

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
22 September 1983

COMMISSION HEARING

IN THE MATTER OF:

The hearing called by the Oil Conservation Division on its own motion to consider certain amendments to Rule 902 of the Oil and Gas Regulations. CASE  
7962

BEFORE: Commissioner Joe Ramey, Chairman  
Commissioner Ed Kelley

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: W. Perry Pearce, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

A P P E A R A N C E S

For El Paso Natural Gas: John F. Nance, Esq.  
El Paso Natural Gas Co.  
P. O. Box 1492  
El Paso, Texas 79978

For Doyle Hartman: William F. Carr, Esq.  
CAMPBELL, BYRD, & BLACK P.A.  
Jefferson Place  
Santa Fe, New Mexico 87501

For Penroc Oil Corp.: W. Thomas Kellahin, Esq.  
KELLAHIN & KELLAHIN  
P. O. Box 2245  
Santa Fe, New Mexico 87501

For Union Texas Pet.: Owen M. Lopez, Esq.  
HINKLE, COX, EATON, COFFIELD  
& HENSLEY  
P. O. Box 2068  
Santa Fe, New Mexico 87501

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

I N D E X

RICHARD L. STAMETS

Direct Examination by Mr. Pearce	6
Cross Examination by Mr. Ramey	8

STATEMENT BY MR. NANCE	10
------------------------	----

PAUL BURCHELL

Direct Examination by Mr. Nance	13
Cross Examination by Mr. Ramey	17
Cross Examination by Mr. Kellahin	19

STATEMENT BY MR. PEARCE	23
-------------------------	----

STATEMENT BY MR. VINCENT SWEENEY	25
----------------------------------	----

STATEMENT BY MR. BURCHELL	27
---------------------------	----

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

4

**E X H I B I T S**

**Division Exhibit One, Document**

6

**El Paso Exhibit One, Proposal**

10

1  
2  
3 MR. RAMEY: Call next Case  
4 7962.

5 That's in the matter of the  
6 hearing called by the Oil Conservation Commission on its own  
7 motion to consider certain amendments to Rule 902 of the Oil  
8 and Gas Rules and Regulations.

9 MR. PEARCE: May it please the  
10 Commission, I am W. Perry Pearce, appearing in this matter  
11 on behalf of the New Mexico Oil Conservation Division.

12 I have one witness and would  
13 ask that the record show that he has been previously sworn  
14 and qualified at this hearing.

15 MR. RAMEY: I think we can ar-  
16 range that.

17 Any other appearances?

18 MR. NANCE: May it please the  
19 Commission, my name is John Nance. I'm an attorney for El  
20 Paso Natural Gas Company.

21 El Paso has one individual this  
22 morning who may present testimony if -- if it is requested  
23 by the Commission.

24 MR. RAMEY: All right, Mr.  
25 Pearce, why don't you proceed.

MR. PEARCE: All right, thank  
you.

1  
2  
3 RICHARD L. STAMETS,  
4 being called as a witness and being previously sworn upon  
5 his oath, testified as follows, to-wit:

6 DIRECT EXAMINATION

7 BY MR. PEARCE:

8 Q Mr. Stamets, for the Commission and those  
9 in attendance at this hearing, would you briefly summarize  
10 the purpose of Case 7962?

11 A Yes, I'll do this.

12 The 36th Legislature passed Senate Bill  
13 197, which amended Section 70-2-19 of the Oil and Gas Act,  
14 to extend common purchaser provisions to cover casinghead  
15 gas, as well as gas produced from natural gas wells, and we  
16 have proposed this change to Rule 902 today to cause the  
17 rule to track the amended statute.

18 Q And are the proposed changes prepared in  
19 the form of an exhibit to this hearing?

20 A Yes, they are, and that is marked Exhibit  
21 One in this case.

22 MR. PEARCE: For those in at-  
23 tendance I have some extra copies of that exhibit if anyone  
24 is interested.

25 Q Mr. Stamets, could you explain the con-  
26 tents of Rule 902 and the proposed changes more specifical-  
27 ly?

1  
2           A           Yes.    In the Exhibit Number One what we  
3 have done is gone through and added certain language and de-  
4 leted certain language.

5                        The added language is underlined and that  
6 language which is deleted is in parentheses and the words  
7 are crossed out, and we just read from the top there you can  
8 see that in general the additional language is in the form  
9 that says "or casinghead gas produced from oil wells" and  
10 the deleted portions, at the end of, say, the first para-  
11 graph of this rule, eliminates, then, the exemption to  
12 ratable take provisions of the rule as it is formerly stated  
in there.

13           Q           Do you have anything further at this  
14 time, sir?

15           A           No.    I would point out that Mr. Nance  
16 from El Paso Natural Gas Company mentioned a possible old  
17 error in this rule, something that's been in there for a  
number of years and no one paid any attention to.

18                        In the -- let me just read through here.  
19 What he thinks has happened is that someone has picked up an  
20 extra line at some time in the typing of this thing, and all  
21 of this I believe is correct, and I'll tell you when the ad-  
22 ditional line comes in.

23                        It starts at (a) and says:

24                        "Any person now or hereafter engaged in purchasing  
25 from one or more producers gas produced from gas  
wells or casing head gas from oil wells, shall

1  
2 be a common purchaser thereof within each common  
3 source of supply from which it purchases; and, as  
4 such, it shall purchase gas lawfully produced  
5 from gas wells or casinghead gas produced from  
6 oil wells, with which its gas transportation  
7 facilities are connected in the pool."

8 And then Mr. Nance feels that  
9 the words "and other gas wells with which its gas  
10 transportation facilities are connected in the pool" are un-  
11 necessary and were picked up sometime in the past and we'll  
12 have to take a close look at that and make sure that they --  
13 that is indeed what has happened, and if we should, then, on  
14 that basis, then perhaps that phrase should be removed as  
15 well.

16 MR. PEARCE: Mr. Chairman, I  
17 would move the admission of Exhibit One to Case 7962.

18 MR. RAMEY: Exhibit One will be  
19 admitted.

20 MR. PEARCE: And I have nothing  
21 further at this time, sir.

22 MR. RAMEY: Are there any ques-  
23 tions of Mr. Stamets?

24 CROSS EXAMINATION

25 BY MR. RAMEY:

Q Mr. Stamets, we've had several letters  
from individuals expressing concern about the casinghead

1  
2 gas, that casinghead gas will now be shut in and perhaps in  
3 proportion to what gas well is now shut in.

4 Do you foresee this or --

5 A I certainly believe that this Division  
6 has the power to regulate how much casinghead gas is pro-  
7 duced to prevent waste, and if it should be necessary that  
8 the amount of casinghead gas be restricted going into the  
9 gas market, I would think that it could be done and that re-  
10 striction, then, would be equitably made under -- under  
11 ratable take and under the authority of the Division.

12 But at this time I don't see any need in  
13 casinghead gas being restricted.

14 Q You still think the Division will follow  
15 the same pattern that it has and that casinghead gas will be  
16 produced 100 percent until all gas well gas is shut in.

17 A That is what we have done historically  
18 and some of the best projections that we know about indicate  
19 that this gas over-supply will begin to disappear in 1985,  
20 may be gone by the end of 1985, and we've gotten along under  
21 very, very tight conditions so far without having to re-  
22 strict casinghead gas. I'm very hopeful that that can be  
23 done for the rest of this tight market situation. At this  
24 time I don't see why it cannot be.

25 Q Thank you.

MR. RAMEY: Any other questions  
of Mr. Stamets?

He may be excused.

1  
2 Mr. Nance, would you like to  
3 put on some testimony?

4 MR. NANCE: May it please the  
5 Commission, my name is John Nance.

6 For purposes of appearing at  
7 this hearing I have associated with the firm of Montgomery  
8 and Andrews, and I have a letter from Mr. Kilpatric of that  
9 firm indicating the association, and I'll leave copies with  
10 the reporter and with the Commission.

11 El Paso does have one -- one  
12 item in the nature of an exhibit that we would like to  
13 submit in the case this morning, Your Honor.

14 We have prepared a -- our own  
15 proposed amendments to the Rule 902, which include the  
16 changes that were suggested by Mr. Stamets this morning, and  
17 essentially, our proposal is identical to that submitted by  
18 the -- or submitted to the Commission already, with the ad-  
19 dition of the language in the first portion of the rule,  
20 which Mr. Stamets indicated we have struck, in the belief  
21 that such language was unintentionally left in the rule and  
22 is, in fact, redundant.

23 Primarily, however, our propo-  
24 sal differs from the Commission proposal in that we have ad-  
25 ded an additional category of wells which we feel should be  
appropriately excluded from the ratable take non-discrimina-  
tion, common purchaser rules.

This is somewhat outside the

1  
2 scope of what we recognize as the call of the hearing, and  
3 is not at all in response to the revisions to the common  
4 purchaser statute, which were earlier passed, but we feel  
5 that this change is consistent with the desires of the Com-  
6 mission which have been expressed to preserve a higher  
7 priority for what are considered hardship wells than has  
8 previously existed in the rules.

9           Therefore, we are offering this into the  
10 record in this particular case because we feel that our pro-  
11 posal is a reasonable means of addressing this particular  
12 situation and is one which we feel appropriately sets aside  
13 hardship wells from the provisions of the ratable take sta-  
14 tute, which would otherwise apply.

15           We understand that there were a system of  
16 -- there was a system of priorities that was proposed ear-  
17 lier in this year by -- by the Commission as a -- and we un-  
18 derstand that that system has not had any sort of formal im-  
19 plementation up to this point, but we believe that the sys-  
20 tem of priorities that was suggested is essentially sound  
21 and in light of that we would offer this particular imple-  
22 mentation of priority system insofar as hardship wells are  
23 concerned.

24           There may also be a separate place in the  
25 rules that the individual priorities should be listed and we  
are not attempting to address that entire priority system at  
this time, but only with respect to hardship wells, which we  
understand that there is some concern with among producers

1  
2 in the state, and therefor we would offer this proposal at  
3 this time.

4 Specifically the language that  
5 we are suggesting would be an addition to the final portion  
6 of paragraph (a) of Rule 902, where we would add a third ca-  
7 tegory for exclusion, and the language which we have offered  
8 here, and I will be happy to give copies of our pro-posal to  
9 anyone who has not yet seen them. Is there anyone in the  
10 room who would like one still?

11 Specifically we would add the  
12 words "or (3) to any well for which, after due notice and  
13 hearing, a determination has been made that restricting or  
14 shutting in production from the well will result in damage  
15 to that well" -- or, excuse me -- "damage to the well or  
16 waste."

17 El Paso has brought a represen-  
18 tative from our Production Control Department, Mr. Paul Bur-  
19 chell, and he would be happy to address any specific ques-  
20 tions that the Commission or any other party here might  
21 have with regard to our reason for wanting to implement this  
22 change and the types of comments that we have received in --  
23 from producers to whom we are connected, and I would be hap-  
24 py to offer him as a witness at this point.

25 MR. RAMEY: Probably be a good  
idea to put Mr. Burchell on the stand.

(Mr. Burchell sworn.)

1  
2  
3 PAUL BURCHELL,

4 being called as a witness and being duly sworn upon his  
5 oath, testified as follows, to-wit:

6 DIRECT EXAMINATION

7 BY MR. NANCE:

8 Q I will ask just a couple of preliminary  
9 questions of Mr. Burchell and then tender him for cross exa-  
10 mination for anyone who would desire to do that.

11 Mr. Burchell, what has El Paso's approach  
12 been historically to the situation of wells which might be  
13 considered hardship wells attached to our system?

14 A Historically we've cooperated with the  
15 operator any time he made a request that his well could not  
16 be restricted or that it shouldn't be shut in because some  
17 type of loading up problems. We went along with it in the  
18 nature that his well was coded in such a manner that it was  
19 never shut in.

20 And this worked pretty good until the  
21 supply/demand picture kind of changed and we find out now  
22 that we've got over 119 of these hardship wells that we're  
23 talking about, and this amounts to about 50-million cubic  
24 feet of gas a day. This is non-swing gas that we leave on  
25 all the time, 100 percent of the time, at the request of the  
operator.

And now under the ratable take law we

1  
2 find that we are leaving, somebody else down the line or in  
3 the system has to sacrifice for the gas that we leave on 100  
4 percent of the time, and they, of course, feel that they  
5 might be discriminated against and that we're not being pru-  
6 dent under the ratable take law.

7 And we feel that the Commission now, pro-  
8 bably, should designate those wells that are hardship cases  
9 and we will continue to follow whatever order the Commis-  
10 sion would put out, accordingly, and everybody would be in  
11 accordance with the ratable take law.

12 Q Does El Paso feel it would be appro-  
13 priate, then, for each operator to apply individually for  
14 hardship classification for the wells that he feels meet  
15 that category?

16 A Under the circumstances now, I feel that,  
17 yes, that each well should stand on its own two feet and  
18 that the operator should present to the Oil and Gas Division  
19 sufficient data or proof that it is necessary that his well  
20 be left on unrestricted all of the time or part of the time,  
21 let's say, and to prevent waste or to prevent any damage to  
22 the well, in order to prevent some economic problems with  
23 regard to swabbing all the time, and I think that the burden  
24 of proof should be on the operator and I think it is appro-  
25 priate that the Division make that decision.

Q Does El Paso have wells of its own that  
it would also be willing to apply for this classification  
for?

1  
2 A Yes, we have wells that we would have to  
3 make application for hearing on our own accord.

4 Q Do you feel that it may be appropriate  
5 for some administrative ruling to be issued by the Commis-  
6 sion short of a full -- a full hearing for wells?

7 A Okay. Well, yes, probably this matter  
8 could be handled on an administrative basis, too. The most  
9 appropriate personnel in the Division would be the District  
10 Engineer. He's close to the area that the operator will be  
11 wanting an exemption and he would be able to make a determi-  
12 nation just physically by visiting the well and testing it,  
13 you know, conducting multiple flow tests, and finding out at  
14 what point that well does load up or shuts in, and he could  
15 make a recommendation to the Division and it could be done  
16 administratively, then, without a hearing.

17 Q I did omit a preliminary matter as we got  
18 into your testimony, Mr. Burchell.

19 Have you previously testified before the  
20 New Mexico Oil Conservation Division or one of its Hearing  
21 Examiners?

22 A Yes, I have.

23 Q Were your qualifications found acceptable  
24 at that time?

25 A Yes, they were.

MR. NANCE: Mr. Chairman, I  
would ask that the witness' qualifications again be consi-  
dered acceptable here.

1  
2 MR. RAMEY: They are acceptab-  
3 le, yes.

4 MR. NANCE: Thank you.

5 Q Mr. Burchell, is there anything else that  
6 you would like to add to your testimony at this point?

7 A Well, maybe a little background here.

8 Since the first of the -- well, the first  
9 six months of 1983, those 119 hardship wells that we have,  
10 we received requests from about 34 of them in that time. It  
11 was really within a short period, shorter than that, it was  
12 about five months, and of that amount of -- of the 50-mil-  
13 lion cubic feet a day, that amounted to 10-million cubic  
14 feet a day.

15 So basically, the number of hardship  
16 wells, 30 percent of them came on board within the first of  
17 this year, and they're coming in quite rapidly even today.  
18 Every day we get more.

19 Q Mr. Burchell, do you feel that El Paso's  
20 proposal here would be in furtherance of protection of cor-  
21 relative rights and prevention of waste?

22 A Both of those; both those two points are  
23 directly involved in this case here, the correlative right  
24 issue and I think this is the best way to protect  
25 everybody's correlative rights, and to prevent waste. This  
is where the individual wells can come in and plead with the  
Division and if it is necessary that they be left on all the  
time, I'm sure that will result ultimately in a greater pro-

1  
2 duction and recovery of gas.

3 So both correlative rights and waste are  
4 involved in this suggestion.

5 MR. NANCE: That's all the  
6 questions we -- that I have, Mr. Chairman. The witness is  
7 tendered for cross examination.

8 CROSS EXAMINATION

9 BY MR. RAMEY:

10 Q Mr. Burchell, I've been getting copies of  
11 letters from El Paso to operators saying that you're no  
12 longer going to handle these as hardship wells.

13 Did you put any time factor in this?

14 A Yes, sir, the date of the issuance of the  
15 letter we requested the operator to seek relief from the Di-  
16 vision within 60 days, or else, that that well would be  
17 placed back on the normal schedule, not that it would be  
18 shut in but it would be back, it would fall on the schedule  
19 on its own, and if, in the event the market becomes periods  
20 of very low market, and that well should be on a schedule  
21 where it would have to be cut back, then we would have to  
22 cut it back.

22 Q What if the Commission or Division cannot  
23 handle these in 60 days? It looks like, well, right now  
24 we're faced with 119 individual hearings or individual wells  
25 to be considered.

A Or more. That was July 1st.

1  
2 Q Are you proposing to keep these wells  
3 operating if an operator makes an application for a hearing?

4 A Yes, we've already been contacted by a  
5 couple of operators with this same request that you indi-  
6 cated there, that yes, we would like to make application for  
7 a hearing with the Commission. We don't think we can make  
8 our October the date, whatever the 60 days is, and El Paso  
9 has no problem at all with extending on until such time the  
hearing is held and an order is issued.

10 Q Do you have any suggestions, like to the  
11 fact that a well has to be swabbed to be considered a --  
12 should that be considered a hardship well or should --  
13 should the Division look strictly at, you know, if we shut  
14 in this well, then we're going to lose the capacity to pro-  
duce?

15 A That to me would be one case there, that  
16 you'd have to look at, is the capacity of that well to come  
17 back on production equal to the volume that it was prior to  
18 shut in. That would be an important factor because eventual-  
19 ly, if you follow your P/z plots you'll find that you're ul-  
20 timately losing reserves by shutting these wells in when  
21 they don't come back to full capacity.

22 All your P/z data clearly indicates that  
23 there's loss of reserves. This is the type of data that the  
24 Commission or the Division can ask and request.

25 The fact that it just has to be swabbed  
could play an important part if the economics is such that

1  
2 the cost of the swabbing no longer permits that operator to  
3 produce that well on an on/off basis. Then that might be a  
4 very important factor economically.

5 Q So perhaps we'd consider the loss of re-  
6 serves plus --

7 A Plus economics.

8 Q -- economics of operating the well with a  
9 swabbing condition every month, or whatever.

10 A Yes.

11 MR. RAMEY: Are there any other  
12 questions of Mr. Burchell?

13 MR. KELLAHIN: Yes, Mr. Chair-  
14 man.

15 MR. RAMEY: Mr. Kellahin.

16 CROSS EXAMINATION

17 BY MR. KELLAHIN:

18 Q Mr. Burchell, how long has El Paso main-  
19 tained this hardship well list? This category?

20 A This category, we've maintained, as far  
21 as I know, since I've been with the company, which is nine  
22 years now, and I know that we've maintained this category of  
23 hardship wells even prior to that; as long as the company's  
24 been in existence, I'm sure.

25 Q And that's been done without any specific  
amendment to the ratable take rules?

A Yes, sir. It's never, ever, ever been a

1  
2 problem, up till just --

3 Q Why have you set it aside to handle it  
4 differently than other wells in the pool that are subject to  
5 ratable take?

6 A I think the other wells or the other  
7 operators feel that their correlative rights are being vio-  
8 lated, when some wells in the pool are allowed  
9 uninterruptedly forever and their wells are subject to shut  
10 in, and there are correlative rights problems involved.

11 Q I'll be delighted to have my share of 119  
12 Commission cases on hardship wells, but that really doesn't  
13 sound to me to be the answer to the question.

14 Why can't you continue maintaining a list  
15 using the criteria you've established now and require an  
16 operator to come to a hearing only when there's a disagree-  
17 ment between the operator and the pipeline as to, one,  
18 whether the well qualified as a hardship well, and two, when  
19 there is a dispute over the level of production to be pro-  
20 duced from that well?

21 A Mr. Kellahin, we just don't feel that  
22 the burden of proving whether these wells are hardship or  
23 not, falls on our shoulders.

24 Q Yeah, it's a burden you've assumed for  
25 more than nine years.

A It wasn't a problem till recently.

Q What is the specific criteria now for de-  
termining whether a well is on your hardship list?

1  
2 A Well, the operators have found out, a lot  
3 of them, that just by writing a letter and we take every-  
4 body's word, that when they write a letter to us and say my  
5 well will fall apart, or whatever, shut in, or is damaged in  
6 any way, and we put him immediately into that category of  
7 never being shut in. We take his word for it.

8 Q And after taking his word for it and put-  
9 ting him on the list you've subsequently required him to  
10 provide you with some production or engineering data to es-  
11 tablish the right for him to continue on the list?

12 A That's what I -- that was one direction  
13 that I was going to go, but management thought otherwise,  
14 that it was not up to our Reservoir Engineering Department,  
15 and entire staff of the Production Control Department to  
16 suffer the burden of proving what the operator says.

17 Q I didn't mean for El Paso to make that  
18 burden of proof, but to require the operator to submit a P/z  
19 plot on his well, that sort of thing.

20 A Right, but then we're playing the role of  
21 the Division from the standpoint of accepting that data and  
22 interpreting that data for him and denying it for somebody  
23 else. We're playing the role of a decision making body,  
24 then, and I don't think that's our position.

25 Q For the wells in the hardship category,  
do you set a certain minimum take from those wells on a  
daily basis or do you take whatever they'll produce?

A We do, like I said, we cooperate

1  
2 immediately with the operator when he has a particular prob-  
3 lem well, and at that point we start seeing where that  
4 operator feels that he could cut or choke or pinch that well  
5 back in times of low demand. In some cases the operator  
6 finds that maybe he can choke his well back 50 percent, 75  
7 percent, 25 percent, and he feels that anything below that,  
8 the well will load up, shut in, and then we'll code that  
9 well accordingly that in times of low demand that well is to  
10 never be shut in but can be restricted 50 percent of its  
DPA, or daily producing ability.

11 Q The wells in the hardship category that  
12 would be required to have a notice of hearing, what do they  
13 come in and ask the Commission for?

14 A An exemption to the ratable take rule.

15 Q And that's all they ask for, if they  
16 are exempted from the ratable take rule, then you will take  
17 gas from those wells based on a level the Commission tells  
you you must take?

18 A Yes, sir.

19 MR. KELLAHIN: I have nothing  
20 further.

21 MR. RAMEY: Any other questions  
22 of Mr. Burchell? He may be excused.

23 Just a comment, Mr. Burchell,  
24 if we could get all wells in New Mexico classified as hard-  
ship wells, why then we could shut down Texas and Oklahoma.

25 Does anyone have anything

1  
2 further to add in Case 7962?

3 MR. PEARCE: Mr. Chairman, if I  
4 might make a comment. It occurs to me that as Mr. Nance  
5 said at the beginning, the proposed amendments from El Paso  
6 Natural Gas this morning are outside the scope of what was  
7 advertised in this case and outside, therefor, the notice of  
8 what anyone formally got of this proceeding.

9 It occurs to me that if this  
10 matter is continued to a future hearing date, we might get  
11 some valuable input from the industry about what sort of  
12 criteria might be established to determine whether or not  
13 wells are properly classified as hardship wells.

14 If we could, I would suggest  
15 that if a request is made of El Paso, that it continue its  
16 present procedure until this matter can be further resolved  
17 but we may wind up with a more efficient procedure in the  
18 end than making some decision now without consulting indus-  
19 try on the proper criteria.

20 MR. RAMEY: Would you suggest,  
21 then, Mr. Pearce, that we recirculate this rule with the ad-  
22 dition of El Paso's to industry and then reopen it at a  
23 hearing, perhaps?

24 MR. PEARCE: Yes, sir, I think  
25 perhaps readvertisement and possible circulation of the ac-  
tual proposed amendments themselves, with a regularly mailed  
docket would be appropriate.

1  
2  
3 MR. KELLAHIN: May I make a  
suggestion?

4 MR. RAMEY: Yes, Mr. Kellahin.

5 MR. KELLAHIN: That you incor-  
6 porate into the readvertisement a requirement of El Paso not  
7 to abandon their current hardship list system so that if  
8 that 60-day letter expires we don't have a whole bunch of  
9 upset operators flooding you with all kinds of requests to  
do things you've got under consideration?

10 MR. RAMEY: I think Mr. Bur-  
11 chell has indicated that they will go ahead and continue  
12 producing prior to --

13 MR. KELLAHIN: I understood  
14 that but I wanted it to be clear in the letter.

15 MR. RAMEY: I have no problem  
16 with that, Mr. Kellahin. I don't think it's necessary, but  
17 I have no problem doing it.

18 Okay, then I think we'll just  
19 -- what would be proper, dismiss this today?

20 MR. PEARCE: No, sir, I think  
21 it would be proper to simply continue this case without a  
22 definite date and it will be readvertised at some future  
time.

23 MR. RAMEY: Okay.

24 MR. SWEENEY: May I ask a ques-  
25 tion?

MR. RAMEY: Certainly.

1  
2 MR. SWEENEY: Vincent Sweeney,  
3 and I'm with ARCO Oil and Gas Company in Denver.

4 Do you not have this curtail-  
5 ment schedule in effect, that at one time was sent out? I  
6 have a date here like April 29th, 1983, and it goes through  
7 overproduced, nonmarginal, nonmarginal, marginal, exempt  
8 marginal, casinghead gas, and then finally, I assume the  
9 last one is hardship type wells.

10 Is that not in effect?

11 MR. RAMEY: No, that is not in  
12 effect. That was a suggested change and we have not --

13 MR. SWEENEY: Could that be al-  
14 so included in this suggestion or not, along with everything  
15 else?

16 MR. RAMEY: That's still under  
17 consideration.

18 MR. SWEENEY: As a separate  
19 matter?

20 MR. RAMEY: Yes. I think -- I  
21 think it's a separate matter. Who's going to determine what  
22 a hardship well is?

23 MR. SWEENEY: I understand  
24 that.

25 MR. RAMEY: That's the ques-  
tion.

MR. SWEENEY: I understand  
that's the problem here, but I'm just asking about the rest

1  
2 of the -- I was under the assumption from some place that  
3 these -- this list of curtailment currently was in effect,  
4 so I guess I'm wrong. Is that correct?

5 MR. RAMEY: That's correct, you  
6 are wrong.

7 MR. SWEENEY: Okay, when do we  
8 hear about that, or when will that be acted upon?

9 MR. RAMEY: We discuss that  
10 quite often.

11 MR. SWEENEY: Yeah, but not  
12 while I'm here.

13 MR. RAMEY: I think that's  
14 another matter and it hasn't been -- it hasn't been dropped.

15 MR. SWEENEY: Okay. Well, if  
16 it's considered again will there be some kind of a notice  
17 put out for people to come --

18 MR. RAMEY: We've had two pub-  
19 lic meetings on this. We had a meeting in Hobbs and a  
20 meeting in Farmington on that --

21 MR. SWEENEY: Uh-huh.

22 MR. RAMEY: -- suggested --

23 MR. SWEENEY: Well, I've been  
24 thrown into this kind of as a last minute type of a thing,  
25 and the people weren't aware of what was in effect, and  
neither was I. All I had was this letter, and from the let-  
ter I thought maybe that these, this curtailment schedule  
was in effect, and if so, I wanted to make sure that this

1  
2 rule change of 902 would have no effect on this curtailment  
3 schedule. Is that correct?

4 MR. RAMEY: I think that's cor-  
5 rect, yes.

6 MR. SWEENEY: Okay, would the  
7 rule change have any effect on anything else, like GOR  
8 restrictions, and suff like that?

9 MR. RAMEY: No.

10 MR. SWEENEY: Okay, thank you.

11 MR. RAMEY: If you, you know,  
12 if you want to write me a letter about that curtailment  
13 schedule, I certainly will --

14 MR. SWEENEY: Yeah, well --

15 MR. RAMEY: -- certainly read  
16 it and --

17 MR. SWEENEY: Okay, thank you.

18 MR. RAMEY: -- take any sugges-  
19 tions into consideration.

20 MR. SWEENEY: Sure thing.  
21 Well, I guess I'd say now, the way we look at it, that looks  
22 like a pretty good curtailment schedule. We just went  
23 through the same thing up in Wyoming, and the last on the  
24 list should be hardship cases, and with casinghead gas pro-  
25 bably next to last.

MR. RAMEY: Mr. Burchell?

MR. BURCHELL: Just a sugges-  
tion I thought. Would that be an appropriate time at the

1  
2 continuation of this hearing in this cause today on the Rule  
3 902, when that's continued, at that date maybe also set a  
4 hearing for just going through the priority schedule. In  
5 other words, combine the two at whatever future date you de-  
6 cide upon.

7 MR. RAMEY: That's a  
8 possibility. We'll certainly think about it, Mr. Burchell.

9 Does anyone have anything  
10 further to add in Case 7962?

11 If not, why we will -- we will  
12 continue and readvertise the case at some later date.

13 I think we have some additional  
14 rule changes, it might be possible to circulate all of the  
15 suggested changes along with this and cover it at some later  
16 hearing.

17 Mr. Nance?

18 MR. NANCE: Mr. Chairman, just  
19 one matter of procedure.

20 Would it be better or more  
21 appropriate for El Paso to mark its proposal as an exhibit?  
22 We have not yet done that.

23 MR. RAMEY: Probably would be a  
24 good idea to label it El Paso Exhibit One and we will accept  
25 it.

MR. NANCE: Very well, thank  
you, sir.

MR. RAMEY: Okay, the hearing

is adjourned.

## C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR