

BEFORE THE OIL CONSERVATION COMMISSION
NEW MEXICO ENERGY AND MINERALS DEPARTMENT

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

IN THE MATTER OF THE HEARING CALLED)
BY THE OIL CONSERVATION COMMISSION ON)
ITS OWN MOTION TO CONSIDER CERTAIN)
AMENDMENTS TO RULE 902 OF THE OIL)
AND GAS RULES AND REGULATIONS)

Case No. 7962 Exhibit No. 1
Submitted by EPNG
CASE HEARING Date 9/22/83

PROPOSED AMENDMENTS OF
EL PASO NATURAL GAS COMPANY

EL PASO NATURAL GAS COMPANY ("El Paso") respectfully submits the following proposed amendments to Rule 902 of the Oil and Gas Rules and Regulations:

RULE 902. RATABLE TAKE

(a) Any person now or hereafter engaged in purchasing from one or more producers, gas produced from gas wells or casing-head gas produced from oil wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells or casing-head gas produced from oil wells with which its gas transportation facilities are connected in the pool [~~and other gas wells with which its gas transportation facilities are connected in the pool~~] and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells or casing-head gas produced from oil wells in which he has an interest, direct or indirect, as against other production from gas wells or casing-head gas produced from oil wells in the same pool. For the purposes of this rule reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply (1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of the rules, regulations or orders of the Division, (2) [~~to purchases of casinghead gas from oil wells, and~~ (3)] to persons purchasing gas principally for use in the recovery or production of oil or gas, or (3) to any well for

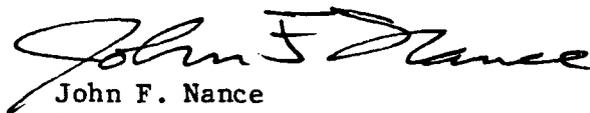
which, after due notice and hearing, a determination has been made that restricting or shutting in production from the well will result in damage to the well or waste.

(b) Any common purchaser taking gas produced from gas wells or casing-head gas produced from oil wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the Division consistent with this rule. The Division, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

(c) Nothing in this rule shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

El Paso believes that its proposal maintains the consistency between Rule 902 and its related statute, 70-2-19 NMSA 1978, as amended. El Paso also believes that it is consistent with the intentions of the Commission to exclude from the nondiscrimination and ratable take provisions of the Oil and Gas Rules and Regulations wells which are found to be "hardship wells." To provide for such exclusion, El Paso respectfully submits the foregoing Proposed Amendments for the Commission's consideration.

Respectfully submitted,



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BEFORE THE OIL CONSERVATION COMMISSION SOUTH DAKOTA
Case No. <u>7962</u> Int. No. <u>1</u>
Submitted by <u>R. L. Stamets</u>
Hearing Date <u>9/22/83</u>