum Corporation for gas pool creations and downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of three Pennsylvanian gas pools in Townships 17 and 18 South, Ranges 24, 25, and 26 East, Eddy County, New Mexico, including the Richard Knob- and East Eagle Creek-Lower Penn Gas Pools with provisions in each for commingling Strawn, Atoka, and Morrow production in the wellbores of wells drilled therein, and the Eagle Creek Permo-Penn Gas Pool with provision for commingling Wolfcamp, Cisco, Canyon, and Strawn production in the wellbores of wells drilled therein.

CASE 5898: (Continued from April 6, 1977, Examiner Hearing)

Application of Chace Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Ballard-Pictured Cliffs and South Lindrith Gallup-Dakota production in the wellbore of its Jicarilla 70 Well No. 3 located in Unit C of Section 33, Township 24 North, Range 4 West, Rio Arriba County, New Mexico. In the alternative, applicant seeks authority to commingle said production at the surface without prior measurement and waiver of the gas-oil ratio test requirement.

CASE 5911: Application of Odessa Natural Gas Company for special pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the adoption of special pool rules for the Chacon-Dakota Oil Pool, Rio Arriba County, New Mexico, to provide for 160-acre spacing for oil wells and for reclassification of wells from oil to gas and the removal of such gas wells to the Basin-Dakota Pool.

CASE 5629: (Reopened)

In the matter of Case 5629 being reopened pursuant to the provisions of Order No. R-5192, which order established temporary special pool rules for the Chacon-Dakota Oil Pool, Rio Arriba and Sandoval Counties, New Mexico. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 5889: (Continued & Readvertised)

Application of Saturn Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the Abo formation underlying the NE/4 SE/4 of Section 11, Township 23 South, Range 37 East, Lea County, New Mexico, to be dedicated to its Lineberry Well No. 1 located in Unit I of said Section; and underlying the NW/4 SE/4 of said Section 11 to be dedicated to its Lineberry Well No. 2 located in Unit J of said Section. In the event re-entry into either well is unsuccessful, applicant proposes to drill a replacement well at a standard location on its tracts. Also to be considered will be the costs of recompletion or drilling and completing said wells and the allocation of the costs thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in recompletion or drilling of said wells.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CA 5872
4/20

In Re:

Suspension of Rules 15A and 15B of the General Rules
for the Prorated Gas Pools of Northwest and Southeast
New Mexico.

CASE NO. 5872
Order No. R-5373

Transwestern Pipeline Company (referred to herein as Transwestern) a Delaware Corporation with headquarters in Houston, Texas, operating an interstate natural gas gathering system in New Mexico, hereby responds to the questions raised in the Order of the Commission issued February 11, 1977 in the above-captioned proceeding regarding the findings Nos. (8) through (12) of the subject order.

The Oil Conservation Commission is to be commended for the actions that it has taken to furnish natural gas in excess of the normally allowable production to combat the severe fuel shortage in the Northeastern States during the 1976-77 winter heating season.

I.

Transwestern submits the following information to enable the Commission to resolve the questions asked in the findings Nos. (8) and (12) of Order No. R-5373:

(8) Gas wells connected to Transwestern's system in Southeast New Mexico over produced approximately 70,000 mcf during the allowable period covered by the suspension of Rules 15A and 15B.

(9) Wells taking gas from the fields from which Transwestern takes gas have accrued sizeable amounts of over production. Portions of this gas would otherwise have been

produced and delivered to Transwestern. It has not been possible to determine at this time how much of this overage accrued during the suspension of Rules 15A and 15B. If these wells are not required to make up this over production, the correlative rights of the wells delivering gas to Transwestern will be violated.

(10) Transwestern knows of no evidence that the suspension of Rules 15A and 15B had any effect on its ability to connect new wells or otherwise to deliver gas to the area of the emergency.

(11) There are no wells on the Transwestern system in danger of being shut in because of the suspension of Rules 15A and 15B. Indeed, wells delivering gas to Transwestern will need to continue producing while other wells in those fields are either shut in or producing at reduced rates in order to recover Transwestern's rightful share of the gas in the fields. Otherwise, the correlative rights of those wells serving Transwestern will be violated.

(12) Transwestern knows of no reason to recommend the continued suspension of Rules 15A and 15B. To the contrary, Transwestern submits that the continued suspension of those rules is contrary to the public interest.

II.

In consideration of the above, Transwestern recommends that:

- (1) The suspension of 15A and 15B be terminated.
- (2) Any well which overproduced at rates sufficient to have acquired what would have been shut in status under the normal operation of Rules 15A and 15B during the suspension of those rules be allowed to make up its over production by producing at a reduced flow rate rather than being shut in.
- (3) All other over production accrued to wells during the suspension of Rules 15A and 15B be made up under normal allowable balancing procedures.

In addition, Transwestern reminds the Commission that Transwestern is in a curtailment situation over its entire system and needs all of the gas that can be legally produced in the State of New Mexico. It is therefore recommended that the Commission do nothing that will cause the allowables on the wells delivering gas to Transwestern to be lowered.

The above comments and recommendations do not in any way prejudice Transwestern's right to petition the Commission in the future concerning any problem which may arise out of the suspension of Rules 15A and 15B.

Respectfully submitted,

Jack B. Oldham

Supervisor of Proration
and Allocation
Transwestern Pipeline Co.

UTHERST NEW MEXICO

STATUS AS OF DEC 31, 1976

STATUS BEFORE RECLASS.

UNDERPROD CANCELLED

NEW POOL STATUS

TOTAL UNITS

MARG UNITS

NON-MARG UNITS

DEC PRODUCTION NON-MARG UNITS ENTIRE POOL

DEC PROD, NON MARG

ATOKA - PENN

115,787 OP

0

115,787 OP

25,89

22.25

20.50

1504,148

2973,054

50.6

BLINEBRY

654,043 UP

907,552

253,509 OP

105.23

84.73

1.00

58,442

296,227

19.7

BUFFALO VALLEY

6558 UP

0

6,558 UP

43.46

36.52

6.94

849,355

2059,979

41.2

BURTON FLAT - MWD

803,475 OP

165,573

33,588 OP

8.00

7.00

1.00

51,312

140,852

36.4

BURTON FLAT - STN

158,234 UP

19,182

308,627 OP

69.49

58.49

11.00

710,948

1797,237

39.4

SCARLETT - MWD

308,629 OP

0

489,280 UP

16.35

12.35

3.98

131,799

345,391

85.4

ARTCLAND DEW

489,280 UP

0

62,947 OP

3.00

2.00

1.00

36,902

45,119

63.7

CROSSBY - DEU

62,947 OP

0

220,177 OP

463.22

372.24

90.98

4113,028

6454,448

0

EUMONT

1743,045 UP

1963,222

9.00

9.00

0.00

6111,690

6265,040

97.6

INDIAN BASIN MWD

NO STATUS - ALL MARGINAL

0

804,558 UP

54.30

13.88

46.42

686,355

2363,016

24.0

INDIAN BASIN - UP

804,558 UP

216,661

273,724 UP

364.25

333.54

30.71

36,412

168,784

21.6

JALMART

490,385 UP

0

46,576 OP

25.00

23.00

2.00

162,272

252,001

64.4

JUSTIS-GLOE

46,576 OP

0

29,652 UP

7.50

4.50

3.00

162,272

1424,684

36.8

MONUMENT MCKEE

29,652 UP

0

270,397 OP

124.51

107.99

16.52

524,647

2563,800

59.6

TUBB

231,803 OP

38,594

676,886 OP

1338.25

1105.56

232.69

1749,957

2563,800

59.6

SOUTHEAST TOTAL

NORTHWEST NEW MEXICO - STATUS AS OF DEC. 31, 1976

BASIN DAKOTA

2386,220 UP

203,928

2183,292 UP

2325.4

3249.31

75.83

1672,957

12368,604

13.5

BALANCE MWD

2444,696 UP

2455,678

489,018 UP

2079.72

1806.81

272.91

9009,299

21476,826

41.9

SILVERADO PC

627,934 UP

34,315

593,639 UP

1430.25

1209.67

220.58

869,444

2808,244

31.0

TAPACITO PC

387,334 UP

189,222

198,112 UP

268.60

219.82

48.80

289,995

756,345

38.3

NORTHWEST TOTAL

3463,061 UP

6103.71

6103.71

5485.59

618.12

11841,695

37,410,019

31.7

STATE TOTAL

2786,175 UP

7441.96

6591.15

850.81

27111,652

63041,819

43.0%

1976	DEWITS FORK GALLUP	ESCRITO GALLUP	GALLEGOS GALLUP	CAPACITO GALLUP	TOCITO DOME PENN D	LAGGO GALLUP
	F1	F1	F1	F1	F1	F1
JAN.	-0-	46376.03	46376.00	55056.08	47368.00	31000.00
FEB.	-0-	43384.02	43384.00	51503.99	44312.00	29000.00
MARCH	-0-	46376.03	46376.00	55056.08	47368.00	31000.00
APRIL	44880.00	44879.91	44880.00	53280.04	45840.00	30000.00
MAY	46376.00	46376.03	46376.00	55056.08	47368.00	31000.00
JUNE	44880.00	44879.91	44880.00	53280.04	45840.00	30000.00
JULY	46376.00	46376.03	46376.00	55056.08	47368.00	31000.00
AUG.	46376.00	46376.03	46376.00	55056.08	47368.00	31000.00
SEPT.	44880.00	44879.91	44880.00	53280.04	45840.00	30000.00
OCT.	46376.00	46376.03	46376.00	55056.08	47368.00	31000.00
NOV.	44880.00	44879.91	44880.00	53280.04	45840.00	30000.00
DEC.	46376.00	46376.03	46376.00	55056.08	47368.00	31000.00

1977	F1	F1	F1	F1	F1	F1
JAN.	46376.00	46376.03	46376.00	55056.08	47368.00	31000.00
FEB.	41888.00	41887.90	41888.00	49727.95	42784.00	28000.00
MARCH	46376.00	46376.03	46376.00	55056.08	47368.00	31000.00
APRIL	44880.00	44879.91	44880.00	53280.04	45840.00	30000.00
MAY						
JUNE						
JULY						
AUG.						
SEPT.						
OCT.						
NOV.						
DEC.						

	ATOKA-PENN	BLINEBRY	BUFFALO VALLEY PENN	BURTON FLAT MORROW	BURTON FLAT STRAWN	BURTON FLAT WOLF CAMP N
1976	F1	F1	F1	F1	F1	F1
JAN.	185000.00	58000.28	75332.33	175026.12	100301.50	46500.00
FEB.	184712.96	50856.75	70000.00	164571.67	35000.00	43500.00
MAR.	184725.18	56665.10	74661.00	120000.00	35000.00	46500.00
APRIL	177430.22	49707.87	64823.00	120000.00	20000.00	45000.00
MAY	144610.43	32175.01	59217.50	118793.04	20000.00	46500.00
JUNE	82577.85	30000.00	59218.00	95000.00	20000.00	45000.00
JULY	86765.92	24335.01	61125.00	91294.98	17575.00	46500.00
AUG.	150000.00	45000.00	60000.00	105000.00	20000.00	46500.00
SEPT.	175000.00	60000.00	60000.00	151527.95	17500.00	45000.00
OCT.	139062.75	55314.89	60000.00	130000.00	17500.00	46500.00
NOV.	143763.67	65201.18	65000.00	140106.62	17500.00	45000.00
DEC.	102000.00	65500.00	65000.00	140000.00	17500.00	46500.00

1977	F1	F1	F1	F1	F1	F1
JAN.	109125.00	64978.51	60000.00	140110.00	14250.00	46500.00
FEB.	103154.95	64000.00	55000.00	125000.00	40000.00	42000.00
MAR.	102322.25	68464.14	60000.00	119861.21	120000.00	46500.00
APRIL	101855.59	64000.00	49753.00	130000.00	115000.00	45000.00
MAY						
JUNE						
JULY						
AUG.						
SEPT.						
OCT.						
NOV.						
DEC.						

CARLEAD MORROW SO CATCLAW DRAW MORROW CROSBY DEVONTIAN EUMONT QUEEN INDIAN BASIN MORROW

1976	F1	F1	F1	F1	F1
JAN.	86691.00	125000.00	-0-	24599.55	31000.00
FEB.	75000.00	109875.10	-0-	23386.01	25000.00
MARCH	60000.00	100000.00	-0-	24515.87	31000.00
APRIL	50000.20	75000.00	-0-	22287.79	-0-
MAY	50000.00	50000.00	24400.00	19519.80	-0-
JUNE	82420.55	45000.00	25000.00	14996.63	-0-
JULY	78299.55	39594.98	40000.00	11505.06	-0-
AUG.	69228.29	45000.00	35000.00	15000.00	-0-
SEPT.	65000.00	40000.00	23850.00	25415.00	-0-
OCT.	60338.50	45000.00	20000.00	38720.00	-0-
NOV.	53809.89	45000.00	39814.00	40366.71	-0-
DEC.	71394.30	40000.00	39012.00	42724.39	-0-

1977	F1	F1	F1	F1	F1
JAN.	75000.00	40000.00	37650.00	31184.95	-0-
FEB.	65000.00	92439.20	31083.00	43098.36	-0-
MARCH	77395.36	93816.83	39000.00	52197.13	-0-
APRIL	65000.00	81524.87	30000.00	28366.24	-0-

MAY					
JUNE					
JULY					
AUG.					
SEPT.					
OCT.					
NOV.					
DEC.					

INDIAN BASIN UPPER PENN JALMAT YATES JUSTIS GLOTTA MONUMENT MCKEE ELLEN PARKWAY ALCOA WEST

1976	F1	F1	F1	F1	F1
JAN.	134502.99	19268.73	13422.67	47000.00	62000.00
FEB.	148311.90	19978.23	13813.67	45000.00	58000.00
MARCH	156088.05	13134.19	15047.83	49725.50	62000.00
APRIL	139931.49	16986.84	10430.17	55137.00	60000.00
MAY	140120.31	15375.44	6231.33	65000.00	62000.00
JUNE	123511.48	13842.35	6593.50	60000.00	60000.00
JULY	121628.53	10173.79	8000.00	60000.00	62000.00
AUG.	148958.41	22162.67	12500.00	61966.67	62000.00
SEPT.	145000.02	20319.99	12500.00	45000.00	60000.00
OCT.	150000.00	20050.01	15500.00	63026.67	62000.00
NOV.	180323.23	25966.40	17128.50	62224.00	60000.00
DEC.	122995.35	22485.01	12500.00	66208.00	62000.00

1977	F1	F1	F1	F1	F1
JAN.	150899.78	21917.99	17250.00	64876.00	62000.00
FEB.	134862.05	17500.00	15580.50	55000.00	56000.00
MARCH	127989.58	19854.58	17360.00	59532.67	62000.00
APRIL	141450.37	18750.02	16867.50	51000.00	60000.00
MAY					
JUNE					
JULY					
AUG.					
SEPT.					
OCT.					
NOV.					
DEC.					

PARKWAY STRAWN WEST TUBB BLUFF SAN ANDRES DAGGER DRAW UP-PENN SO DOUBLE L QUEEN

1976	F1	F1	F1	F1	F1	F1
JAN.	46500.00	34918.93	30450.00	66216.00	39680.01	
FEB.	43500.00	33471.80	30307.00	61944.00	37119.99	
MARCH	46500.00	30000.00	29791.00	66216.00	39680.01	
APRIL	45000.00	26893.44	30288.00	64080.00	38400.00	
MAY	46500.00	13321.55	29975.00	66216.00	39680.00	
REDISTRIBUTION: 284.86						
JUNE	45000.00	9983.11	30056.00	64080.00	38400.00	
JULY	46500.00	10000.00	30013.00	66216.00	39680.00	
AUG.	46500.00	15000.00	30236.00	66216.00	39680.00	
SEPT.	45000.00	18000.00	30399.00	64080.00	38400.00	
OCT.	46500.00	20000.00	29853.00	66216.00	39680.00	
NOV.	45000.00	25000.00	29870.00	64080.00	38400.00	
DEC.	46500.00	35000.00	30209.00	66216.00	39680.00	

1977						
JAN.	46500.00	35000.00	30339.00	66216.00	39680.00	
FEB.	42000.00	35000.00	30206.00	59808.00	35840.00	
MARCH	46500.00	37500.00	39680.00	66216.00	39680.00	
APRIL	45000.00	36290.41	38400.00	64080.00	38400.00	

REDISTRIBUTION:

JUNE						
JULY						
AUG.						
SEPT.						
OCT.						
NOV.						
DEC.						

MESA QUEEN PADUCA DELAWARE NORTH PENASCO DRAW SA YESO ROUND TANK QUEEN TODD LOWER SA

1976	F1	F1	F1	F1	F1
JAN.	49600.00	29760.00	39680.00	59520.00	32000.00
FEB.	46400.00	27840.00	37120.00	55680.00	32000.00
MARCH	49600.00	29760.00	39680.00	59520.00	32000.00
APRIL	48000.00	28800.00	38400.00	57600.00	32000.00
MAY	49600.00	29760.00	39680.00	59520.00	32000.00
JUNE	48000.00	28800.00	38400.00	57600.00	30000.00
JULY	49600.00	29760.00	39680.00	59520.00	32000.00
AUG.	49600.00	29760.00	39680.00	59520.00	32000.00
SEPT.	48000.00	28800.00	38400.00	57600.00	32000.00
OCT.	49600.00	29760.00	39680.00	59520.00	32000.00
NOV.	48000.00	28800.00	38400.00	57600.00	32000.00
DEC.	49600.00	29760.00	39680.00	59520.00	32000.00

1977	F1	F1	F1	F1	F1
JAN.	49600.00	29760.00	39680.00	59520.00	32000.00
FEB.	44600.00	26880.00	35840.00	53760.00	32000.00
MARCH	49600.00	29760.00	39680.00	59520.00	39680.00
APRIL	48000.00	28800.00	38400.00	57600.00	39400.00

MAY					
JUNE					
JULY					
AUG.					
SEPT.					
OCT.					
NOV.					
DEC.					

TWIN LAKES SAN ANDRES CHAVES QUEEN GAS VEST RANCH QUEEN (ASSOC.)

1976			
JAN.	39680.00	4960.00	
FEB.	37120.00	4640.00	
MARCH	39680.00	4960.00	
APRIL	38400.00	4800.00	
MAY	39680.00	4960.00	39680.03
JUNE	38400.00	4800.00	38400.00
JULY	39680.00	4960.00	39680.03
AUG.	39680.00	4960.00	39680.03
SEPT.	38400.00	4800.00	38400.00
OCT.	39680.00	4960.00	39680.03
NOV.	38400.00	4800.00	38400.00
DEC.	39680.00	4960.00	39680.03

1977			
JAN.	39680.00	4960.00	39680.03
FEB.	35840.00	4480.00	35839.95
MARCH	39680.00	4960.00	39680.03
APRIL	38400.00	4800.00	38400.00
MAY			
JUNE			
JULY			
AUG.			
SEPT.			
OCT.			
NOV.			
DEC.			

January 27, 1977

THE HONORABLE CECIL ANDRUS
SECRETARY OF THE INTERIOR
WASHINGTON, D. C.

IN RESPONSE TO YOUR TELEGRAM OF 1-26-77, THE STATE
OF NEW MEXICO HAS ISSUED AN EMERGENCY ORDER WAIVING
OVERPRODUCTION SHUT-IN REQUIREMENTS ON ALL GAS WELLS
CONNECTED TO INTERSTATE PIPELINES. THIS WILL ENABLE
OVERPRODUCED SHUT-IN GAS WELLS IN THE STATE TO RETURN
TO PRODUCTION.

THIS IS THE ONLY MECHANISM AVAILABLE TO INCREASE
PRODUCTION TO THE INTERSTATE MARKET SINCE ESSENTIALLY
ALL WELLS CONNECTED TO THE INTERSTATE PIPELINES IN
NEW MEXICO ARE PRODUCING AT THEIR PHYSICAL CAPACITY.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE EMERGENCY
SUSPENSION OF THE SHUT IN PROVISIONS
OF ORDER NO. R-1670 AS IT RELATES TO
OVERPRODUCED GAS WELLS IN NEW MEXICO.

EMERGENCY ORDER NO. E-30

NOW, on this 27th day of January, 1977, the New Mexico Oil Conservation Commission, a quorum being present, having considered the necessity for increasing gas production, and being fully advised in the premises,

FINDS:

- (1) That a large part of the United States is experiencing severe winter weather conditions, and the National Weather Service foresees no immediate relief therefrom.
- (2) That said severe winter weather conditions have caused an unprecedented demand for natural gas for residential and commercial heating, as well as for industrial use.
- (3) That the pipe lines carrying natural gas from New Mexico and other southwestern states are experiencing great difficulty in obtaining a sufficient supply of natural gas to meet the aforesaid unprecedented demand for natural gas.
- (4) That extensive curtailment of deliveries of natural gas, particularly to industrial and non-essential commercial users, has resulted, and there is still need for additional supplies of natural gas, particularly for residential and essential commercial heating.
- (5) That the General Rules for the Prorated Gas Pools of New Mexico, as promulgated by Commission Order No. R-1670, as amended, provide that any gas well which is overproduced an amount exceeding six times its average monthly allowable for the preceding twelve months shall be shut in and remain shut in until it is overproduced in an amount six times or less its average monthly allowable; further that any gas well which has an overproduced status at the end of a proration period shall make up such overproduction during the next succeeding period, or it shall be shut in until such overproduction has been made up.
- (6) That at the present time, there are very few gas wells in New Mexico which are shut in because of the aforesaid provisions of Order No. R-1670, as amended.

(7) That should the severe winter weather conditions and the accompanying unprecedented high demand for natural gas continue, increased withdrawals from gas wells in New Mexico may cause more of said wells to become subject to the aforesaid shut-in provisions.

(8) That in order to permit those wells which are presently shut in to produce during the current period of high demand, and in order to permit other wells to produce in excess of their allowables without danger of being shut in for becoming overproduced more than six times their average allowable, Rules 15(A) and 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Order No. R-1670, as amended, should be suspended.

IT IS THEREFORE ORDERED:

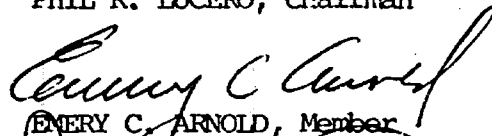
(1) That Rule 15(A) and Rule 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended, are hereby suspended.

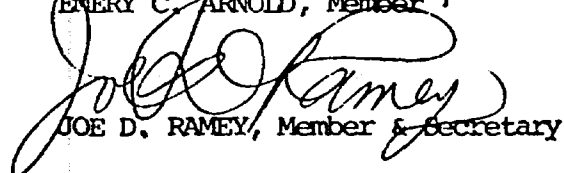
(2) That this order shall become effective at 12:01 a.m. Mountain Standard Time, January 28, 1977, and shall remain in effect for not more than 15 days.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

SEAL

fd/



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

January 25, 1977

NOTICE TO LESSEES AND OPERATORS OF ONSHORE FEDERAL OIL AND GAS LEASES

The Nation is currently experiencing a severe natural gas shortage as a result of prolonged, severe weather conditions. It is, therefore, in the public interest to maximize domestic gas production. Accordingly, I request that the gas production from your Federal leases be increased during this emergency situation to the maximum rate possible, given the existing restraints of Federal and State laws or regulations and good petroleum engineering practice, and maintained thereafter at that rate until further notice. Please inform the appropriate U.S. Geological Survey Oil and Gas Supervisor as to the amount of additional gas production you expect to achieve from each lease under your control in response to this request as soon as possible and not later than February 10, 1977.

/S/ Cecil Andrus
Secretary of the Interior

J. O. SETH (1883-1963)

A. K. MONTGOMERY
WM. R. FEDERICI
FRANK ANDREWS
FRED C. HANNAHS
SETH D. MONTGOMERY
FRANK ANDREWS III
OWEN M. LOPEZ
JEFFREY R. BRANNEN
JOHN BENNETT POUND
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THOMAS W. OLSON
WALTER J. MELENDRES
BRUCE L. HERR
MARY JANE WRENN

MONTGOMERY, FEDERICI, ANDREWS & HANNAHS

ATTORNEYS AND COUNSELORS AT LAW

325 PASEO DE PERALTA

SANTA FE, NEW MEXICO 87501

POST OFFICE BOX 2307
AREA CODE 505
TELEPHONE 982-3873

February 9, 1977

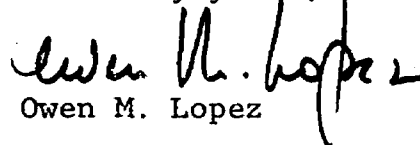
Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico 87501

Re: OCC Case No. 5872 - In the matter of the hearing
called by the OCC on its own motion for suspension
of Rules 15A and 15B regarding prorated gas pools
pursuant to Order R-1670

Gentlemen:

Please be advised that Dave Burleson and John Nance of
the office of General Counsel of El Paso Natural Gas
Company, El Paso, Texas, are associated with our firm
for the presentation of evidence and argument in the
above-referenced case.

Sincerely yours,


Owen M. Lopez

OML:RB
5086-76-12

Dockets Nos. 8-77 and 9-77 are tentatively set for hearing on March 9 and March 23, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - FRIDAY - FEBRUARY 11, 1977

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

The following case will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 5872: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the suspension of Rules 15(A) and 15(B) of the General Rules for Prorated Gas Pools as promulgated by Order No. R-1670, as amended, to permit overproduced wells to continue to produce gas during the present severe weather conditions without danger of being shut in for overproduction.

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 16, 1977

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for March, 1977, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for March, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
 - (3) Consideration of purchaser's nominations for the one-year period beginning April 1, 1977, for both of the above areas.

CASE 5856: Application of Amoco Production Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Elliott Gas Com "F" 1-R Well No. 1A to be drilled 1244 feet from the South line and 820 feet from the East line of Section 33, Township 30 North, Range 9 West, Blanco Mesaverde Pool, San Juan County, New Mexico.

CASE 5857: Application of Union Oil Company of California for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter its Pipeline Deep Unit Federal Well No. 3, the surface location of which is 1980 feet from the North and East lines of Section 7, Township 19 South, Range 34 East, Lea County, New Mexico, and to directionally drill said well in a southerly or easterly direction and complete it in the Morrow formation at a point no closer than 330 feet to the outer boundary of the proration unit, the E/2 of said Section 7.

CASE 5858: Application of Union Oil Company of California for 320-acre spacing, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the adoption of 320-acre spacing and proration units for the North Quail Ridge-Morrow Gas Pool, Lea County, New Mexico. In the absence of objection, the Commission will adopt such 320-acre spacing.

CASE 5859: (This case will be continued and readvertised.)

Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Basin-Dakota and Blanco-Mesaverde production in the wellbore of its Breech D Well No. 307 located in Unit M of Section 13, Township 26 North, Range 7 West, Rio Arriba County, New Mexico.

CASE 5860: Application of Rice Engineering & Operating, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation through the open hole interval from 4176 feet to 5500 feet of its Hobbs SWD Well No. P-16, located in Unit P of Section 16, Township 19 South, Range 38 East, Hobbs Field, Lea County, New Mexico.

- CASE 5861: Application of Hanson Oil Corporation for a salt water disposal well, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in the open hole interval from 1926 to 1978 feet in its Sulphate Sister Well No. 1, located in Unit E of Section 13, Township 25 South, Range 26 East, Eddy County, New Mexico.
- CASE 5862: Application of Palmer Oil and Gas Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Federal 1 Well No. 1 located 1525 feet from the South line and 820 feet from the East line of Section 1, Township 31 North, Range 13 West, Blanco Mesaverde and Basin-Dakota Pools, San Juan County, New Mexico.
- CASE 5863: Application of Amerada Hess Corporation for an unorthodox oil well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Jicarilla Apache "B" Well No. 16, completed as an oil well in the Dakota formation at a point 1850 feet from the South line and 1500 feet from the West line of Section 29, Township 25 North, Range 5 West, Rio Arriba County, New Mexico, said well having been projected as a Basin-Dakota gas well at a standard gas well location for said pool.
- CASE 5864: Application of Agua, Inc. for the amendment of Order No. R-5137, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the further amendment of Order No. R-5137, which authorized the disposal of produced salt water into the San Andres formation through the open-hole interval from approximately 4000 feet to 5000 feet in applicant's Blinebry-Drinkard SWD System Well No. A-22, located in Unit A of Section 22, Township 22 South, Range 37 East, Blinebry-Drinkard-Langlie Mattix Area, Lea County, New Mexico. Said order, as amended, limited surface injection pressures to 800 psi, and applicant seeks its amendment to permit surface injection pressures up to 1500 psi.
- CASE 5865: Application of Inexco Oil Co. for 320-acre spacing, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the adoption of 320-acre spacing and proration units for the West Tonto-Pennsylvanian Gas Pool, Lea County, New Mexico. In the absence of objection, the Commission will adopt such 320-acre spacing.
- CASE 5866: Application of Union Texas Petroleum for an exception to casing and cementing requirements of Order No. R-111-A, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the casing and cementing requirements of Order No. R-111-A to eliminate the salt protection string in a well it proposes to drill in Unit D of Section 33, Township 20 South, Range 34 East, Lynch Yates-Seven Rivers Pool, Lea County, New Mexico.
- CASE 5867: Application of Texas Oil & Gas Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the S/2 of Section 19, Township 21 South, Range 27 East, Burton Flat Field, Eddy County, New Mexico, to be dedicated to its Forrest Well No. 1 to be located in Unit N of said Section 19. Also to be considered will be the cost of completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in completion of said well.
- CASE 5820: (Continued from the February 2, 1977, Examiner Hearing.)
- Application of Texas Oil & Gas Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 4, Township 22 South, Range 26 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5868: Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Travis Deep Unit Well No. 1 to be drilled 1980 feet from the South line and 1684 feet from the West line of Section 18, Township 18 South, Range 29 East, Eddy County, New Mexico, the S/2 of said Section 18 to be dedicated to the well.
- CASE 5846: (Continued and Readvertised)
- Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Empire South Deep Unit Well No. 13 to be drilled 660 feet from the South line and 1432 feet from the West line of Section 30, Township 17 South, Range 29 East, South Empire Field, Eddy County, New Mexico, the S/2 of said Section 30 to be dedicated to the well.

CASE 5869: Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Big Boggy Well No. 1 to be drilled 990 feet from the South line and 2080 feet from the East line of Section 36, Township 17 South, Range 26 East, Atoka Pennsylvanian Gas Pool, Eddy County, New Mexico, the S/2 of said Section 36 to be dedicated to the well.

CASE 5870: Application of Harvey E. Yates Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its South Maljamar Deep Unit Well No. 2 to be drilled 990 feet from the South line and 1980 feet from the West line of Section 30, Township 17 South, Range 32 East, Lea County, New Mexico, the S/2 of said Section 30 to be dedicated to the well.

CASE 5871: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Friendly Frenchman Well No. 1 to be drilled 1005 feet from the South line and 660 feet from the East line of Section 32, Township 16 South, Range 26 East, Eddy County, New Mexico, the S/2 of said Section 32 to be dedicated to the well.

CASE 5810: (Continued from the February 2, 1977, Examiner Hearing)

Application of Yates Petroleum Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Stonewall "EP" Com Well No. 1, located in Unit F of Section 30, Township 20 South, Range 28 East, Eddy County, New Mexico, to produce gas from the North Burton Flat-Wolfcamp Gas Pool and an undesignated Morrow gas pool.

CASE 5847: (Continued from the February 2, 1977, Examiner Hearing)

Application of Yates Petroleum Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Gossett "EU" Well No. 1, located in Unit K of Section 26, Township 17 South, Range 25 East, Eddy County, New Mexico, in such a manner as to produce gas from the Lower Wolfcamp or Upper Pennsylvanian and the Lower Pennsylvanian formations through the casing-tubing annulus and tubing, respectively.

CASE 5848: (Continued from the February 2, 1977, Examiner Hearing)

Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Pipkin HE Well No. 1 to be drilled 660 feet from the South and West lines of Section 4, Township 18 South, Range 25 East, Eddy County, New Mexico, the S/2 of said Section 4 to be dedicated to the well.

At least
Since the middle 1950's, State
oil and gas regulatory agencies have
been warning that the control of
wellhead gas prices by the
Federal Power Commission would
eventually lead to decreased
supplies of ~~this~~ this essential product
and higher energy prices to consumers.

As recently as last year ~~the~~
the gas supply crisis was looked
upon as a myth by much
of the public and our national
leadership.

The ~~extreme~~ winter ~~and~~ gas shortages now
being experienced
by much of our nation has ~~demonstrated~~
demonstrated the foresight of those
issuing such warnings

Being right on this issue is of
little comfort to those who were right
and none to those who are
freezing or out of work due to
the shortage.

~~As a result~~ ^{an}
In response to ~~the~~ appeal to
move more gas to the areas where
severe winter weather ~~was~~ ^{is} causing
unprecedented demand for natural
gas. The Commission issued its
Emergency Order No E-30. This
order suspended ~~the~~ Rules 15(A)
and 15(B) of the General Rules and
Regulations for the Gas Pools
of ~~North~~ Northwest and Southeast,
New Mexico, ~~releasing pipelines~~
~~from their~~ making ^{gas} available to
pipelines ~~from~~ ^{from} wells which
would otherwise be shut in
to make up ~~under~~ overproduction.

This hearing ~~to day~~ will be for
the purpose of considering the
continued suspension of those
rules.

As in any such hearing statements
will be considered. However,
the ~~order~~ ^{resultant} order
must be based on ^{the} sworn
testimony received.

Among questions which should be addressed at today's hearing would appear to be the following.

(1) Has the Commission's action caused any relief.
(a) if not why not
(b) if yes to what extent

(2) If this suspension of these rules is continued, how long

(3) What can be done at some future date with accumulated over production resulting from the emergency and the rules suspension.

~~(4) A question with~~
(4) Are there other ^{significant} problems restricting your ability to deliver gas to the east.

- (a) deliverability of the wells
- (b) pipeline capacity
- (c) problems related to connecting new wells.

(5) a question which need not be answered at this hearing but which will be a factor at some point in the future, in today's supply and demand situation, how will the Commission protect consumers.

J. O. SETH (1883-1963)

A. K. MONTGOMERY
WM. R. FEDERICI
FRANK ANDREWS
FRED C. HANNAHS
SETH D. MONTGOMERY
FRANK ANDREWS III
OWEN M. LOPEZ
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BRUCE L. HERR

MONTGOMERY, FEDERICI, ANDREWS & HANNAHS

ATTORNEYS AND COUNSELORS AT LAW

325 PASEO DE PERALTA
SANTA FE, NEW MEXICO 87501

POST OFFICE BOX 2307
AREA CODE 505
TELEPHONE 982-3873

April 18, 1977

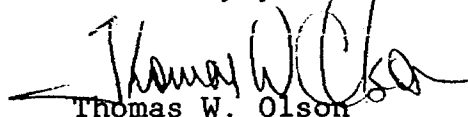
New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico 87503

Re: In the matter of Case 5872 being reopened pursuant to the provisions of Order No. R-5373, which order suspended Rules 15(A) and 15(B) of the General Rules for Prorated Gas Pools as promulgated by Order No. R-1670, as amended, to permit overproduced wells to continue to produce gas during the present severe weather conditions without danger of being shut in for overproduction.

Gentlemen:

Please be advised that Rand C. Schmidt of the office of General Counsel of El Paso Natural Gas Company, El Paso, Texas, is associated with our firm for the presentation of evidence and argument in the above-referenced case.

Sincerely yours,


Thomas W. Olson

TWO:RB
5086-76-12

Telegram

1977 APR 19 PM 3:34

IPMFEXA SANA
1-025911C109 04/19/77
TWX AMOCO PROD HOU
001 HOUSTON TEXAS APRIL 19, 1977
PMS MR. JOE D. RAMEY
NEW MEXICO OIL CONSERVATION COMMISSION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

RE: CASE 4872 (REOPENED) - APRIL 20, 1977 EXAMINER HEARING DOCKET

AMOCO PRODUCTION COMPANY RECOMMENDS THAT ORDER NO. R-5373 BE RESCINDED
SUSPENSION OF RULES 15(A) AND 15 (B) DID NOT RESULT IN ADDITIONAL
PRODUCTION OF GAS FROM AMOCO OPERATED WELLS IN SOUTHEASTERN NEW MEXICO.
WE SUPPORT GRANTING ADDITIONAL ALLOWABLE TO A POOL FOR ANY OVERPRODUCTION
ACCRUED DURING THE SUSPENSION OF RULES 15(A) AND 15(B) AND ALLOWING
UNDERPRODUCTION TO BE TAKEN CARE OF BY FIELD RULES OR THE GENERAL
RULES. WE ARE OPPOSED TO GIVING SPECIAL CONSIDERATION TO AND INDIVIDUAL
WELL.

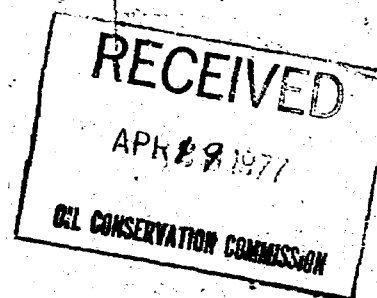
PLEASE ENTER THIS TELEGRAM INTO THE RECORD OF THE HEARING ON CASE NO.
5872 (REOPENED).

AMOCO PRODUCTION COMPANY

J. M. BROWN
DIVISION ENGINEERING MANAGER
HOUSTON, TEXAS
4-19-77

1720 EST

IPMFEXA SANA





United States Department of the Interior

GEOLOGICAL SURVEY
RESTON, VIRGINIA 22092

APR 25 1977

Oil Conservation Comm.
Santa Fe

In Reply Refer To:
EGS-212488-MS600
S-12686

APR 21 1977

Mr. Joe D. Ramey
Director, Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Your letter advising that the State of New Mexico has temporarily waived its overproduction shut-in requirements for all gas wells to help alleviate the current natural gas shortage has been referred to the Geological Survey for response. You also inquire as to what actions the Department of the Interior has taken to speed up oil and gas leasing, both onshore and offshore, and to reduce the delays industry incurs in obtaining permits for drilling new wells and pipeline rights-of-way.

We find New Mexico's actions most gratifying since we are aware that New Mexico also had recent gas supply problems of its own. The news media reported that you estimated the waiver of overproduction shut-in requirements would apply to no more than five or six wells since almost all gas wells in New Mexico were producing at or over their allowable rate, as is routinely permitted for short periods under your regulations. Nonetheless, all increases are appreciated.

The Department is currently reviewing the requirements for analyzing and approving Applications for Permit to Drill new wells on Federal oil and gas leases, as set out in the Geological Survey's Notice to Lessees and Operators, NTL-6. This review seeks to reduce or eliminate any provisions which are not absolutely necessary to the process. The review and approval process for right-of-way permits granted by the Bureau of Land Management is also subject to continuing review seeking the same end.

Even though the recent natural gas supply emergency points up areas where the Department should speed up some of its activities, the National Environmental Policy Act has not been repealed. Secretary Andrus has made a commitment to the people of this Nation to encourage

energy development on Federal lands but at the same time to guarantee that development will be carried out in an environmentally sound manner. Also, if the Department does not satisfactorily analyze energy proposals in the light of current laws, those proposals will come to naught in the courts.

We appreciate your prompt response to Secretary Andrus' request and your thoughtful comments in regard to expediting exploration, development, and production of natural gas from Federal leases.

Sincerely yours,



Acting Director



United States Department of the Interior

GEOLOGICAL SURVEY
RESTON, VIRGINIA 22092

In Reply Refer To:
EGS-212488-MS600
S-12686

APR 21 1977

Mr. Joe D. Ramey
Director, Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

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The Department is currently reviewing the requirements for analyzing and approving Applications for Permit to Drill new wells on Federal oil and gas leases, as set out in the Geological Survey's Notice to Lessees and Operators, NTL-6. This review seeks to reduce or eliminate any provisions which are not absolutely necessary to the process. The review and approval process for right-of-way permits granted by the Bureau of Land Management is also subject to continuing review seeking the same end.

Even though the recent natural gas supply emergency points up areas where the Department should speed up some of its activities, the National Environmental Policy Act has not been repealed. Secretary Andrus has made a commitment to the people of this Nation to encourage

energy development on Federal lands but at the same time to guarantee that development will be carried out in an environmentally sound manner. Also, if the Department does not satisfactorily analyze energy proposals in the light of current laws, those proposals will come to naught in the courts.

We appreciate your prompt response to Secretary Andrus' request and your thoughtful comments in regard to expediting exploration, development, and production of natural gas from Federal leases.

Sincerely yours,

W. A. Radlinski

Acting
Director

SOUTHERST NEW MEXICO

STATUS AS OF DEC 31, 1976	STATUS AS OF DEC 31, 1976	UNDERPRD CANCELLED	NEW POOL STATUS	TOTAL UNITS	MARG UNITS	NON-MARG UNITS	DEC PRODUCTION	DEC PROD, ENTIRE POOL	% PROD NON-MARG
STATUS AS OF DEC 31, 1976	STATUS AS OF DEC 31, 1976	UNDERPRD CANCELLED	NEW POOL STATUS	TOTAL UNITS	MARG UNITS	NON-MARG UNITS	DEC PRODUCTION	DEC PROD, ENTIRE POOL	% PROD NON-MARG
ATOKA - PENN	115,787 OP	0	115,787 OP	25,879	22.25	3.64	292,647	903,428	32.4
BLINNEY	654,043 UP	907,552	253,509 OP	105.23	84.73	20.50	1504,148	2973,054	50.6
BUFFALO VALLEY	6558 UP	0	6558 UP	19.07	18.07	1.00	58,442	296,227	19.7
BURTON FLAT - MWD	803,475 OP	165,573	96,9048 OP	43.46	36.52	6.94	849,355	2054,979	41.2
BURTON FLAT - STN	158,234 UP	191,822	33,588 OP	8.00	7.00	1.00	51,312	140,852	36.4
SCARLESDO - MWD	308,629 OP	0	308,629 OP	69.49	58.49	11.00	710,948	1797,257	39.6
CATCLAW DRUM	489,280 UP	0	489,280 UP	16.33	12.35	3.98	131,799	345,391	38.2
CROSBY - DEU	62,947 OP	0	62,947 OP	3.00	2.00	1.00	36,902	43,119	85.6
EUMONT	1743,045 UP	1963,222	220,177 OP	463.22	372.24	90.98	4113,028	6454,448	63.7
INDIAN BASIN MWD	NO STATUS - ALL MARGINAL	0	804,558 UP	9.00	9.00	0.00	0	144,540	0
INDIAN BASIN - UP	804,558 UP	0	804,558 UP	54.30	13.88	40.42	6111,690	6265,040	97.6
JALMART	490,385 UP	216,661	273,724 UP	364.25	333.54	30.71	686,355	2363,016	29.0
JUSTIS-GLOR	46,576 OP	0	46,576 OP	25.00	23.00	2.00	36,412	168,784	21.6
MONUMENT NCKEE	29,652 UP	0	29,652 UP	7.50	4.50	3.00	162,272	252,001	64.4
TSEB	231,803 OP	38,594	270,397 OP	124.51	107.91	16.52	524,647	1424,684	36.8
SOUTHEAST TOTAL			676,886 OP	1338.25	1105.56	232.69	714615269,957	25631,800	59.6

NORTHWEST NEW MEXICO - STATUS AS OF DEC. 31, 1976

BASIN DAKOTA	2386,220 UP	203,928	2182,292 UP	2325.4	2249.31	75.83	1672,957	12368,604	13.5
BLANCO MVD	2944,696 UP	2455,678	489,018 UP	2079.72	1806.81	272.91	9009,299	21476,826	41.9
SILVERADO PC	627,954 UP	34,315	593,639 UP	1430.25	1209.67	220.58	869,444	2808,244	31.0
TAPACITO PC	387,354 OP	189,222	198,132 UP	268.60	217.80	48.80	289,995	756,345	38.3
NORTHWEST TOTAL			3463,061 UP	6103.71	5485.59	618.12	11841,695	37,410,019	31.7

STATE TOTAL

2786,175 UP 7441,96 6591.15 850.81 27111,652 65041,819 43.0%

OCC Exh. 6.1 17

Dockets Nos. 15-77 and 16-77 are tentatively set for hearing on May 11 and May 25, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 20, 1977

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for May, 1977, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for May, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 5872: (Reopened)

In the matter of Case 5872 being reopened pursuant to the provisions of Order No. R-5373 which order suspended Rules 15(A) and 15(B) of the General Rules for Prorated Gas Pools as promulgated by Order No. R-1670, as amended, to permit overproduced wells to continue to produce gas during the present severe weather conditions without danger of being shut in for overproduction. All interested parties may appear and show cause why said suspension should not be rescinded. Also to be considered will be the matter of final disposition of overproduction accrued during the period of suspension of Rules 15(A) and 15(B), and what, if any, special consideration should be given to underproduction accrued to gas wells during the period of suspension of said rules.

CASE 5888: (Continued from March 23, 1977, Examiner Hearing)

Application of Dalport Oil Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its A. L. Christmas Well No. 3 to be drilled 330 feet from the South line and 2310 feet from the East line of Section 25, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico.

CASE 5901: Application of Gulf Oil Corporation for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 400-acre non-standard gas proration unit comprising the SE/4 of Section 8, and the E/2 NW/4 and NE/4 of Section 17, Township 20 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's Theodore Anderson Wells Nos. 1 and 4, located at unorthodox locations in Unit O of said Section 8 and Unit B of said Section 17, respectively.

CASE 5902: Application of Amoco Production Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Apple Draw Unit Area comprising 3840 acres, more or less, of Federal, State, and Fee lands in Township 25 South, Range 27 East, Eddy County, New Mexico.

CASE 5903: Application of Maddox Energy Corporation for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a gas well to be drilled at a point 2310 feet from the South line and 1650 feet from the West line of Section 9, Township 18 South, Range 26 East, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico.

CASE 5639: (Reopened)

In the matter of Case 5639 being reopened pursuant to the provisions of Order No. R-5173, which order established temporary special pool rules for the South Maljamar-Strawn Pool, Lea County, New Mexico. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 5904: (This Case will be continued to the May 11, 1977, Examiner Hearing)

Application of Palmer Oil & Gas Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Fruitland and Pictured Cliffs formations underlying the NE/4 and/or SE/4 of Section 20, Township 32 North, Range 6 West, San Juan County, New Mexico, and in the Mesaverde and Dakota formations underlying the E/2 of said Section 20, the above-described lands to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5905: (This Case will be continued to the May 11, 1977, Examiner Hearing)

Application of Palmer Oil & Gas Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Dakota formations underlying the W/2 SE/4 and the E/2 SW/4 of Section 3, and the NW/4 of Section 10, and all mineral interests in the Pictured Cliffs and Fruitland formations underlying the NW/4 of Section 10, all in Township 31 North, Range 7 West, San Juan County, New Mexico, to be dedicated to a well to be drilled 1800 feet from the North line and 850 feet from the West line of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5906: (This Case will be continued to the May 11, 1977, Examiner Hearing)

Application of Palmer Oil & Gas Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Dakota formations underlying the W/2 SW/4 of Section 2, the E/2 SE/4 of Section 3, and the NE/4 of Section 10, all in Township 31 North, Range 7 West, San Juan County, New Mexico, to be dedicated to a well to be drilled 1525 feet from the North line and 1850 feet from the East line of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5907: Application of Dome Petroleum Corporation for a special depth bracket allowable, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a special depth bracket allowable of 750 barrels of oil per day for the Papers Wash-Entrada Oil Pool, McKinley County, New Mexico.

CASE 5908: Application of Dome Petroleum Corporation for a special depth bracket allowable, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a special depth bracket allowable of 750 barrels of oil per day for the Ojo Encino-Entrada Oil Pool, McKinley County, New Mexico.

CASE 5909: Application of Dome Petroleum Corporation for pool creation and special depth bracket allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Snake Eyes-Entrada Oil Pool in Section 20, Township 21 North, Range 8 West, San Juan County, New Mexico, and the establishment of a special depth bracket allowable of 750 barrels of oil per day for said pool.

CASE 5910: Application of Yates Petroleum Corporation for gas pool creations and downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of three Pennsylvanian gas pools in Townships 17 and 18 South, Ranges 24, 25, and 26 East, Eddy County, New Mexico, including the Richard Knob- and East Eagle Creek-Lower Penn Gas Pools with provisions in each for commingling Strawn, Atoka, and Morrow production in the wellbores of wells drilled therein, and the Eagle Creek Permo-Penn Gas Pool with provision for commingling Wolfcamp, Cisco, Canyon, and Strawn production in the wellbores of wells drilled therein.

CASE 5898: (Continued from April 6, 1977, Examiner Hearing)

Application of Chace Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Ballard-Pictured Cliffs and South Lindrith Gallup-Dakota production in the wellbore of its Jicarilla 70 Well No. 3 located in Unit C of Section 33, Township 24 North, Range 4 West, Rio Arriba County, New Mexico. In the alternative, applicant seeks authority to commingle said production at the surface without prior measurement and waiver of the gas-oil ratio test requirement.

CASE 5911: Application of Odessa Natural Gas Company for special pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the adoption of special pool rules for the Chacon-Dakota Oil Pool, Rio Arriba County, New Mexico, to provide for 160-acre spacing for oil wells and for reclassification of wells from oil to gas and the removal of such gas wells to the Basin-Dakota Pool.

CASE 5629: (Reopened)

In the matter of Case 5629 being reopened pursuant to the provisions of Order No. R-5192, which order established temporary special pool rules for the Chacon-Dakota Oil Pool, Rio Arriba and Sandoval Counties, New Mexico. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 5889: (Continued & Readvertised)

Application of Saturn Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the Abo formation underlying the NE/4 SE/4 of Section 11, Township 23 South, Range 37 East, Lea County, New Mexico, to be dedicated to its Lineberry Well No. 1 located in Unit I of said Section; and underlying the NW/4 SE/4 of said Section 11 to be dedicated to its Lineberry Well No. 2 located in Unit J of said Section. In the event re-entry into either well is unsuccessful, applicant proposes to drill a replacement well at a standard location on its tracts. Also to be considered will be the costs of recompletion or drilling and completing said wells and the allocation of the costs thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in recompletion or drilling of said wells.

Case 5872

El Paso NATURAL GAS
COMPANY

P. O. BOX 1492
EL PASO, TEXAS 79978

PHONE: 915-643-2600

March 25, 1977

MAR 28 1977

New Mexico Oil Conservation Commission

P. O. Box 2088

Santa Fe, New Mexico 87501

OIL CONSERVATION COMM

Santa Fe

Re: Suspension of Rules 15 (A) and
15 (B) of the General Rules for
the Prorated Gas Pools of
Northwest New Mexico and
Southcast New Mexico

Gentlemen:

El Paso Natural Gas Company ("El Paso") respectfully requests that a hearing be set before the Commission or one of its designated examiners. Under Emergency Order No. E-30, issued on January 27, 1977, and Order No. R-5373 (Case No. 5872), issued on February 11, 1977, the Commission suspended Rules 15 (A) and 15 (B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico in order to allow maximum production during the national natural gas emergency. In order to avoid a hardship which would otherwise be worked on El Paso's system because of compliance with the above-mentioned orders, El Paso desires a ruling that no overproduced or underproduced status be accrued for wells in prorated gas pools for the reporting months beginning with and inclusive of February, 1977, and continuing through the end of the month in which the Commission terminates the effectiveness of the orders suspending Rules 15 (A) and 15 (B).

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By E.R. Manning

J. O. SETH (1883-1963)

A. K. MONTGOMERY
WM. R. FEDERICI
FRANK ANDREWS
FRED C. HANNAHS
SETH D. MONTGOMERY
FRANK ANDREWS III
OWEN M. LOPEZ
JEFFREY R. BRANNEN
JOHN BENNETT POUND

GARY R. KILPATRICK
THOMAS W. OLSON
WALTER J. MELENDRÉS
BRUCE L. HERR
MARY JANE WRENN

MONTGOMERY, FEDERICI, ANDREWS & HANNAHS
ATTORNEYS AND COUNSELORS AT LAW

325 PASEO DE PERALTA
SANTA FE, NEW MEXICO 87501

POST OFFICE BOX 2307
AREA CODE 505
TELEPHONE 982-3873

February 11, 1977

*Recd
2/17 Jhu*

RLS

Mr. Richard L. Stamets
Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico 87503

Re: Case No. 5872. In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the suspension of Rules 15(A) and 15(B) of the General Rules for Prorated Gas Pools as promulgated by Order No. R-1670, as amended, to permit overproduced wells to continue to produce gas during the present severe weather conditions without danger of being shut in for overproduction

Dear Mr. Stamets:

Enclosed for your consideration in the above-referenced matter is an original and three copies of a Statement submitted on behalf of Hanagan Petroleum Corporation.

Sincerely,

Shawna W. [Signature]

TWO:RB

Enclosures (4)

REGIONAL CONSERVATION MANAGERS
The following telegram was sent to the GOVERNORS of ALL OIL AND GAS
producing States on January 26, 1977. The Notice to Lessees and Operators
with similar language signed by the Secretary of the Interior was mailed
on the same date.

TELEGRAM

AS YOU KNOW, THE NATION IS CURRENTLY EXPERIENCING A NATURAL GAS SHORTAGE AS A RESULT OF PROLONGED, SEVERE WEATHER CONDITIONS. THE DEPARTMENT OF THE INTERIOR HAS ISSUED A NOTICE TO ITS LESSEES AND OPERATORS REQUESTING THAT GAS PRODUCTION FROM THEIR FEDERAL LEASES BE INCREASED DURING THIS EMERGENCY SITUATION TO THE MAXIMUM RATE POSSIBLE, GIVEN THE RESTRAINTS OF EXISTING FEDERAL AND STATE LAWS OR REGULATIONS AND GOOD PETROLEUM ENGINEERING PRACTICE, AND MAINTAINED THEREAFTER AT THAT RATE UNTIL FURTHER NOTICE.

TO THE EXTENT PERMITTED BY LAW, THAT YOU
ON STATE RULES AND REGULATIONS

WE RESPECTFULLY REQUEST, TO THE EXTENT PERMITTED BY LAW, THAT YOU WAIVE ANY CONSTRAINTS PRESENTLY IMPOSED BY STATE RULES AND REGULATIONS WHICH WOULD PREVENT MAXIMIZING GAS PRODUCTION IN YOUR STATE FOR THE DURATION OF THIS EMERGENCY. AMONG THE MEASURES YOU MAY WISH TO CONSIDER WOULD BE:

- (1) PRODUCING GAS TEMPORARILY AT THE MAXIMUM POSSIBLE RATE IF IT IS DETERMINED THAT ULTIMATE RECOVERY WILL NOT BE SERIOUSLY IMPAIRED; AND
- (2) SHIFTING GAS PRODUCTION TEMPORARILY WITHIN FIELDS TO THOSE PRODUCERS CAPABLE OF GREATEST SHORT-TERM PRODUCTION.

(2) SHIFTING GAS PRODUCTION
THOSE PRODUCERS CAPABLE OF GREATEST SHIFTS

I WOULD APPRECIATE YOUR INFORMING ME AS SOON AS POSSIBLE AS TO THE
MEASURES YOU ARE TAKING TO INCREASE GAS PRODUCTION AND THE AMOUNT
OF ADDITIONAL GAS PRODUCTION YOU EXPECT TO ACHIEVE IN YOUR STATE.

CECIL ANDREWS
CH. OF THE INTERIOR

CECIL ANDREWS
SECRETARY OF THE INTERIOR

NOTICE TO LESSEES AND OPERATORS OF OCSBORG FEDERAL OIL AND GAS LEASES

NOTICE TO LESSEES AND OPERATORS OF OCSBOS FIELDS

The Nation is currently experiencing a severe natural gas shortage as a result of prolonged, severe weather conditions. It is, therefore, in the public interest to maximize domestic gas production. Accordingly, I request that the gas production from your Federal leases be increased during this emergency situation to the maximum rate possible, given the existing restraints of Federal and State laws or regulations and good petroleum engineering practice, and maintained thereafter at that rate until further notice. Please inform the appropriate U.S. Geological Survey Oil and Gas Supervisor as to the amount of additional gas production you expect to achieve from each lease under your control in response to this request as soon as possible and not later than February 28, 1975.

/s/ Cecil Boardman
Secretary of the Interior

(S) Cecil Ladd
Secretary of the Interior

015-132707
JAN 23 1971

OFFICE OF
CONSERVATION M

RECEIVED
JAN 26 1971

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

February 14, 1977

Case 5872

C
O
P
Y

The Honorable Cecil Andrus
Secretary of the Interior
United States Department of the Interior
Washington, D.C. 20240

Sir:

Your telegram of January 16, 1977, requested that producing states "waive any constraints imposed by state rules and regulations which would prevent maximizing gas production" during the current natural gas emergency. Following the receipt of this telegram, the Commission issued its Emergency Order No. E-30 on January 27, 1977, and subsequently its Order No. R-5373 on February 11, 1977, which orders have waived the overproduction shut-in requirements on all gas wells in the State enabling overproduced wells to return to or stay on production during the emergency. Effects of this action and continuation of the same will be considered at a public hearing to be held in late April.

At this time this agency wishes to inquire as to actions which may have been taken by agencies of the federal government to alleviate the gas supply situation. Specifically, have any actions been taken by the U. S. Geological Survey and/or the Bureau of Land Management to shorten the time between the filing of an application to drill a new gas well or to lay a pipeline to an existing completed gas well and the time the same is approved? Have any measures been taken to speed the leasing of potentially gas productive federal lands both offshore

-2-
Letter to Secretary Cecil Andrus
February 14, 1977

and onshore? Has any other action been taken to develop the domestic gas supply as opposed to only increasing the rate of drainage of the existing supply?

Your response to these questions will be most appreciated.

Yours very truly,

JOE D. RAMEY
Director

JDR/RLS/fd

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
ON ITS OWN MOTION TO CONSIDER THE
SUSPENSION OF RULES 15(A) AND 15(B)
OF THE GENERAL RULES FOR PRORATED
GAS POOLS AS PROMULGATED BY ORDER
NO. R-1670, AS AMENDED, TO PERMIT
OVERPRODUCED WELLS TO CONTINUE TO
PRODUCE GAS DURING THE PRESENT
SEVERE WEATHER CONDITIONS WITHOUT
DANGER OF BEING SHUT IN FOR
OVERPRODUCTION.

CASE NO. 5872

S T A T E M E N T

HANAGAN PETROLEUM CORPORATION, by and through its attorneys,
Montgomery, Federici, Andrews & Hannahs, submits the following
statement for consideration by the Commission in the above-
captioned matter:

Hanagan Petroleum Corporation, as operator in three pro-
rated gas fields located in Southeast New Mexico, opposes the
suspension of Rules 15(A) and 15(B) of the General Rules for
Prorated Gas Pools (R-1670). We believe the best method to
obtain additional gas during the present emergency is to increase
the allowable in the prorated gas fields.

The suspension of these rules would permit a high-volume gas
well to overproduce an unlimited amount of gas, thus endangering
the correlative rights of the offset operator or operators. The
result would be that such a well would obtain more than its share
of the gas from the gas field than it is entitled to. It is
likely that when the suspension of these rules is lifted, such
an overproduced well would have to be shut in completely and
would probably not be produced again for quite some time, or
possibly never.

The well could also be overproduced to a point that it would never be in balance again. As a result, such a well would have obtained through its overproduction reserves that rightfully would have belonged to offset well or wells. A number of such expectedly overproduced wells would damage the ultimate recovery of the entire field.

The figures from the New Mexico Oil Conservation Commission Southeast Gas Proration Schedule for February 1977 shows the following information covering 18 prorated gas fields in Southeast New Mexico. (These figures do not include any associated fields.) Since marginal wells produce at their maximum rate, we concentrated on the non-marginal wells as that is where most of the additional needed gas must come from.

In the subject 18 gas fields there are 1,207 wells, of which 243 wells are classified as non-marginal (top allowable), or about 20%.

Of these 18 fields, 11 are presently in the overproduced stages, six are underproduced, and one has no non-marginal well. Out of the 243 non-marginal wells, 101 (41.56%) are underproduced and 142 (58.44%) are overproduced. Only three non-marginal wells, one in the Cat Claw Draw Morrow Field, one in the Burton Flat Morrow Field and one with only 1/4 allowable in the Eumont Field, are presently shut in due to overproduction. Of these 243 non-marginal wells, 220, or 90.53%, are dedicated to the interstate market, 12 wells, or 4.94%, to the intrastate market, and 11 wells, or 4.53%, to both markets.

It is our opinion that increasing the allowables by fields will produce more emergency gas than by allowing a few highly overproduced wells to obtain this added gas production. It

would certainly be more equitable and just and probably cause less damage to the individual field as a whole to control production by allowables than suspending the rules as proposed. Should the Commission decide to obtain these increased gas supplies by adjusting upwards the allowable on a temporary basis, it would be our hope and desire that the Commission would consider the idea of calculating these allowables by individual fields as they are presently doing, then add a certain percent above the normal allowable to obtain the added gas. This added allowable percent then would be subtracted by calculating the status of the non-marginal well at the end of each proration quarter. This would prevent a non-marginal well from losing its top allowable status due to this added increase and also all its possible over-production.

Respectfully submitted,

MONTGOMERY, FEDERICK, ANDREWS
& HANNAHS

By 

~~P.O.~~ Box 2307

Santa Fe, New Mexico 87501
Attorneys for Hanagan
Petroleum Corporation

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the suspension of Rules 15(A) and 15(B) of the General Rules for Prorated Gas Pools as promulgated by Order No R-1670, as amended, to permit overproduced ~~gas~~ wells to continue to produce gas during the ^{present} severe weather conditions without danger of being shut in for overproduction.

S.F.

~~Eddy~~ Art (Eddy)
 Russell (Chaves)
 H. L. (Lea)
 Gungtan (San Juan)
 Espanola (Rio Arriba)
 Albq (Sandoval)

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE EMERGENCY
SUSPENSION OF ~~ORDER NO. R-1670~~ THE SHUT IN
PROVISIONS OF ORDER NO R-1670
AS IT RELATES TO OVERPRODUCED
GAS WELLS IN NEW MEXICO

EMERGENCY ORDER NO. E-30

Now, on this 27th day of January, 1977, the
New Mexico Oil Conservation Commission, a quorum
being present, having considered the necessity
for ~~producing~~ the increasing gas production,
and being fully advised in the premises,

FINDS:

(1) That ^{a large part of the} United States is experiencing severe
winter weather conditions, and the National
Weather Service foresees no immediate relief
therefrom.

(2) That said severe winter weather
conditions have caused an unprecedented
demand for natural gas for residential
and commercial heating, as well as for
industrial use.

(3) That the pipe lines carrying natural
gas from New Mexico and other southwest-
ern states are experiencing great difficulty
in obtaining a sufficient supply of
natural gas to meet the aforesaid unprece-
dented demand for ~~the~~ natural gas.

(4) That extensive curtailment of deliveries
of natural gas, particularly to industrial
and ^{non-essential} commercial users, has resulted.

and there is ^{still} need for additional supplies of natural gas, particularly for residential and essential commercial heating.

(5) That the General Rules for the Prorated Gas Pools of New Mexico, as promulgated by the Commission Order No. R-1670, as amended, provide that any gas wells which ~~are~~ ^{is} overproduced an amount exceeding six times its average monthly allowance for the preceding twelve months shall be shut in and remain shut in until it is overproduced in an amount six times or less its average monthly allowance; further that any gas well which has an overproduced status at the end of a proration period shall make up such overproduction during the next succeeding period, or ~~then~~ it shall be shut in until such overproduction has been made up.

(6) That at the present time, there are very few gas wells in New Mexico which are shut in because of the aforesaid provisions of Order No. R-1670, as amended.

(7) That should the severe winter weather conditions and the accompanying unprecedented high demand for ^{natural} gas continue, increased withdrawals from gas wells in New Mexico may cause more of said wells to become subject to the aforesaid shut-in provisions.

(8) That in order to permit those wells which are presently shut in ~~to~~ to produce during the current period of high demand, and in order to ^{permit} ~~prevent~~ other wells to produce in excess of their allowances without ~~being~~ ^{becoming} ^{more} ^{than} ^{going} ^{six} ^{times} ^{over} their ~~average~~ ^{average} allowance, Rules 15(A) and 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Order No. R-1670, as amended, should be suspended.

IT IS THEREFORE ORDERED:

(1) That Rule 15(A) and Rule 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended, are hereby suspended.

(2) That this order shall become effective at 12:01 a.m. Mountain Standard Time, January 28, 1977, and shall remain in effect for not more than 15 days.

DONE at

Manning El Paso notified 4:30 pm 1/27

Jack Oldham - Texas Houston notified 10:00 1/28

Don Bulerbaugh Northwest Salt Lake notified 9:55 1/28

Darryl Smith Northern Midl notified 4:40 pm 1/27

Reggie Natl Gas Pl Midland notified 9:30 1/28

Bob McCrary SU Dallas notified 5:12 1/27

Al Kloor Moody Plano notified 5:16 1/27

all our districts
notified 4:45-5:00 1/27

DOCKET: EXAMINER HEARING - FRIDAY - FEBRUARY 11, 1977

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

The following case will be heard before Richard L. Stamets, Examiner, or
Daniel S. Nutter, Alternate Examiner:

CASE 5872: In the matter of the hearing called by the Oil Conservation
Commission on its own motion to consider the suspension of
Rules 15(A) and 15(B) of the General Rules for Prorated Gas
Pools as promulgated by Order No. R-1670, as amended,
to permit overproduced wells to continue to produce gas
during the present severe weather conditions without danger
of being shut in for overproduction.

✓ El Paso Natural Gas Co El Paso 79978
Box 1497
Attn: Mr. E. R. Manning

✓ Transwestern Pipeline Co.
Box ~~1501~~ 2521
Houston 77001
Attn: Mr. Jack Oldham

Southern Union Gas Co.
Fidelity Union Tower
Dallas Texas 75201

Attn: Mr. R. J. McClary

✓ Northwest Pipeline Corp.
P.O. Box 1526
Salt Lake City, Utah 84110

✓ Northern Natural Gas Co
P.O. Box 2300
Midland Texas 79701

Attn: Mr. Darryl Smith

Llano Inc
P.O. Drawer 1320
Hobbs, N. Mex. 88240

Attn: Jack Moody

Natural Gas Pipeline Corp of America
~~P.O. Box 201 West Bldg~~ P.O. Box 236
Midland TEX 79701
Attn: Mr. Reggie Muddley

DRAFT

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 ~~on~~ *on its own motion*
THE PURPOSE OF CONSIDERING:

*The suspension of Rules
15(A) and 15(B) of the
General Rules and Regulations
for Prorated Gas Pools
of Northwest and Southeast
New Mexico*

CASE NO. 5872

Order No. R- 5373

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on _____,
19____, at Santa Fe, New Mexico, before Examiner _____.

NOW, on this _____ day of _____, 19____, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

*(2) That on the 27th day of January,
1977, the Commission entered its Emergency
Order No. E-30 which order suspended*

~~(3) That Rule 15(A) and Rule 15(B) of the General Rules for the
Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico,
as promulgated by Commission Order No. R-1670, as amended, are hereby
suspended.~~

*(3) That said order was entered
on the basis of 8 Findings ~~with~~
through (8) contained therein which
read as follow
as follows:*

*which read in their entirety as
follows:*

(1) That a large part of the United States is experiencing severe winter weather conditions, and the National Weather Service foresees no immediate relief therefrom.

(2) That said severe winter weather conditions have caused an unprecedented demand for natural gas for residential and commercial heating, as well as for industrial use.

(3) That the pipe lines carrying natural gas from New Mexico and other southwestern states are experiencing great difficulty in obtaining a sufficient supply of natural gas to meet the aforesaid unprecedented demand for natural gas.

(4) That extensive curtailment of deliveries of natural gas, particularly to industrial and non-essential commercial users, has resulted, and there is still need for additional supplies of natural gas, particularly for residential and essential commercial heating.

(5) That the General Rules for the Prorated Gas Pools of New Mexico, as promulgated by Commission Order No. R-1670, as amended, provide that any gas well which is overproduced an amount exceeding six times its average monthly allowable for the preceding twelve months shall be shut in and remain shut in until it is overproduced in an amount six times or less its average monthly allowable; further that any gas well which has an overproduced status at the end of a proration period shall make up such overproduction during the next succeeding period, or it shall be shut in until such overproduction has been made up.

(6) That at the present time, there are very few gas wells in New Mexico which are shut in because of the aforesaid provisions of Order No. R-1670, as amended.

(7) That should the severe winter weather conditions and the accompanying unprecedented high demand for natural gas continue, increased withdrawals from gas wells in New Mexico may cause more of said wells to become subject to the aforesaid shut-in provisions.

(8) That in order to permit those wells which are presently shut in to produce during the current period of high demand, and in order to permit other wells to produce in excess of their allowables without danger of being shut in for becoming overproduced more than six times their average allowable, Rules 15(A) and 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Order No. R-1670, as amended, should be suspended. 11.

(4) That said emergency order ~~became~~ effective at 12:01 a.m. Mountain Standard Time, January 28, 1977, and expires at 12:01 a.m. Mountain Standard Time February 12, 1977.

(5) That the evidence presented at this hearing supports each of the 8 findings in Emergency Order No. E-30.

(6) That ~~each~~ each of the 8 findings in said emergency order should be incorporated in this order.

~~(7) That ~~the~~ Rules 15(A) and 15 B~~
(7) That the suspension of Rules 15(A) and 15 B of the General Rules for the Privileged Gas Pools of Northwest and Southeast New Mexico should be continued until further order of the Commission.

(8) That the evidence presented at this hearing was not sufficient to quantify the effect of the Commission's actions in suspending said Rules 15(F) and 15(B).

(9) That the evidence presented was not sufficient to demonstrate whether or not correlative rights might be violated by said suspension of Rules 15(F) and 15(B).

(10) That the evidence presented ~~was~~ was not sufficient to evaluate the effect of the suspension of said rules against ~~the~~ other factors which may restrict ~~any~~ pipeline's abilities to connect new wells or otherwise deliver gas to the area of the emergency.

(11) That the evidence presented was not sufficient to ~~evaluate~~ ^{determine} the ~~effect~~ ~~extent~~ ~~of~~ ~~the~~ number ^{and} ~~effect~~ of wells which ^{might} ~~would~~ be shut in due to overproduction following ~~reduction~~ the end of suspension of said Rules 15(F) and 15(B) nor the extent and effect of such shut-in.

(12) That a hearing should be held during April, 1977, to consider both the continued suspension of said Rules 15(A) and 15(B) and those unresolved questions set out in Findings No. (8) through No. (11) above.

It is Therefore Ordered

effective at 12:01 a. m. Mountain Standard Time, February 12, 1977,

(1) That Rules 15(A) and Rule 15(B) of the General Rules for the Protected Grass Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. B-1670, as amended, are hereby suspended pending further order of the Commission.

(2) That a hearing shall be scheduled before the Commission or one of its examiners during the month of April, 1977, to consider the issues set out in Findings No. (8) through No. (12) of this order and any other related matters as the Commission may deem appropriate.

(3) Jurisdiction

DRAFT
RLS/jr

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF CASE 5872 BEING REOPENED
PURSUANT TO THE PROVISIONS OF ORDER NO. R-5373
WHICH ORDER SUSPENDED RULES 15(A) and 15(B) OF
THE GENERAL RULES FOR PRORATED GAS POOLS OF
~~GENERAL RULES FOR THE PRORATED GAS POOLS OF~~
NORTHWEST AND SOUTHEAST NEW MEXICO. CASE NO. 5872

Order No. R- 5373-A

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 20,
19 77, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of April, 19 77, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That on the 27th day of January, 1977, the Commission
entered its Emergency Order No. E-30 which order suspended Rule
15(A) and Rule 15(B) of the General Rules for the Prorated Gas
Pools of Northwest New Mexico and Southeast New Mexico, as
promulgated by Commission Order No. R-1670, as amended.

(3) That on the 11th day of February, 1977, the Commission
entered its Order No. R-5373 which order further suspended said
Rule 15(A) and Rule 15(B) pending further order of the Commission.

(4) That said Rule 15(A) and Rule 15(B) were suspended in an
attempt to make more natural gas available to the Eastern United
States during an emergency shortage of natural gas in that region.

(5) That this case was reopened to permit all interested
parties to appear and show cause why said suspension should not
be rescinded, to consider the matter of final disposition of over-
production accrued during the period of suspension of Rules 15(A)
and 15(B), and what, if any, special consideration should be given
to underproduction accrued to gas wells during the period of suspen-
sion of said rules.

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Case No. 5872
Order No. R-5373-A

(6) That the evidence presented demonstrated that said natural gas shortage emergency is over.

(7) That the evidence presented demonstrated that the suspension of said Rule 15(A) and Rule 15(B) should be terminated.

(8) That the evidence presented demonstrated that to protect correlative rights, overproduced wells subject to the shut-in provisions of said Rule 15(A) and Rule 15(B) due to overproduction should be shut-in following termination of the suspension of said rules.

(9) That the evidence presented demonstrated that no special consideration should be given to underproduction accrued to gas wells during the period of suspension of said Rule 15(A) and Rule 15(B).

(10) That the evidence presented did not demonstrate that any significant additional volumes of gas were made available to the Eastern United States due to the Commission's action in suspending said Rule 15(A) and 15(B).

(11) That the termination of said suspension of said Rules 15(A) and 15(B) will not cause waste.

(12) That the suspension of said Rule 15(A) and Rule 15(B) should be terminated with no special provisions to apply to overproduction or underproduction accrued during the period of said suspension.

IT IS THEREFORE ORDERED:

(1) That effective at 12:01 a.m. Mountain Daylight Time, May 1, 1977, the suspension of Rule 15(A) and Rule 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended, is hereby terminated.

(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.

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~~

IN THE MATTER OF CASE 5872 BEING REOPENED
PURSUANT TO THE PROVISIONS OF ORDER NO. R-5373
WHICH ORDER SUSPENDED RULES 15(A) AND 15(B) OF
THE GENERAL RULES FOR PRORATED GAS POOLS OF
NORTHWEST AND SOUTHEAST NEW MEXICO.

CASE NO. 5872 DE NOVO
Order No. R-5373-B

ORDER OF THE COMMISSION

BY THE COMMISSION:

On the application of El Paso Natural Gas Company, this cause came on for hearing De Novo at 9 a.m. on June 13, 1977, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this _____ day of June, 1977, 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 on the 27th day of January, 1977, the Commission entered its Emergency Order No. E-30 which order suspended Rule 15(A) and Rule 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended.

(3) That on the 11th day of February, 1977, the Commission entered its Order No. R-5373 which order further suspended said Rule 15(A) and Rule 15(B) pending further order of the Commission.

(4) That said Rule 15(A) and Rule 15(B) were suspended in an attempt to make more natural gas available to the Eastern United States during an emergency shortage of natural gas in that region.

(5) That this case was reopened at an Examiner hearing on April 20, 1977, to permit all interested parties to appear and show cause why said suspension should not be rescinded, to consider the matter of final disposition of overproduction accrued during the period of suspension of Rules 15(A) and 15(B), and what, if any, special consideration should be given to underproduction accrued to gas wells during the period of suspension of said rules.

(6) That subsequent to said Examiner hearing, the Commission entered its Order No. R-5373-A on April 26, 1977, finding, among other things:

"(6) That the evidence presented demonstrated that said natural gas shortage emergency is over.

"(7) That the evidence presented demonstrated that suspension of said Rule 15(A) and Rule 15(B) should be terminated.

"(8) That the evidence presented demonstrated that to protect correlative rights, overproduced wells subject to the shut-in provisions of said Rule 15(A) and Rule 15(B) due to overproduction should be shut-in following termination of the suspension of said rules.

"(9) That the evidence presented demonstrated that no special consideration should be given to underproduction accrued to gas wells during the period of suspension of said Rule 15(A) and Rule 15(B). *"That*

(7) The Commission, in said Order No. R-5373-A, also found:

"(11) That the termination of said suspension of said Rules 15(A) and 15(B) will not cause waste.

"(12) That the suspension of said Rule 15(A) and Rule 15(B) should be terminated with no special provisions to apply to overproduction or underproduction accrued during the period of said suspension."

(8) That said Order No. R-5373-A ordered, among other things:

"(1) That effective at 12:01 a.m. Mountain Daylight Time, May 1, 1977, the suspension of Rule 15(A) and Rule 15(B) of the

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Case No. 5872 De Novo
Order No. R-5373-B

General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended, is hereby terminated."

(9) That the applicant in the instant case, El Paso Natural Gas Company, made timely application for a hearing De Novo of Case No. 5872, whereupon this case came on for hearing before the Commission.

(10) That the evidence presented to the Commission corroborates and substantiates the Commission's findings in Order No. R-5373-A, as recited in Findings Nos. (6) ^{and (7)} above, and the Commission finds that said findings should be, and they are, reaffirmed.

(11) That to not require wells which were overproduced during the emergency period to make-up such overproduction would impair the correlative rights of owners of offsetting lands.

(12) That wells which were overproduced during the emergency period should be required to make up such overproduction in accordance with the provisions of Commission Order No. R-1670, as amended, in order to protect correlative rights.

(13) That the protection of correlative rights is a necessary adjunct to the prevention of waste.

(14) That in order to prevent waste and to protect correlative rights, Commission Order No. R-5373-A should be reaffirmed.

IT IS THEREFORE ORDERED:

(1) That effective at 12:01 a.m. Mountain Daylight Time, May 1, 1977, the suspension of Rule 15(A) and Rule 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended, is hereby terminated.

(2) That no special consideration shall be given to wells accruing underproduction during the period in which Rule 15(A) and Rule 15(B) of Order No. R-1670, as amended, were suspended.

period should be required to make up such overproduction in accordance with the provisions of Commission Order No. R-1670, as amended, in order to protect correlative rights.

(13) That the protection of correlative rights is a necessary adjunct to the prevention of waste.

(14) That in order to prevent waste and to protect correlative rights, Commission Order No. R-5373-A should be reaffirmed.

IT IS THEREFORE ORDERED:

(1) That effective at 12:01 a.m. Mountain Daylight Time, May 1, 1977, the suspension of Rule 15(A) and Rule 15(B) of the General Rules for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended, is hereby terminated.

(2) That no special consideration shall be given to wells accruing underproduction during the period in which Rule 15(A) and Rule 15(B) of Order No. R-1670, as amended, were suspended.

(3) That all overproduction accruing to wells during the period in which Rule 15(A) and ~~the~~ Rules 15(B) of Order No. R-1670, as amended, ~~was suspended~~ shall be made up in accordance with the provisions of said Order No. R-1670, including the shuttling-in of wells which are ~~the~~ ~~times as much~~ overproduced in an amount exceeding six times their average monthly ~~amounts~~.

(4) 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 herein-above designated.