

Case Number

4494

Application

Transcripts.

Small Exhibits

ETC.

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

February 3, 1971

EXAMINER HEARING

IN THE MATTER OF:

Application of Southern Union Gas  
Company and Southern Union Gathering  
Company for the suspension of certain  
provisions of Rules 14(A), 15(A) and  
15(B) of the General Rules and  
Regulations for the prorated gas pools  
in Northwestern New Mexico in San Juan,  
Rio Arriba, and Sandoval Counties,  
New Mexico.

Case No. 4494

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

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1 MR. NUTTER: The hearing will come to order, please.  
 2 The first case this morning will be Case 4494.

3 MR. HATCH: Case 4494, Application of Southern  
 4 Union Gas Company and Southern Union Gathering Company for  
 5 the suspension of certain provisions of Rules 14(A), 15(A),  
 6 and 15(B) of the General Rules and Regulations for the prorated  
 7 gas pools in Northwestern New Mexico in San Juan, Rio Arriba,  
 8 and Sandoval Counties, New Mexico.

9 MR. COOLEY: William J. Cooley from the firm of  
 10 Burr and Cooley, Farmington, New Mexico, appearing on behalf  
 11 of the Applicant. I would also like to introduce co-counsel,  
 12 Mr. Boyd Henderson of Dallas, Texas, permit granted to  
 13 practice in the State of Texas.

14 We have only one witness, Mr. Haseltine, whom we'd  
 15 like to have sworn at this time, please.

16 (Witness sworn.)

17 ORAN HASELTINE

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

20 DIRECT EXAMINATION

21 BY MR. COOLEY:

22 Q Mr. Hazeltine, would you state your full name for  
 23 the record, please.

24 A Oran Haseltine, O-r-a-n.

25 Q Where do you reside, Mr. Haseltine?

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1 A Dallas, Texas.

2 Q And by whom are you employed?

3 A Southern Union Gas Company.

4 Q And in what capacity are you employed?

5 A Manager of Gas Supply.

6 Q Are you, in the course of your employment, familiar  
7 with the status of the various gas wells in Northwest New  
8 Mexico which are connected to Southern Union Gas Company and  
9 Southern Union Gathering Company lines?

10 A Yes, sir.

11 MR. COOLEY: Are the witness's qualifications  
12 acceptable to the Examiner?

13 MR. NUTTER: Yes, they are.

14 Q Mr. Haseltine, as a preface to proceeding with your  
15 testimony in this case, would you briefly outline what has  
16 taken place, historically, with respect to gas prorationing  
17 and the application of, particularly, the Rules 14(A) and  
18 15(A) during the history of gas exploration?

19 A Yes. I'd like to go back in time as far as  
20 necessary to pick up all the background that leads us to this  
21 case here this morning. We need to go back at least to  
22 February 1, 1968.

23 Prior to that time, the gas pools had been prorated  
24 and balanced in accordance with existing proration rules  
25 as originally established for the Northwest New Mexico pools.

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1 February 1, '68, was the last normal balancing of those pools.  
2 By "normal," I mean in accordance with the rules as written  
3 and with no exceptions.

4 Now, on February 1, '68, underage that accrued  
5 prior to August 1 of '67 and had not been made up by February  
6 1, '68, was cancelled according to the rules.

7 On August 14 of '68, Case No. 3834 was heard and  
8 that dealt with the application for the suspension of certain  
9 rules providing for cancellation and redistribution of  
10 unproduced underage and for curtailment of overproduced wells.

11 August 1 of '68 would have been a normal balancing  
12 date, and August 14 was the date of the hearing held to  
13 suspend those rules if the Commission approved.

14 On August 20 of '68, in Order Number R-3479, the  
15 Commission issued an order subsequent to that Case No. 3834,  
16 and there are two or three findings in that order of the  
17 Commission that I think are particularly pertinent to the  
18 situation that we're facing today.

19 They made several findings, but the first one I  
20 want to mention is their finding number nine which says that  
21 there has been and will continue to be, for a period of time,  
22 an extremely heavy demand for gas from said prorated gas pools  
23 and so on.

24 And then finding number eleven in that order spoke  
25 of a present and continued need for gas which cannot be

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1 satisfactorarily met if the aforesaid overproduced wells  
2 referred to in certain findings are not allowed to continue  
3 producing.

4 And then, finding number fourteen, the Commission  
5 found that in order to protect correlative rights, prevent  
6 waste, promote conservation and allow each producer in the  
7 prorated gas pools of Northwest New Mexico the opportunity  
8 to produce his just and equitable share of the reserves  
9 underlying said gas pools, the provisions of the aforesaid  
10 Rules 14(A) and 15(A) that provide respectively for the  
11 cancellation of unproduced allowables and the shutting-in of  
12 overproduced wells should be suspended for a period of one  
13 year from August 1, 1968.

14 Now, I pick these findings to particularly  
15 emphasize the situation that existed then. There was a  
16 stronger demand for gas out of the San Juan Basin at that  
17 time than there had been previously.

18 The demand had been met by overproducing certain  
19 wells and those wells were in a substantially overproduced  
20 status at August 1, 1968.

21 So this case came on in August 14 of '68, and the  
22 order issued August 20, '68 provided the right for the  
23 operators and the purchasers to continue to produce gas from  
24 overproduced wells without curtailment and, at the same time,  
25 to continue to take gas from wells that were underproduced

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1 and attempt to make up uncancellable underage that normally  
 2 would have been cancelled on August 1, '68.

3 The thrust of that hearing, the whole point of it  
 4 was to meet a growing and strengthening market demand.

5 Now, Southern Union was in support of that petition  
 6 and was in favor of the order as written. Nevertheless, we  
 7 were not at that time sharing in the market that was  
 8 strengthening to such a degree and the wells that we had that  
 9 were underproduced were becoming effectively more under-  
 10 produced by virtue of the greater total pool allowables that  
 11 were being created.

12 The result of that order in a nutshell was to allow  
 13 the takers to meet market demand, a growing market demand and  
 14 be able to take takes out of the total pool, allowables are  
 15 going to be increased and, as a result, those wells that are  
 16 not sharing in the total market are going to suffer more and  
 17 more underage due to the thrust of the order that was  
 18 issued.

19 Now, in February --

20 Q Then to summarize that point, Mr. Heseltine, the  
 21 result of that order was to actually place the underproduced  
 22 wells in the worst condition rather than in a better condition?

23 A Insofar as those underproduced wells are not connected  
 24 to the growing market, that is correct.

25 Q Is this generally speaking of Southern Union's wells

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1 at that time?

2 A That is correct.

3 Q By Southern Union wells, I mean those producers  
 4 connected to your facilities, either the Gathering Company's  
 5 or Gas Company's.

6 A That is right. The Southern Union Gathering and  
 7 Southern Union Gas producers connected were not exposed to  
 8 the growing market. So the effect there was to continue to  
 9 grant them more allowables and increase their underage.

10 Q Then what was the next outstanding event that took  
 11 place with respect to rules?

12 A In February of '69, the Commission called a hearing,  
 13 I believe that was February 19th, '69, and reviewed the  
 14 effects of the rules of suspension and elected to continue  
 15 that suspension as originally ordered until August 1 of '69.

16 Then on August 1 of '69, there was a balancing in  
 17 accordance with the rules as suspended August 1, '68, and that  
 18 balancing caught up the underage that had been accrued prior  
 19 to 1/31/68 not made up.

20 Q When you say "caught up," it was cancelled, was it  
 21 not?

22 A Right. Right.

23 MR. NUTTER: That was underage accrued to what date?

24 THE WITNESS: Underage accrued to 1/31/68.

25 Now, the next event in this chain of events that



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1 we're trying to background here, February 4, 1970, Case  
 2 Number 4302, again an application for suspension of the  
 3 provision of Rules 14(A), 15(A) and 15(B), and February 20th,  
 4 1970, in Order Number R-3923, the Commission issued an order  
 5 subsequent in that case and, again, let me bring up two or  
 6 three findings that the Commission set out in their order.

7 R-3923, February 20, 1970, finding number seven,  
 8 that there has been and will continue to be for a period of  
 9 time an extremely heavy demand for gas from said prorated  
 10 gas pools, finding number eight, that there is a present and  
 11 continued need for gas which cannot be satisfactorily met if  
 12 the aforesaid overproduced wells referred to in findings  
 13 numbers five and six are not allowed to continue producing,  
 14 and finding number eleven, that in order to protect  
 15 correlative rights, prevent waste, promote conservation and  
 16 allow each producer in the prorated gas pools of Northwest  
 17 New Mexico the opportunity to produce his just and equitable  
 18 share of the reserves underlying said gas pools, the afore-  
 19 said Rules 14(A), 15(A) and 15(B) should be suspended for a  
 20 period of one year from February 1, 1970.

21 The Commission ordered in accordance with those  
 22 findings, again Southern Union was in support of that  
 23 petition and in support of the order as issued, but again  
 24 the thrust of that case was to meet a growing market, and  
 25 as far as the wells are concerned, that did not share in the

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1 market, the net effect was to increase their underage, their  
 2 underproduction and underage subsequent cancellation.

3 Q At that hearing, Mr. Haseltine, there was mention  
 4 of a pending contract between Southern Union Gas Company,  
 5 Southern Union Gathering Company and El Paso Natural Gas  
 6 Company for the sale of substantial quantities of gas from  
 7 the Southern Union facilities to El Paso Natural Gas Company,  
 8 was there not?

9 A Yes, there was.

10 Q Had that contract been formally executed at that  
 11 time?

12 A At the time of the hearing, no, the contract had  
 13 not been signed. Generally, the contract had been agreed to.

14 Q Let's make this Exhibit 1 instead of 2.

15 A All right.

16 Q Was that contract subsequently in fact formalized  
 17 and entered into?

18 A Yes. On February 27, 1970, I believe is the date  
 19 of that contract.

20 Q I hand you a copy of what has been marked as  
 21 Exhibit 1.

(Whereupon, Applicant's  
 Exhibit 1 was marked for  
 identification.)

24 Q And ask you if this is a copy of a contract to  
 25 which you have just referred.

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1 A Yes, sir, this is.

2 Q Did the contract, identified as Exhibit 1, require  
3 approval of the Federal Power Commission?

4 A Yes, sir.

5 Q And did you seek, did you receive, seek and receive  
6 assistance from the New Mexico Oil Conservation Commission in  
7 urging the Federal Power Commission to approve that contract?

8 A Yes, we did.

9 Q Was there any unusual features about the contract  
10 which had not theretofore, to their knowledge, been brought  
11 before the Federal Power Commission?

12 A The outstanding one was, it was a limited term of  
13 agreement. It had three years, and it was required by the  
14 terms of the contract to end in three years without any  
15 further approval by the Federal Power Commission.

16 Q And by that, do you mean that those gas reserves  
17 would, at the end of the three-year period, be withdrawn from  
18 dedication to interstate commerce?

19 A Yes, that is right.

20 Q And revert back to the reserves available to  
21 Southern Union Gas Company and Gathering Company to supply  
22 its intrastate market?

23 A Revert back to the intrastate market, yes.

24 MR. COOLEY: Mark this, please.  
25

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(Whereupon, Applicant's Exhibit 2 was marked for identification.)

Q I had you what's been marked as Exhibit 2 and would ask you to identify this, please.

A This was the letter from the New Mexico Oil Conservation Commission send to the Federal Power Commission urging them to approve Gathering Company's application for the certificate which would allow us to sell gas under the terms of this contract, Exhibit 1.

Q Was it the major thrust of that letter that approval of the gas sales agreement between the Gathering Company and El Paso would tend to protect correlative rights among gas producers in Northwest New Mexico?

A Yes. The letter stated, quoting just in part, that approval would be of great assistance to the New Mexico Oil Conservation Commission in performing its function of protecting correlative rights.

Q Backing up just a moment, would you, rather than go through this Exhibit 3 agreement, briefly outline the set-in points contained in the gas sales agreement marked Exhibit 1 between the Gathering Company and El Paso.

A Well, the contract just generally provided that for a period of three years, the Gathering Company would sell up to fifty million a day, fifty million cubic feet per day of gas that was not needed by Southern Union Gas Company for its

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1 New Mexico markets. Now, this means that if Southern Union  
2 Gas Company needs the gas which New Mexico markets, it gets  
3 first call on what's available. But if there's gas excess to  
4 that need, then Gathering Company has the right to sell it to  
5 El Paso up to fifty million a day and, in fact, by agreement  
6 of both parties on any given day, volumes in excess of fifty  
7 million per day can be sold under the agreement.

8 Q Have volumes in excess of fifty million per day in  
9 fact been sold in the agreement?

10 A Yes. During the summer months when this thing  
11 was operative, Gathering Company sold eighty and ninety million  
12 cubic feet per day at times under this agreement.

13 Q Is it primarily during the summer months that sales  
14 under this agreement are possibly by reason of the fact that  
15 during the peak months, you require your own reserves to  
16 serve your own market?

17 A That is right. During the heating months when the  
18 demand is high for gas by Southern Union Gas Company to  
19 serve its New Mexico markets, very little gas, in fact none  
20 for many, many days, is sold under the agreement.

21 Q Well then, if I understand you correctly, the main  
22 benefit to be derived from this, as far as reducing underage  
23 of wells connected to Gathering system's facilities comes  
24 during the summer months.

25 A That is correct.

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1 Q Did you anticipate that you would receive full  
 2 benefit of this during the summer of 1970?

3 A Yes. We signed the contract early in 1970, made  
 4 the filing early in 1970 and --

5 Q When did you make the filing?

6 A That filing was dated March 20th, 1970. We  
 7 anticipated that the thing would receive timely approval and  
 8 we could start gas runs coincident with the lessening demand  
 9 in New Mexico for that gas.

10 Q Did you in fact receive speedy approval of this  
 11 agreement from the Federal Power Commission?

12 A No. Approval was not received until August 2nd,  
 13 1970.

14 Q Was this as a result of certain objections raised  
 15 by staff members of the Federal Power Commission?

16 A I guess that's right. I think it was foot dragging,  
 17 and we felt that it was, all along.

18 We really were never able to define just what  
 19 problem they were having with it, and I have to believe that  
 20 they couldn't find it, either.

21 Ultimately, they got off the dime and gave us approval  
 22 nearing the end of the summer.

23 Q What was the result of the Federal Power Commission's  
 24 delay in granting approval to this sales agreement insofar as  
 25 reducing underage during 1970?

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1 A We missed about three good months that we could run  
 2 fifty to ninety million a day to El Paso and reduce some  
 3 underage in the process.

4 Q Would that have been a substantial quantity?

5 A Yes, that would have been. Let's say we missed  
 6 fifty million a day for a hundred days, that's what, five  
 7 billion feet?

8 Q Yes, sir.

9 A Which essentially it all would have been underage.

10 Q Do you have anything further that you want to bring  
 11 forward with respect to the historical effects of what has  
 12 taken place to this point?

13 A I'd like to cover a little bit of the cancellable  
 14 situation through 1970 and I prepared a draft along those  
 15 lines.

16 Q I hand you what's been marked as Southern Union's  
 17 Exhibit Number 3.

(Whereupon, Applicant's  
 Exhibit 3 was marked for  
 identification.)

20 Q I hand you what's been marked as Southern Union's  
 21 Exhibit Number 3 and ask you to identify and explain what is  
 22 set forth thereon.

23 A This is a graph of the amount subject to cancella-  
 24 tion on those wells connected to Southern Union Gas Company and  
 25 Southern Union Gathering Company as that amount subject to

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1 cancellation changed through the year 1970.

2 Q Was this graph or exhibit prepared by you or under  
3 your supervision?

4 A Yes.

5 Q Proceed to explain it, please.

6 A First of all, I'd like to point out that there's  
7 generally a pretty good downward slope, uniform downward  
8 slope of this curve. This means that our own markets in New  
9 Mexico have been growing. They are continuing to grow and,  
10 absent all these other things, we were catching up on some of  
11 this cancellable underage beginning at the end of January,  
12 1970, we were carrying about eleven point seven billion cubic  
13 feet of underage on all the connections, wells connected to  
14 our systems.

15 Q Let me interrupt again for the moment. This has to  
16 do with underage of all connections to Gas Company as well  
17 as Gathering Company, is that correct?

18 A That is correct. Right. By the end of December,  
19 this had been worked down to about four point five billion  
20 cubic feet of underage. But now, there are two or three  
21 findings in that curve that I want us to look at.

22 First of all, during the month of February, there  
23 was reclassification of a large number of wells from marginal  
24 -- pardon me -- from nonmarginal to marginal, and the  
25 allowables and underage situation of those wells was taken



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1 off the books, so there was about one point four billion cubic  
 2 feet of underage removed at that time, just simply due to  
 3 reclassification.

4 So had that reclassification not been in the picture,  
 5 we would properly have been looking at ten point -- let's call  
 6 it ten point twenty-five billion cubic feet subject to  
 7 cancellation at the end of January.

8 So this came down a little bit, as our market  
 9 required the gas and as we were able to produce those  
 10 underproduced wells.

11 In the month of May, some of that that had been  
 12 reclassified was reinstated, and so you see a small increase  
 13 in the month of May of reclassification -- pardon me -- of  
 14 cancellable allowables.

15 Q That's as a result of reinstatement of allowables  
 16 to wells that were classified marginal in February and  
 17 reclassified as nonmarginal in May?

18 A Generally, that's right. That's virtually true  
 19 for all of that.

20 Now then, again coming on down the curve through  
 21 the month of June and July, you see that general downward slope  
 22 which means we were doing some catching up with our New Mexico  
 23 markets, but then from the end of July to the end of August,  
 24 we made a really substantial reduction in cancellable  
 25 underage, something in the order of two billion cubic feet

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1 and you'll notice that that is, by far, the greatest reduction  
 2 in any one month throughout the year.

3 Q How do you account for this substantial reduction  
 4 in August?

5 A August the 2nd was the date of certification by  
 6 the Federal Power Commission of the new sale to El Paso.  
 7 August 2nd was the date that gas got turned through that  
 8 meter run. We were as ready as we could be, and started gas  
 9 running immediately within a matter of hours.

10 So August, the people that were dispatching the  
 11 wells in the fields were turning all the gas they could possi-  
 12 bly turn into that El Paso connection to try to catch up.

13 Q Then I take it that the decline shown in August is  
 14 a graphic representation of what can be accomplished during a  
 15 summer's month by efforts of Southern Union Gas Company and  
 16 El Paso Natural Gas Company through the auspices of the gas  
 17 sales agreement referred to as Exhibit 1.

18 A That is correct, and this is the kind of reduction  
 19 we should have been making in May, June and July and had the  
 20 Federal Power Commission certificate of the arrangement at  
 21 an early time, then I feel that there's no doubt of what we  
 22 could have made that same kind of reduction in total underage  
 23 for three or four months, instead of just during one month in  
 24 1970.

25 In the months of September, October and so on, we

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1 were faced with the increasing heating requirements and load  
 2 in our own market area, so we had to turn this gas back and,  
 3 of course, El Paso was faced with billing its own total  
 4 deliveries during those months, too. So there was no catch  
 5 up available to us during the last four months of the year.

6 Q Mr. Haseltine, in your opinion, does the sale of  
 7 the quantities of gas referred to in the gas sales agreement  
 8 marked as Exhibit 1 in any way adversely affect Southern  
 9 Union's ability to meet its intrastate demand?

10 A No, not at all. Southern Union Gas Company, as an  
 11 intrastate utility company, recognizes that it has a very  
 12 real obligation to maintain reserves and deliverability for  
 13 its New Mexico markets and the purpose of this sale is to  
 14 sell off peak gas for a period of three years only, to catch  
 15 up with the difference between total markets that presently  
 16 exist between the major takers out of the basin.

17 This does not affect our total reserves or long-life  
 18 reserves for the intrastate markets of New Mexico.

19 Q All right, Mr. Haseltine. Does that conclude your  
 20 remarks with respect to what has taken place up through  
 21 February of 1970?

22 A Yes, I believe it does.

23 Q Have you prepared an exhibit that reflects your  
 24 estimation and opinion as to the results that will occur with  
 25 respect to underage accrued to Southern Union Gas Company and

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1 Gathering Company facilities and wells connected thereto,  
 2 depending on whether the present application is or is not  
 3 granted?

4 A Yes, I have a tabular exhibit that will show that.

5 MR. COOLEY: Mark that as Exhibit 4, please.

6 (Whereupon, Applicant's Exhibit  
 7 Number 4 was duly marked for  
 identification.)

8 Q I hand you what's been marked Exhibit 4 and ask  
 9 you if this is the tabular exhibit to which you just referred?

10 A Yes, it is.

11 Q Would you explain the matters set forth thereon?

12 A First of all, this is the combined picture of  
 13 Southern Union Gas Company and Southern Union Gathering  
 14 Company connected wells. It's broken down by prorated pools,  
 15 Basin-Dakota on the left, out on the west, to Fulcher-Kutz-  
 16 Pictured Cliffs out on the right, and then the total column  
 17 of prorated pools.

18 And then the column on the far left identifies what  
 19 each line is.

20 First of all, this top line is the estimated  
 21 allowable subject to cancellation February 1, 1971. That's  
 22 two days ago.

23 Without the exception granted that we have asked for  
 24 here this morning, the amounts shown in line one across the  
 25 top will be cancelled effective February 1, 1971, as soon as

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1 all the monthly production data is in and available to the  
 2 Commission.

3 There will be a total of four billion cubic feet  
 4 cancelled. All of these numbers are m.c.f. in the exhibits,  
 5 so we have to add three zeroes mentally here if we are going  
 6 to talk about billion cubic feet.

7 The total that would be subject to cancellation and  
 8 presumably would be cancelled on February 1, 1971, would be in  
 9 excess of four billion cubic feet without a stay in this  
 10 balancing order.

11 Q And this gas allowable will be forever lost to the  
 12 producers that have accumulated this underage?

13 A That is correct. That will be taken off their wells  
 14 and thrown back in the pot and they will get a little piece of  
 15 this.

16 Q Approximately what percentage, if this were  
 17 redistributed among all the wells in the pool, do you have an  
 18 estimation of approximately what percentage would be  
 19 reallocated to these wells?

20 A It would probably be something in the order of five  
 21 percent to any given individual well that would lose allowable  
 22 under this cancellation.

23 Q In effect, would lose approximately ninety-five  
 24 percent of their underage?

25 A Right. That is correct.

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1 Q Go ahead and proceed then with the further  
 2 explanation of Exhibit 4.

3 A Now, let's look down at line three next. That's the  
 4 estimated allowable that would be subject to cancellation  
 5 August 1, '71. Again, if we have no stay in balancing and  
 6 that is something in excess of seven billion cubic feet, so  
 7 if we proceed and let the rules be observed without an  
 8 exception, as we have asked for, there's going to be a total  
 9 of eleven billion plus cubic feet of allowable lost to the  
 10 producers who have had a right, and we believe should have a  
 11 continued opportunity to produce that gas. Seven plus four, a  
 12 total of eleven billion cubic feet subject to cancellation  
 13 without a stay in balancing.

14 Now, line two and line four, is the cancellable  
 15 underage that we believe can be made up if we are granted a  
 16 stay in balancing for one year.

17 Now, of the four billion that's going to be  
 18 cancelled February 1, we think we can make up something over  
 19 two billion. Of the seven billion --

20 Q Let me interrupt at this point. Why can't you make  
 21 up the entire four billion?

22 A Some of the wells are not going to make it up.  
 23 Some of the wells are -- I'm not going to say they are  
 24 marginal, but they are in the area where they might or might  
 25 not be reclassified marginal. They certainly will not make

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1 it up even though they produce 365 days a year.

2 Q I take it you mean they cannot produce their current  
3 allowable, plus a substantial amount in excess of current  
4 allowable?

5 A That is right, yes.

6 Q But you feel that you can reasonably expect to make  
7 up approximately half of the underage that would be  
8 cancelled today unless this application is granted?

9 A That is right, and this would be with existing  
10 facilities and this, I think, is a conservative number we've  
11 not tried to pad. In fact, I think we can really bet it,  
12 but this is all I'd like to stick my neck out on and say we  
13 can make it, but I do think we can make up that two point  
14 billion there at the end of line two.

15 Q Is this based solely upon the gas sales agreement  
16 benefit to be derived?

17 A Yes. This makeup has essentially all got to be run  
18 through the El Paso connection.

19 Q Now, with respect to the allowable that is subject  
20 to cancellation on August 1 of 1971, approximately what  
21 amount of that underage do you believe you will be able to  
22 make up?

23 A About one point eight billion in total there.  
24 Something of over four billion can be made up with a stay  
25 in balancing. We are looking at --

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1 Q If the stay is extended for a period of one year?

2 A Extended for a period of one year, right. We're  
3 looking at eleven billion that is subject to cancellation.  
4 It can't all be made up, and I think that any that can be  
5 made up reasonably can be made up within a year. I think  
6 that's about four billion feet, something in excess of that.

7 Q In your opinion, Mr. Haseltine, do you feel that the  
8 one year extension that's here requested will accomplish for  
9 all practical purposes about all that can be accomplished  
10 with respect to this underage?

11 A Yes, I think that one year, one good summer's run  
12 to the El Paso connection will effectively get all that can  
13 reasonably be expected to be gotten.

14 Q And that again is because the other seven million  
15 is allocated to wells that cannot substantially overproduce  
16 their current allowable?

17 A That is correct.

18 Q So then, I know this is difficult for you, but in  
19 your estimation, do you feel that a year hence, that you  
20 could reasonably be expected to be repeating the performance?

21 A No. We foresee no need at all at this time that  
22 where we -- there's no situation where we would want to come back  
23 in a year from now and ask for another extension. We think if  
24 it can be gotten in a year, we'll get it. If it can't, then  
25 this is all that reasonably ought to be tried in this direction.



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1 Q Now, in addition to the benefits that you have  
2 explained that will flow from the gas sales agreement with  
3 El Paso, has Southern Union Gas Company and Gathering Company  
4 any other plans that would further tend to reduce the underage  
5 accumulated to the wells connected to its facilities?

6 A Yes. Again, let me emphasize that Exhibit  
7 Number 3, the tabular exhibit -- I believe we did call that  
8 three?

9 Q It is four.

10 A Four. All right. Exhibit 4 pertained to our  
11 performance only with existing facilities.

12 Now, in addition to that, we have planned some  
13 additional six thousand horsepower, compressor horsepower  
14 to be installed in the San Juan Basin this year.

15 We probably have, in the San Juan Basin, between  
16 fifteen and twenty thousand existing compressor horsepower,  
17 and our plans are to add in the neighborhood of another six  
18 thousand. Some of that horsepower is on order, has been on  
19 order for several months. Some of it is scheduled for  
20 delivery. Some of it is still tentative. We're not sure  
21 that we'll put it in this year or next, but our plans right  
22 now are along the lines of an additional six thousand horse-  
23 power to handle gas out of the basin.

24 Now, in addition to that, we've got quite a bit of  
25 pipeline tubing that we have planned for this year and some

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1 additional pipeline lubing for 1972. We'll be doing some  
 2 lubing on the Albuquerque 20-inch main line and some lubing  
 3 on the gathering trunks coming out of the Largo-Tapacito-  
 4 Jicarilla area, plus some additional minor lubing that is of  
 5 not this large size.

6 There's one other thing that we've got in mind and  
 7 that's development of storage area, underground storage in  
 8 an area that would serve our New Mexico markets and this  
 9 would be normally loaded during the summer, during off-peak  
 10 months with additional gas and would be available to markets  
 11 during winter, with the total effect that it's going to  
 12 increase total production by our connections, total movement  
 13 of gas out of the basin.

14 Q Now, Mr. Haseltine, the additional compressor  
 15 facilities and the pipeline lubing will have a particular prac-  
 16 tical effect on the productibility of the wells connected  
 17 to the facilities, will it not?

18 A That is right.

19 Q What is that then?

20 A Well, the effect will be some of these wells that  
 21 we are talking about that are sort of in the gray area that  
 22 can make up allowables but can't catch up underage, some of  
 23 those will catch up underage that we haven't put a number to  
 24 here in Exhibit Number 4.

25 Q Will that be because as you lower the line pressure --

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1 A As we lower the line pressure, some of these  
 2 weaker lines are going to come up and catch up on the underage.

3 Q The obvious fact is that the lower the line pressure,  
 4 the more the well can make?

5 A That is correct.

6 Q And the installation of storage facilities, I  
 7 assume, would tend to level off their takes rather than make  
 8 them seasonal?

9 A That is right. It would have two effects, really.  
 10 You'd increase your total summer's load, and you would also,  
 11 in the wintertime, at least for let's say some of the  
 12 entire immediate heating season, you would still be able to  
 13 run gas to El Paso without taking storage out of the heating  
 14 months, which is an advantage both in summer and winter  
 15 weather.

16 Q Is there anything else you'd like to add to your  
 17 testimony, Mr. Haseltine?

18 A No, sir.

19 MR. COOLEY: This concludes the direct examination  
 20 of this witness, Mr. Nutter.

21 MR. NUTTER: Are there any questions for  
 22 Mr. Haseltine?  
 23  
 24  
 25

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CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Haseltine, you mentioned storage would help you out in that problem. Does Southern Union have storage area in mind?

A We've got two or three mapped out. We are starting some title work to see what the ownership situation is, and the geologists plan, as soon as they can plan on the weather, to go out to do surface work, and we'll follow that up this year with some core drilling to attempt to find some structures if all these steps continue to prove favorably at this time.

Q Will this be down in the Albuquerque area?

A Yes. It will be close enough to the Albuquerque area that provides a muscle for the Albuquerque gas supply situation.

MR. UTZ: That's all I have.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Haseltine, you were mentioning the order numbers that the Commission had entered, and I don't think you did give the number of the order that was entered on February 19th of 1969. What was that order that continued the suspension?

A I don't know what that order was.

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1 O Well, I can get that. I just thought that you  
 2 would have had it.

3 A Our file is incomplete. There was an order issued.  
 4 I think it was a matter reviewed and then an order issued,  
 5 I believe.

6 MR. NOLAND: Mr. Examiner, I believe it was an  
 7 administrative.

8 MR. NUTTER: Just an administrative extension or  
 9 something like that?

10 MR. NOLAND: Yes, I believe so.

11 Q (Mr. Nutter continuing) Now, Mr. Haseltine, you  
 12 indicated that this rapid decrease in the amount of underage  
 13 was effected during August when you turned everything on,  
 14 so-to-speak. Now, why did it level off so much then during  
 15 September and October? Had your local increase in demand  
 16 already taken effect in September that you'd have such a  
 17 leveling off effect?

18 A It was beginning to take effect, right. Now, the  
 19 only way that we can catch up is that Southern Union  
 20 connections supply gas for the El Paso market through that  
 21 El Paso connection. Now then, as El Paso or Southern Union  
 22 have to dispatch so that we cannot in effect displace their  
 23 own production, then there can be no catch up.

24 Total pools allowable simply increase. There has  
 25 to be a movement of gas from our reserves to displace gas

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1 that they ordinarily would have taken from their reserves  
 2 in order to play catch up; as the fall and winter months come  
 3 on, of course, you've got some load increase by California  
 4 which is demanding gas, too, in preparation for the winter.

5 So in total, effect is to pull everything out of  
 6 the basin that can come out and there's no opportunity for  
 7 us to displace part of the gas that would otherwise have  
 8 come from El Paso reserves.

9 Q Well, I wouldn't think there'd be enough difference  
 10 in August and September to make the change. You reduced the  
 11 amount by two billion cubic feet in August --

12 A Right.

13 Q -- and in September, you reduced it by only two-tenths  
 14 of a billion which, to me, seems like a tremendous difference  
 15 there between those two months, and there's not that much  
 16 difference in the weather during August and September.

17 A Well, you remember also in the summer, recent  
 18 hearings, we talked about fluctuation of allowables that  
 19 don't exactly follow the fluctuation in demands. The allowables  
 20 are cycling back and forth over the curve that represents  
 21 total takes and without looking it up, I suspect that  
 22 September had some high allowables dropping on these wells  
 23 as compared to the August allowables, so there wasn't much  
 24 catch up.

25 Q So this would not reflect takes only then?

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1 A Not necessarily.

2 Q Takes against allowables?

3 A Right. Right.

4 MR. COOLEY: It doesn't reflect any takes against  
 5 current allowables, Mr. Nutter. Only reduction in underage.

6 MR. NUTTER: Right. Are there any further  
 7 questions of the witness? He may be excused. Anything  
 8 further, Mr. Cooley?

9 MR. COOLEY: I have nothing further. I would like  
 10 to make a closing statement. Aztec Oil and Gas Company, I  
 11 believe, intends to enter an appearance in this case and  
 12 present testimony, so I pass the ball to them at this point.

13 MR. STARKZ: Thank you, Mr. Cooley. My name is  
 14 Joe E. Starkz. I'm a member of the Texas bar and  
 15 employee of Aztec Oil and Gas Company of Dallas, Texas.

16 I believe, Mr. Examiner, that you have written notice  
 17 of appearance of local counsel, Mr. L. C. White on our behalf.

18 MR. NUTTER: Yes, we do.

19 MR. STARKZ: May I proceed?

20 MR. NUTTER: Yes.

21 MR. STARKZ: Thank you, Mr. Examiner. By way of  
 22 prefacing remarks, I would like to state that Aztec Oil and  
 23 Gas Company supports in its entirety the application of  
 24 Southern Union Gas Company and Southern Union Gathering Company  
 25 in Case Number 4494 now pending before this Commission.

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1 However, I 'd like to further add that Aztec Oil  
 2 and Gas Company has no overproduced wells which would be  
 3 affected by a suspension of Rules 15(A) or 15(B) and our  
 4 support of that part of the application is in the interest of  
 5 fairness, only. It being our position that relief furnished  
 6 on account of underproduction should be accompanied by  
 7 similar relief with respect to overproduction; however, our  
 8 economic interest is directly affected by that portion of  
 9 the application relating to the suspension of Rule 14(A) and  
 10 we will, therefore, submit evidence to this portion of the  
 11 application only. In this regard, Aztec will offer only one  
 12 witness, Mr. Prentice Watts.

13 MR. HATCH: Will you stand and be sworn.

14 (Witness sworn.)

15 PRENTICE WATTS

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

18 DIRECT EXAMINATION

19 BY MR. STARKZ:

20 Q Mr. Watts, for the record, will you state your  
 21 name, please.

22 A My name is Prentice Watts.

23 Q And by whom are you employed and in what capacity?

24 A I'm employed by Aztec Oil and Gas Company. I'm  
 25 Vice President in charge of Production and Engineering.



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1 Q Have you testified before this Commission on prior  
 2 occasions with respect to matters which come within the scope  
 3 of your supervision in your present position with Aztec Oil  
 4 and Gas Company?

5 A Yes, I have.

6 MR. STARKZ: Mr. Examiner, are there any questions  
 7 with regard to this witness's qualifications?

8 MR. NUTTER: No, sir. He's qualified.

9 MR. STARKZ: Thank you, Mr. Examiner.

10 Q Mr. Watts, as Vice President and Manager of  
 11 Production Operations for Aztec Oil and Gas Company, are you  
 12 familiar with the application made by Southern Union Gas and  
 13 Southern Union Gathering Company in Case Number 4494 now  
 14 pending?

15 A Yes, I am.

16 Q Will this application affect Aztec Oil and Gas  
 17 Company's interest?

18 A Yes, it will affect Aztec, but principally with  
 19 respect to that portion of the application which requests  
 20 the suspension of Rule 14(A).

21 Q And how would the granting of that portion of the  
 22 application with reference to the suspension of Rule 14(A)  
 23 affect Aztec's interest?

24 A Well, Aztec owns and operates sixteen wells now  
 25 connected to the Southern Union Gathering Company system which

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1 are greatly underproduced. Now, this underproduction from  
 2 these wells totals about one billion seven hundred million  
 3 cubic feet.

4 Q Now, an estimated nine hundred and twenty-one  
 5 million cubic feet of that amount is subject to cancellation  
 6 right now in this current proration period which started the  
 7 day before yesterday.

8 MR. COOLEY: Mr. Examiner, wasn't it a hundred  
 9 and twenty-nine cubic feet?

10 THE WITNESS: Nine hundred twenty-one million cubic  
 11 feet.

12 Q Mr. Watts, have you prepared an exhibit which will  
 13 show these particular wells to which you refer and their  
 14 totals underproduction?

15 A Yes. Our Exhibit Number 1 lists the sixteen under-  
 16 produced wells. I mean, we do have some other underproduced  
 17 wells, but this exhibit includes only underproduced wells that  
 18 are capable of making up some back allowable.

19 MR. STARKZ: Mr. Examiner, will this please be  
 20 identified as Aztec's Exhibit Number 1.

21 (Whereupon, Aztec Exhibit  
 22 Number 1 was marked for  
 identification.)

23 Q Now, Mr. Watts, I believe on this Exhibit 1 where  
 24 we show the columns of numbers, those numbers indicate m.c.f.  
 25 or thousands of cubic feet, is that correct?

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1 A Yes. To explain this exhibit, the first column  
 2 shows the amount of gas that is immediately subject to  
 3 cancellation.

4 The second column indicates the amount of  
 5 production, underproduction that would be carried forward into  
 6 this current proration period and could be made up during this  
 7 current proration period.

8 Now, the third column of figures is the total  
 9 underage attributed to each well as of January the 31st of  
 10 this year.

11 Q Now, Mr. Watts, does this list which is shown on  
 12 Aztec's Exhibit Number 1 necessarily purport to cover all of  
 13 Aztec's wells or interest in wells that would be affected in  
 14 this hearing or only those that are principally affected?

15 A Only those that are principally affected and capable  
 16 of making up some underproduction.

17 Q Mr. Watts, would you explain to the examiner how  
 18 these wells came to be underproduced to the extent as referred  
 19 to in Exhibit 1?

20 A All of these wells are underproduced generally  
 21 because of the lack of a sufficient and consistent market  
 22 for their allowable production. Prior to August of 1970 --  
 23 now, when I say, "consistent market," I mean a seasonal market.  
 24 This underproduction was definitely not due to the inability  
 25 of the wells to make its allowable. In fact, during the summer

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1 months of 1970 and prior to that, even during the summer  
 2 months, many of the wells were shut-in for an entire month  
 3 because of lack of market or the seasonal demand on the  
 4 Southern Union system.

5 Q Now, Mr. Watts, you've stated that these wells are  
 6 underproduced, have accumulated underage on account of market.  
 7 Do they presently have a market which would permit them, if  
 8 this pending application is granted, to make up their underage?

9 A Yes. As Mr. Haseltine has stated, a number of  
 10 wells that were connected to the Southern Union Gas Company  
 11 system were changed in the Southern Union Gathering system  
 12 so that the wells could have a more favorable marketing  
 13 opportunity; that is, these wells would be able to produce  
 14 through the Southern Union Gathering system into El Paso  
 15 Natural Gas Company's market, principally a California market.

16 Now, that increased market is, you know, not  
 17 nearly as seasonal as was the Southern Union Gas Company  
 18 market. Accordingly, the wells thus changed from the Gas  
 19 Company to the Gathering Company have, for the past six  
 20 months anyway, enjoyed a market that was adequate to permit  
 21 production of its current allowable as well as making  
 22 additional gas that would reduce the underproduction status  
 23 of many of those wells.

24 Q Then, Mr. Watts, is it your testimony that each of  
 25 these wells are connected to Southern Union Gas Company's or

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1 Southern Union Gathering Company's lines as was previously  
 2 testified to by Mr. Haseltine?

3 A Yes, that's correct.

4 Q Now, Mr. Watts, can you go into greater detail with  
 5 respect to some of the individual wells which are shown on  
 6 your Exhibit 1 to show what has taken effect with respect to  
 7 those wells on an individual basis prior to the first of  
 8 August, 1970, and subsequent thereto?

9 A Well, I will not go into detail on all of the wells,  
 10 but I have prepared three exhibits here.

11 MR. STARKZ: Mr. Examiner, can these be identified  
 12 as Aztec's Exhibits 2, 3 and 4.

(Whereupon, Aztec's Exhibits  
 2, 3 and 4 for marked for  
 identification.)

13  
 14  
 15 Q Now, would you explain what Exhibits 2, 3 and 4  
 16 purport to show, Mr. Watts.

17 A Well, these three exhibits detail by months, since  
 18 August, 1969, production and allowable data from three of the  
 19 sixteen wells that we have listed on Exhibit 1.

20 Now, the purpose of these three exhibits is to  
 21 illustrate the capability of the wells, the erratic nature  
 22 of production prior to August of 1970, and the allowable  
 23 status.

24 Let's use Exhibit Number 3 as an example and I'll  
 25 go through it. The others are very similar and are typical

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1 of the other wells.

2 Column one in Exhibit 3 is the allocation or the  
 3 monthly allowable as assigned to the wells.

4 Column two is the production for each of the months  
 5 from this particular well, Cane Number 9, in the Basin-Dakota  
 6 Pool.

7 Column number three is merely showing the difference  
 8 either over or underproduction on a monthly basis of its  
 9 allocation when compared to production. Now, column number  
 10 three is the amount of gas subject to cancellation for this  
 11 particular well. Incidentally, this is the greatest that we  
 12 have of all the sixteen wells.

13 Q When you say "the greatest," you mean --

14 A The greatest underproduction.

15 Q -- greatest accumulated underage, is that correct?

16 A Yes. The fifth column is just a figure showing  
 17 accumulated underproduction during the past eighteen months,  
 18 and the last column is its current status of underproduction.

19 Now, take particular note, look at May, June and  
 20 July of 1970. You will notice the well was shut-in for  
 21 three months there, due to the seasonal demand and lack of  
 22 market. The same thing happened in August and September of  
 23 '69 and, that, of course, happened in previous years, too.

24 Now, note production since August of 1970. In all  
 25 six months, the well has overproduced its allowable by

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1 substantial amounts and thus decreased its underproduction  
2 status.

3 Q Now, Mr. Watts, you have just indicated that this  
4 particular well has accumulated more underage than any of the  
5 other wells which are operated by Aztec Oil and Gas Company.  
6 Based upon this Exhibit Number 3 and the well's performance,  
7 particularly during the months of August, September and  
8 October of 1970, do you feel like that if the Commission  
9 should grant the pending application, that the total underage  
10 as to this well could be all made up or substantially all  
11 made up between now and February 1st, 1972?

12 A Yes. For example, this well averaged a million  
13 six hundred m.c.f. per day during last year when it produced.  
14 But now, just using that as a nominal capacity of the well  
15 and assuming it can produce the majority of 1971, it will  
16 produce as many as five hundred and sixty thousand m.c.f. or  
17 five hundred sixty million cubic feet.

18 We estimate its allowable will be approximately  
19 half of that during 1971 and it will be capable of overproduc-  
20 ing that amount which would just about cover its underproduced  
21 status as of the first of this proration period.

22 Q Mr. Watts, with respect to Aztec's Exhibits 2, 3 and  
23 4, again, I believe that each of the figures is representative  
24 of m.c.f. or thousands of cubic feet.

25 A Yes, that's true.

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1 Q So that actually, when you see the total figure of  
 2 underage accumulated with respect to the Cane Number 9 well  
 3 as indicated on Exhibit 3, that is two hundred sixty-five  
 4 m.c.f. or two hundred sixty-five million feet of accumulated  
 5 underage?

6 A Yes.

7 Q Would you care to proceed and testify with respect  
 8 to Exhibits 2 and 4. I think you adequately covered 3.

9 A Without going into detail on Exhibits 2 and 4, they  
 10 are very similar. Again, I will call your attention to the  
 11 fact that since August, 1970, these wells have substantially  
 12 overproduced their monthly allocation and are again reducing  
 13 their producible underage.

14 Q Mr. Watts, with respect to all of the wells listed  
 15 herein and all of the wells with respect to which Aztec Oil  
 16 and Gas, and accumulated underage, is it your opinion that  
 17 these wells are capable of producing all of their current  
 18 allowables?

19 A Oh, yes. They are certainly capable of that.

20 Q Now, in the event the Commission should see fit to  
 21 grant the pending application, is it your opinion that these  
 22 wells in addition to producing their current allowables will  
 23 be able to produce all or substantially all of their  
 24 accumulated underage?

25 A Yes. In my opinion, each of these wells can make



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1 up or at least a substantial portion of their underproduction  
2 within the next year, if this application is granted.

3 Q All right. Mr. Watts, in the event this application  
4 is not granted, how would Aztec Oil and Gas Company be  
5 affected?

6 A Well, of course, we would suffer cancellation  
7 immediately of an allowable of some nine hundred and twenty-one  
8 million cubic feet.

9 Q Will you put--

10 A But now --

11 Q Will you put it down in pencil down and see, in  
12 dollars and cents, what that would represent to Aztec Oil and  
13 Gas and to its royalty owners.

14 A This value has been placed at approximately  
15 \$138,000, so Aztec Oil and Gas Company would suffer a monetary  
16 loss there.

17 Q Now, Mr. Watts, if this application should be  
18 granted, in your opinion, would the increased production  
19 during the next year from these wells adversely affect their  
20 producing capabilities for the life of the reservoir or any  
21 other wells in the area to the extent that reservoir waste  
22 would occur, in your opinion?

23 A No, I don't believe so.

24 Q In your opinion, how do you feel that correlative  
25 rights would be affected by the granting of this application?

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1 A Well, of course, correlative rights are not going  
 2 to be affected, I don't think. In fact, only by overproduction  
 3 of these underproduced wells will correlative rights be  
 4 really protected for all parties involved.

5 Q Would you amplify that with respect to the under-  
 6 produced wells?

7 A Well, that's really what I'm referring to. These  
 8 underproduced wells have not been allowed to produce their  
 9 allowables. They were not able to sell it because of market  
 10 conditions, so now, by being allowed to overproduce and make  
 11 up this underproduction, correlative rights will be protected.

12 Q Then is it your opinion that correlative rights  
 13 would be protected by the granting of this application?

14 A Oh, yes.

15 Q Mr. Watts, were each of these four exhibits which  
 16 have been submitted here prepared by you or under your  
 17 supervision?

18 A Oh, yes.

19 MR. STARKZ: Mr. Examiner, Aztec would like to  
 20 offer into evidence its Exhibits 1 through 4.

21 MR. NUTTER: Aztec's Exhibits 1 through 4 will be  
 22 offered in evidence.

23 (Whereupon, Aztec's Exhibits  
 24 Numbers 1 through 4 offered  
 into evidence.)

25 MR. STARKZ: I have no further questions for this

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1 witness, Mr. Examiner.

2 MR. NUTTER: Does anyone have any questions of  
 3 Mr. Watts?

4 CROSS EXAMINATION

5 FY MR. UTZ:

6 Q Mr. Watts, the sixteen wells listed on your Exhibit  
 7 Number 1, are they all connected to the Gathering Company  
 8 or the Gas Company?

9 A Well, they were connected to the Gas Company. They  
 10 are all Gathering Company wells now.

11 Q I see. Now, the underage that you say that you  
 12 can make up here, is that all attributed to the wells now  
 13 being connected to the Gathering Company?

14 A Yes.

15 Q Does Aztec have any wells connected to the Gas  
 16 Company now that will be able to make up underage?

17 A Yes, we have some, but most of those that are still  
 18 connected to the Gas Company are pretty well in balance right  
 19 now.

20 Q I see. But this application will help wells  
 21 connected to the Gas Company to make up cancellable underage  
 22 as well as those connected to the Gathering Company will make?

23 A Oh, yes. It certainly will. As a matter of fact,  
 24 Aztec has interest in wells that we do not operate that are  
 25 connected to the Gas Company that do carry an underage and

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1 I suspect those wells will be able to benefit from the  
 2 continuation of the existing suspension.

3 Q But this exhibit does not represent all of the wells  
 4 which you feel will make up underage, some of the worst?

5 A This exhibit represents the best wells, those that  
 6 we have little doubt that it will make up the underage.  
 7 Some of the other wells are in the gray area. If line  
 8 pressures are lowered through compressor installations, they  
 9 will make up some of their underage.

10 MR. UTZ: That's all I have.

11 MR. NUTTER: If there are no further questions, the  
 12 witness may be excused. Do you have anything further,  
 13 Mr. Starkz?

14 Does anyone have a statement?

15 MR. COOLEY: I have a short statement,  
 16 Mr. Examiner. No more testimony.

17 MR. NUTTER: Does anyone have anything they wish  
 18 to offer in this case at this time?

19 MR. COOLEY: Mr. Examiner, Southern Union Gas and  
 20 Southern Union Gathering Company would at this time offer  
 21 into evidence its four exhibits.

22 MR. NUTTER: Southern Union's exhibits will be  
 23 admitted into evidence.

24 (Whereupon, Applicant's  
 25 Exhibits 1 through 4 were  
 admitted into evidence.)

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1 MR. COOLEY: As I stated previously, I would like  
2 to make a brief closing statement with respect to this case.

3 Although on two previous occasions, applications  
4 by El Paso Natural Gas Company were made of a very similar  
5 nature to that which we have before the Commission here today.  
6 However, in those cases, the main thrust there was with  
7 attention to the overproduced wells and the drastic adverse  
8 results that would occur to primarily El Paso's ability to  
9 meet its market demand if the high capacity overproduced wells  
10 were shut-in as required by the rules.

11 By this, I mean to say that -- I don't mean to  
12 say however that underproduced wells are completely ignored,  
13 but the main thrust of the case, the two cases presented  
14 heretofore have been directed towards allowing already over-  
15 produced wells to continue to overproduce.

16 As testified and as is a matter of record before  
17 this Commission, Southern Union Gas Company and Southern Union  
18 Gathering Company supported this Commission in those applica-  
19 tions because, certainly, everyone wants to see part of the  
20 demand met. However, here, the main thrust of the case finally  
21 becomes that of: What is the plight of the underproduced  
22 operator? And the main thrust of this case is towards  
23 alleviating the inequitable result that has occurred to those  
24 operators, through no fault of their own or, for that matter,  
25 no fault of Southern Union Gas Company or Gathering Company.

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1 There simply was not available market to really carry takes  
 2 between the two pipelines.

3 Now, through the cooperation of the two major  
 4 purchasers in the area, we have it within the power of both  
 5 companies to bring these wells into balance, insofar as their  
 6 producing capabilities will permit, and as I'm sure the  
 7 Examiner is aware, an overproduced well continues to be over-  
 8 produced under the rules forever. It must eventually face  
 9 some day of reckoning.

10 However, if these underproduced wells are not  
 11 granted relief here, they are forever going to lose very,  
 12 very substantial huge sums of money and their fair share of  
 13 the reserves in these various pools and we, therefore, -- as  
 14 "we", Southern Union as the carrier and purchaser from these  
 15 operators and as their spokesman -- urge this Commission to  
 16 allow these operators the opportunity to produce their fair  
 17 share of the gas in this pool insofar as their capabilities  
 18 permit.

19 I think that those perimeters of capability have  
 20 been rather closely outlined in Mr. Haseltine's testimony.

21 MR. NUTTER: Thank you. Any further statements?

22 MR. RANEY: Mr. Examiner, I am D. H. Raney of  
 23 El Paso Natural Gas Company. Mr. Cooley stole a substantial  
 24 portion of my closing statement, so I suffice it to say that  
 25 El Paso Natural Gas Company supports the application of

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1 Southern Union Gas Company and Southern Union Gathering  
2 Company for suspension of Rules 14(A), 15(A) and 15(B) for  
3 Northwestern New Mexico, promulgated by Order R-1670, and  
4 urge that the application be granted.

5 MR. NUTTER: Anyone else?

6 MR. HATCH: The Commission has received a telegram  
7 of Tenneco Oil Company for support of the applicant in this  
8 case and a letter from Mobil Oil Corporation offering no  
9 objection.

10 MR. NUTTER: Thank you, Mr. Cooley. If there's  
11 nothing further in this case, we'll take the case under  
12 advisement and take a ten-minute recess.

13

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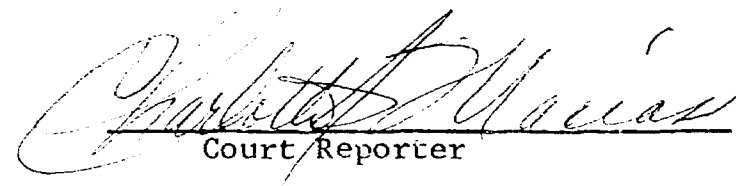


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1 STATE OF NEW MEXICO )  
2 COUNTY OF BERNALILLO ) SS:

3 I, CHARLOTTE J. MACIAS, Court Reporter in and for the  
4 County of Bernalillo, State of New Mexico, do hereby certify  
5 that the foregoing and attached Transcript of Hearing before  
6 the New Mexico Oil Conservation Commission was reported by  
7 me and that the same is a true and correct record of the said  
8 proceedings, to the best of my knowledge, skill and ability.

9  
10   
11 Court Reporter

21 I do hereby certify that the foregoing is  
22 a true and correct record of the hearing  
23 the 2/2 4494  
24 New Mexico Oil Conservation Commission  
25

## NEW MEXICO OIL CONSERVATION COMMISSION

## EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date FEBRUARY 3, 1971

TIME: 9 A.M.

NAME	REPRESENTING	LOCATION
Oran H. Hartsline	So. Union Gas	Dallas
John R. Long		Farmington
Ed McCrory	So. Union Gas	Dallas
C. J. Boyce	Amoco Prod	Denver
Walter H. H. H.	M. Lee Oil Gas	Dallas
Joe E. Starks	Amoco Prod	DALLAS
Bill VANDERSLICE	Southern Union PROD. CO	FARMINGTON
Gilbert NOLAND	Southern Union PROD. CO	Farmington
William G. Cook	Southern Union	Farmington
Boyd L. Henderson	Southern Union	DALLAS
W. H. Carr	EPNG	El Paso
Terri I. MORITZ	BYA OIL PRODUCTS	Midland
Richard S. Morris	M. H. Agency, Inc.	Santa Fe
James K. Morris	Kelch & Fox	Santa Fe
William Morris		
Kina S. Dildaine	P. W. Byram & Co.	Austin - Santa Fe

## NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date FEBRUARY 3, 1971 TIME: 9 A.M.

NAME	REPRESENTING	LOCATION
H. N. Sweeney	Twinlakes Oil Co.	Roswell
Bill Gussert	nmccc	arturia
Donald G. Hume	Twinlakes Oil Co	Santa Fe

Aztec Oil & Gas Company  
Estimated Allowable Status on January 31, 1971  
For Wells Carrying Cancellable Allowable

	<u>Cancellable Allowable</u> MCF	<u>Allowable To Carry Forward</u> MCF	<u>Net Allowable End of January '71</u> MCF
Basin Dakota			
Aztec #7	8,931	47,403	56,334
Cain #9	167,950	97,462	265,412
Cain #12	33,837	20,027	53,864
Hanks #11	62,946	76,843	139,789
Hubbell "A" #1	38,698	8,089	46,787
Hughes #2	862	72,046	72,908
McClanahan #14	119,120	69,833	188,953
McClanahan #16	64,505	75,816	140,321
McClanahan #19	123,558	91,323	214,881
McClanahan #20	95,395	53,943	149,338
Newman "A" #8	108,215	80,146	188,361
Newman "C" #1	26,497	36,793	63,290
Reid #21	59,848	59,373	119,221
Field Total	910,352	789,097	1,699,459
 Aztec Pictured Cliffs			
Hare #7	1,863	8,417	10,280
Reid #7	3,980	5,465	9,445
Field Total	5,843	13,882	19,725
 Fulcher Kutz Pictured Cliffs			
Hubbell #1	5,177	9,317	14,494
 Total All Fields	921,382	812,296	1,733,678

BEFORE EXAMINED UNDER

U. S. CONSERVATION

4494

EXHIBIT NO.

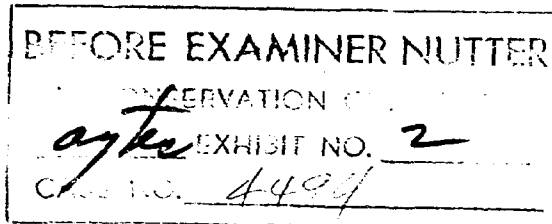
*Aztec*

Aztec Oil & Gas Company  
Exhibit No. 1  
Case No. 4494

Status of Underproduction  
Aztec Oil & Gas Company  
Aztec #7 - Basin Dakota Pool

	Allocation	Production	+ Over (Under)	Subject to Cancellation	Accumulated Underproduction	Underproduced Status
August - 1969	9,588	0	(9,588)	288,920	9,588	298,508
September	19,187	10,618	(8,569)	"	18,157	307,077
October	30,862	28,396	(2,466)	"	20,623	309,543
November	32,038	51,830	+19,792	269,128	"	289,751
December	41,003	66,265	+25,262	243,866	"	264,489
January - 1970	38,166	65,016	+26,850	217,016	"	237,639
February - 1970	26,903	58,818	+31,915	185,101	20,623	205,724
March	37,626	48,736	+11,110	173,991	"	194,614
April	21,693	33,028	+11,335	162,656	"	183,279
May	24,743	0	(24,743)	"	45,366	208,022
June	13,489	11,452	(2,037)	"	47,403	210,059
July	12,338	14,933	+ 2,595	160,061	"	207,464
August - 1970	12,906	54,326	+41,420	118,641	47,403	166,044
September	30,630	54,227	+23,597	95,044	"	142,447
October	22,681	55,540	+32,859	62,185	"	109,588
November	26,983	54,288	+27,305	34,880	"	82,283
December	37,295	50,089	+12,794	22,086	47,403	69,489
January - 1971	36,845	50,000*	+13,155*	8,931*	47,403*	56,334*

\*Estimated



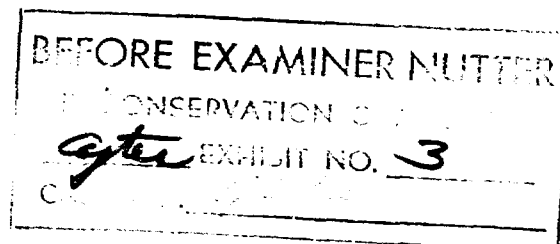
Aztec Oil & Gas Company  
Exhibit No. 2  
Case No. 4494

Status of Underproduction  
Aztec Oil & Gas Company  
Cain #9 - Basin Dakota Pool

*M.F.*

	Allocation	Production	+ Over (Under)	Subject to Cancellation	Accumulated Underproduction	Underproduced Status
August - 1969	10,055	0	(10,055)	360,208	10,055	370,263
September	20,093	0	(20,093)	"	30,148	390,356
October	32,319	11,031	(21,288)	"	51,436	411,644
November	33,550	64,468	+ 30,918	329,290	"	380,726
December	42,939	58,808	+ 15,869	313,421	"	364,857
January - 1970	40,001	51,621	+ 11,620	301,801	"	353,237
February - 1970	24,448	47,866	+ 23,418	278,383	"	329,819
March	34,241	37,857	+ 3,616	274,767	"	326,203
April	19,755	20,125	+ 370	274,397	"	325,833
May	22,533	0	(22,533)	"	73,969	348,366
June	12,271	0	(12,271)	"	86,240	360,637
July	11,222	0	(11,222)	"	97,462	371,859
August - 1970	11,737	46,607	+ 34,870	239,527	97,462	336,989
September	27,893	44,243	+ 16,350	223,177	"	320,639
October	20,648	46,336	+ 25,688	197,489	"	294,951
November	24,554	44,683	+ 20,129	177,360	"	274,822
December	33,936	38,373	+ 4,437	172,923	97,462	270,385
January - 1971	33,527	38,500*	+ 4,973*	167,950*	97,462*	265,412*

\*Estimated

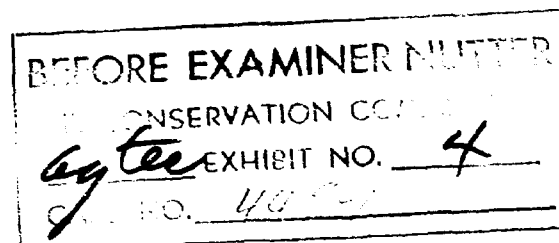


Aztec Oil & Gas Company  
Exhibit No. 3  
Case No. 4494

Status of Underproduction  
Aztec Oil & Gas Company  
McClanahan #16 - Basin Dakota Pool

	Allocation	Production	+ Over (Under)	Subject to Cancellation	Accumulated Underproduction	Underproduced Status
August - 1969	7,226	0	(7,226)	222,364	7,226	229,590
September	14,608	0	(14,608)	"	21,834	244,198
October	23,496	2,775	(20,721)	"	42,555	264,919
November	24,391	40,608	+ 16,217	206,147	"	248,702
December	31,217	44,604	+ 13,387	192,760	"	235,315
January - 1970	28,890	44,014	+ 15,124	177,636	"	220,191
February - 1970	19,291	39,123	+ 19,832	157,804	42,555	200,359
March	27,129	32,194	+ 5,065	152,739	39,337	192,076
April	15,684	16,328	+ 644	152,095	"	191,432
May	17,889	0	(17,889)	"	57,226	209,321
June	9,712	0	(9,712)	"	66,938	219,033
July	8,878	0	(8,878)	"	75,816	227,911
August - 1970	9,281	40,611	+ 31,330	120,765	75,816	196,581
September	22,141	36,447	+ 14,306	106,459	"	182,275
October	16,377	36,187	+ 19,810	86,649	"	162,465
November	19,452	34,157	+ 14,705	71,944	"	147,760
December	26,879	30,374	+ 3,495	68,449	75,816	144,265
January - 1971	26,556	30,500*	+ 3,944*	64,505*	75,816*	140,321*

\*Estimated



Aztec Oil & Gas Company  
Exhibit No. 4  
Case No. 4494

BY AND FOR THE SELLER  
ATTEST: \_\_\_\_\_

GAS SALES AGREEMENT

THIS AGREEMENT, made and entered into this 27th day of February, 1970, by and between SOUTHERN UNION GATHERING COMPANY, a Delaware corporation (hereinafter referred to as "Seller") and EL PASO NATURAL GAS COMPANY, a Delaware corporation (hereinafter referred to as "Buyer").

W I T N E S S E T H    T H A T:

WHEREAS, Seller is the Lessee, for a term co-extensive with the term of this agreement, of natural gas gathering lines, systems and facilities for the gathering of natural gas from wells producing from the Pictured Cliffs, Mesaverde and Dakota Formations in San Juan County, New Mexico, (such leased gathering lines and facilities being herein referred to as the "Seller's Gathering System") and Seller is desirous of selling to Buyer such volumes of natural gas in excess of that sold to others as may be necessary to effectuate a ratable withdrawal of gas from wells connected to Seller's Gathering System with withdrawals of gas from wells connected to Buyer's gathering system in the same area; and

WHEREAS, Buyer desires to purchase gas produced from wells connected to Seller's Gathering System to effectuate the aforesaid purpose of ratable withdrawal of gas from such wells and for the supply of Buyer's markets:

NOW, THEREFORE, in consideration of the premises and of the reciprocal covenants and agreements herein contained, Seller and Buyer have agreed and do here now agree as follows:

THE EXAMINER

APPL. EXAM. NO. 4494



GOVERNMENTAL APPROVALS

Section 1. It is mutually recognized that, prior to commencement of gas deliveries under this agreement, it will be necessary for Seller to obtain from the Federal Power Commission an appropriate certificate of public convenience and necessity authorizing performance by Seller of its obligations hereunder. Promptly after the date hereof, Seller will make and prosecute to final disposition its application to the Federal Power Commission for issuance of such a certificate, and Seller shall furnish Buyer with a copy of all notices, communications and other data that Seller may receive from the Commission with respect thereto. If, on or before one hundred twenty (120) days from the date of this agreement, Seller has not received such a certificate of public convenience and necessity, limited to a term coextensive with the term of this agreement and otherwise in form and substance acceptable to Seller, it being understood that Seller may refuse to accept any tendered certificate containing terms and conditions unacceptable to Seller, then either party may thereafter, while this condition shall continue, terminate this agreement by written notice given to the other.

Section 2. Promptly after execution hereof, Seller shall request each producer that will be selling gas to Seller for resale in part to Buyer hereunder to make an application to the Federal Power Commission for a certificate of public convenience and necessity authorizing sales of gas to Seller for resale in part hereunder. If, after Seller shall have received a certificate of public convenience and necessity from

the Federal Power Commission authorizing sales of gas hereunder, Seller shall determine that it is unable to proceed with sales of gas under this agreement by reason of failure of the individual producers to obtain and accept certificates of public convenience and necessity authorizing well-head sales of gas to Seller, then Seller may at any time prior to commencement of gas deliveries hereunder terminate this agreement by written notice to Buyer.

Section 3. Within thirty (30) days after Seller shall have received a certificate of public convenience and necessity from the Federal Power Commission, authorizing sales of gas hereunder, limited to a term coextensive with the term of this agreement and otherwise containing terms and conditions acceptable to Seller, the parties shall effect the connection of their respective facilities at the herein specified point of delivery, and Seller shall commence deliveries of gas hereunder to Buyer.

## II.

### AGREEMENT TO SELL AND PURCHASE

Section 1. Seller agrees to sell and deliver to Buyer, and Buyer agrees to receive and purchase from Seller such volumes of natural gas (not to exceed on any one day 50 M.M.C.F. of gas without Buyer's consent first being had) produced from wells connected to Seller's Gathering System, which, when added to the volumes of natural gas being sold by Seller to others from time to time, will enable the Seller to withdraw gas from the Pictured Cliffs, Mesaverde and Dakota wells in San Juan County, New Mexico, connected to Seller's Gathering System on no less than the same basis of ratable withdrawal being practiced by Buyer with respect to

other wells producing from said formations in said county and connected to Buyer's gathering facilities without any unnecessary or unreasonable difference in treatment being accorded to Seller's sources of gas at any time. All withdrawals of gas from the aforesaid wells shall at all times be kept in reasonably close balance according to such principles of ratable withdrawal, and Buyer's purchase of gas from Seller hereunder shall be such that any overage or underage on any February 1st or August 1st during the term hereof in withdrawals from wells connected to Seller's Gathering System may be adjusted and absorbed within a period of six (6) months thereafter. Nothing herein shall limit the volumes of gas available to Seller from wells connected to Seller's Gathering System that Seller may make available and sell to others than Buyer from time to time.

Section 2. Seller reserves the continuing right, prior to the delivery of gas to Buyer hereunder, to remove and extract therefrom all gasoline and other liquid or liquefiable hydrocarbons, but any gasoline or other liquid or liquefiable hydrocarbon content of the gas after it is passed into Buyer's lines at the point of delivery shall become the property of Buyer without payment of any additional compensation therefor.

Section 3. Gas to be delivered hereunder shall be at such pressure as will permit delivery of the gas into Buyer's pipeline, but Seller shall not be required to deliver the gas at any pressure in excess of five hundred (500) p.s.i.g.

### III.

#### POINT OF DELIVERY

Deliveries of gas hereunder shall be made to Buyer at a mutually

agrecable point of connection between the facilities of Seller and Buyer in the SE 1/4 of Section 27, Township 29 N, Range 11 W, N.M.P.M., San Juan County, New Mexico, and the parties may in writing agree upon the delivery of gas under this agreement at any alternate or additional locations on Seller's Gathering System. Seller shall be responsible for the safe conduct and handling of gas until it reaches the point of delivery at which point, title to such gas as well as the responsibility for its safe conduct and handling shall pass to Buyer. Each party hereto shall maintain the facilities owned by it in good safe, efficient operating condition and repair.

IV.

MEASUREMENT

Section 1. The sales unit of the gas deliverable hereunder shall be one thousand (1,000) cubic feet (1 M.C.F.) of gas.

Section 2. The volume of gas delivered hereunder shall be determined as follows:

- (a) The unit of volume for all purposes hereunder shall be one cubic foot at a temperature of sixty degrees Fahrenheit (60°F.) and at a base pressure of 15.025 pounds per square inch absolute, and the readings and registrations of the metering equipment herein provided for shall be computed into such units in accordance with specifications prescribed in Gas Measurement Report No. 3, dated April, 1955, of the American Gas Association.
- (b) Having due regard for the difference in altitude and location of the delivery point, it is agreed that the average atmospheric pressure at the point of delivery for the purpose of calculation of measurements hereunder, shall be taken to be 11.4 pounds per square inch.
- (c) The temperature of the gas passing the meters shall be assumed to be sixty degrees Fahrenheit (60°F.) unless and

until either party elects to install and thereafter maintain and operate a recording thermometer so installed that it may properly record the temperature of the gas flowing through the meter of Seller, in which event the arithmetical average of the temperatures recorded during each meter chart period shall be used in computing gas volumes for such period.

- (d) The specific gravity of the gas delivered hereunder shall be determined by spot test made with an instrument of standard manufacture acceptable to the parties. The specific gravity of the gas delivered hereunder shall be determined as frequently as is found necessary in practice to insure accurate measurement. Each test shall determine the specific gravity to be used in computation for the measurement of natural gas delivered until the next succeeding test.

Section 3. It is agreed that if by reason of valid law, order or regulation, there shall be prescribed as to any gas delivered hereunder any basis for measurement or computation of gas volumes differing from that set forth above in this Article IV, then the applicable prices set forth and/or provided for herein shall forthwith be adjusted and corrected to compensate for the change(s) thus effected in the basis of measurement or computation of volumes of gas delivered hereunder, it being the intention of the parties that no change so effected in the basis of measurement or computation of gas volumes shall in any way affect the total price to be paid for volumes of gas delivered hereunder.

V.

METERS

Section 1. All gas delivered to Buyer hereunder shall be measured by means of meters of standard type which shall be installed, operated and maintained by Seller, together with all appurtenant field equipment necessary to accurately measure and record the volumes of gas delivered. Such meters shall be placed in Seller's delivery line at a point to be

determined by Seller as near as may be practicable to the point of delivery hereunder. Such meters shall at all reasonable times be subject to check, test and inspection by Buyer's representatives in the presence of a representative of Seller, but the reading, calibrating and adjusting thereof and the changing of charts shall be done only by Seller. The records from such measuring equipment shall remain the property of Seller, but upon request Seller shall submit to Buyer its records and charts, together with its calculations therefrom, for inspection and verification, subject to return by Buyer within twenty (20) days after its receipt thereof. All such charts and other similar records (or microfilm copies thereof) shall be preserved by Seller for a period of at least five (5) years.

Section 2. Seller shall keep all meters and other measuring equipment installed by it hereunder in good operating condition. Such meters shall be kept in condition to register accurately all gas passing through same, but errors not exceeding two per cent (2%) in the registration of a meter shall not be considered as rendering the meter inaccurate within the meaning of this agreement. If for any reason a meter should become inaccurate or out of service or repair so that the amount of gas delivered through same cannot be accurately ascertained or computed by the reading thereof, the gas delivered during the period such meter is inaccurate, out of service or repair, shall be estimated and agreed upon by the parties upon the basis of the best data available, using the first of the following methods that shall be feasible:

- (a) By correcting the error if the extent thereof is ascertainable by calibration test or mathematical calculation.

- (b) By using the registration of Buyer's check meter, if one has been installed and is accurately registering, it being understood that Buyer may, at its own option and expense, install check meters and appurtenant equipment downstream of Seller's measuring equipment for the purpose of checking against the registration of the meters installed by Seller.
- (c) By estimating the quantity of delivery from comparison with deliveries made during preceding periods under similar conditions during which the meter was registering accurately.

Section 3. Adjustments between the parties to correct for inaccuracies in measurement shall be limited to the period during which the inaccuracy is definitely known to have existed, and if such period is not definitely ascertainable, adjustments shall be limited to a period of thirty (30) days next preceding discovery of the inaccuracy.

VI.

QUALITY OF GAS

Section 1. All gas delivered hereunder shall be reasonably free from moisture or other objectionable liquid or solid substances, shall have a heating value of not less than one thousand (1,000) B.T.U. per cubic foot at thirty inches (30") of mercury and sixty degrees Fahrenheit (60°F.) and saturated with water vapor, and shall not contain more than 0.25 grains of hydrogen sulphide per one hundred cubic feet and shall not contain more than 5 grains of organic sulphur (including compounds thereof) per one hundred cubic feet.

Section 2. If the quality of gas tendered for delivery to Buyer under this agreement does not meet the specifications hereinabove set forth, Buyer may refuse to accept delivery of such gas until the deficiency in quality has been removed or Buyer may, at its option,

nevertheless accept delivery of the gas; but should Buyer refuse to accept delivery of the gas for a period of sixty (60) days because of deficiency in quality, then Seller shall have the right and option, after giving Buyer thirty (30) days written notice, to terminate this agreement; provided, however, that Seller's option shall not be exercised if Buyer shall commence or resume to accept delivery of gas hereunder during said thirty (30) days notice period.

VII.

PRICE

The price to be paid by Buyer to Seller for all gas delivered hereunder shall be 19-1/2¢ per MCF, provided, however, that such price insofar as the same be applicable to Pictured Cliffs gas delivered during each month shall be reduced by the amount by which Seller's average weighted cost of Pictured Cliffs formation gas purchased at the well during the month shall be less than 13.0551¢ per MCF (including tax reimbursement), and insofar as the same be applicable to Mesaverde and Dakota formations gas delivered during each month shall be reduced by the amount by which Seller's average weighted cost of Mesaverde and Dakota formations gas purchased at the well during the month shall be less than 15.0636¢ per MCF (including tax reimbursement); and for purposes of computing this adjustment the total deliveries of gas by Seller to Buyer during each month shall be allocated to and considered to have been produced from the Pictured Cliffs formation and the Mesaverde and Dakota formations, respectively, in the proportions that gas purchased by Seller at the well from each such source during the month bears to total gas purchases by Seller at the well.



during the month from all such sources. The aforesaid adjustment in price payable by Buyer shall be made retroactively, irrespective of any applicable statute of limitations, when necessary to reflect reductions below the above stated cost of gas of Seller that occur by reason of refunds (including principal and interest) to Seller of a portion of the amounts previously paid by Seller for gas purchased at the well that are ordered by the Federal Power Commission.

VIII.

BILLING AND PAYMENT

Section 1. Buyer agrees to pay the Seller at the latter's offices in Dallas, Texas, not later than the twenty-fifth day of each month for all gas delivered during the preceding month provided Buyer shall have at least ten (10) days after receipt of Seller's bill for gas delivered to Buyer before payment thereof is due. The amount of each such monthly bill shall be reduced by an amount determined by multiplying (1) the quantity of gas delivered during the month covered by such bill by Buyer into Seller's Gathering System by (2) the highest price paid by Seller for gas produced from the same formation as Seller's gas and delivered by any party at the well into Seller's Gathering System during the month covered by such bill; provided, however, that such amount shall be subject to adjustment in the same manner and to the same extent as may be required by the Federal Power Commission respecting wellhead prices paid by Seller to such other parties. Should Buyer fail to pay when due any amount owing Seller for gas delivered hereunder, Seller may charge Buyer interest at the rate of eight per cent (8%) per annum from such date until paid and Seller shall have the right to discontinue deliveries hereunder whenever any gas bill due, to the extent not in bona fide dispute,

remains unpaid for thirty (30) days after written notice of delivery.

Section 2. Unless exception shall be made in writing by Buyer to Seller within ninety (90) days after Buyer's receipt of any gas bill, the bill and the volumes of gas represented thereby shall be conclusive upon the parties except as to retroactive adjustments on account of meter inaccuracies as provided for in Article V hereof, and as to adjustments in Seller's cost of gas made necessary by any refund to Seller of a portion of the amount paid by Seller for gas purchased at the well that might be required by the Federal Power Commission.

Section 3. Both Buyer and Seller shall have the right to examine, at reasonable times, books, records, laboratory tests, and charts of the other, to the extent necessary to verify the accuracy of any statement, test, chart, or computation made under or pursuant to any of the provisions of this agreement.

#### IX.

##### TERM

This agreement unless sooner terminated as herein provided, shall remain in force and effect for and during a term of three (3) years next succeeding the date on which the first deliveries of gas are made hereunder.

#### X.

##### WARRANTY OF TITLE

Seller expressly warrants title to and right to sell all gas delivered by it to Buyer hereunder and agrees that Seller will hold Buyer harmless from and against all adverse claims thereto or encumbrances thereon.

XI.

FORCE MAJEURE

Section 1. In the event either party is rendered unable, wholly or in part, by force majeure to carry out its obligation under this agreement (other than to make payments of amounts due hereunder), it is agreed that the obligations of the party whose performance is prevented by such force majeure shall, to that extent only, be suspended during the continuance of any inability so caused but for no longer period, and such cause shall, so far as possible, be remedied by such party with all reasonable dispatch. The term "force majeure", as employed herein, shall mean acts of God, strikes, and similar disturbances, inability during periods of national emergency to obtain pipe or other materials or equipment in the exercise of diligence by commercial methods, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of rulers and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, sudden partial or entire failure of natural gas wells, and any other cause, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which, by the exercise of due diligence, such party is unable to anticipate or overcome. Nothing contained herein, however, shall be construed to require either party to settle a strike or other labor dispute or disturbance against its will. The party whose performance is affected by force majeure shall promptly notify the other party, stating the force majeure and its probable effect and duration.

shall operate or be construed as a waiver of any future default or defaults whether of a like or different character.

Section 3. Any notice, request, demand, statement or bill provided for or contemplated by this agreement or any notice which either Buyer or Seller may desire to give to the other shall be in writing and addressed to the parties hereto as the case may be as follows:

To Seller: Southern Union Gathering Company  
Fidelity Union Tower  
Dallas, Texas 75201

To Buyer: El Paso Natural Gas Company  
Post Office Box 1492  
El Paso, Texas

or to such other address as either party shall hereafter designate to the other by formal written notice. Any such notice, request, demand, or statement or bill shall be deemed to have been received by the party to whom so addressed when delivered at such address, or, if mailed postage prepaid in registered sealed cover, when deposited in the United States mail and so addressed. In cases of emergency, notice shall be given by telegram or telephone or in person to the nearest office of Seller or Buyer, as the case may be, and thereafter confirmed in writing delivered as aforesaid.

Section 4. This agreement shall bind and benefit the respective successors and assigns of the parties hereto, but shall not be transferred or assigned by either party without consent of the other party; provided, however, that either party may, without the consent of the other, assign its right, title and interest in, to and under this agreement to a trustee or trustees, individual or corporate, as security for bonds or

Section 2. It is expressly agreed that Seller may interrupt or curtail its deliveries hereunder, and that Buyer may interrupt its acceptance of deliveries hereunder, for the purpose of making necessary alterations or repairs to pipelines or compression facilities, but only for such time and to such extent as may be reasonable and unavoidable, and shall give the other party, except in case of emergency, reasonable advance notice of its intention so to do, and shall endeavor to arrange such interruption so as to inconvenience the other party as little as possible.

XII.

LAWS AND REGULATIONS

This agreement is subject to and in contemplation of all valid laws and rules, regulations and orders of duly constituted regulatory authorities, state and federal applicable to the subject matter hereof and effective from time to time. As to all matters of construction and interpretation, this agreement shall be interpreted, construed and governed by the laws of the State of New Mexico.

XIII.

MISCELLANEOUS

Section 1. No modification of the terms and provisions of this agreement shall be or become effective except pursuant to and upon the mutual execution of an appropriate supplemental written agreement by the parties.

Section 2. No waiver by either party or any one or more defaults by the other party in the performance of any provisions of this agreement

other obligations or securities without such trustee(s) assuming or becoming in any respect obligated to perform the obligations of the assignor under this agreement, and providing further that no assignment or transfer herein contemplated shall operate to relieve the assigning party of any obligation hereunder.

IN WITNESS WHEREOF, this agreement is executed in several counterparts each of which shall be deemed an original, all as of the day, month and year first above written.

ATTEST:

*James Griffin*  
Assistant Secretary

SOUTHERN UNION GATHERING COMPANY

By: *A. M. [Signature]*  
Vice President

WY  
OUT

ATTEST:

*A. C. [Signature]*  
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By: *[Signature]*  
V. R. [Signature] Vice President

*3-yr. Lease*

~~CONFIDENTIAL~~

C.I.L. CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

April 17, 1970

Natural Power Commission  
Washington, D. C. 20426

Re: Docket No. CI 70-862

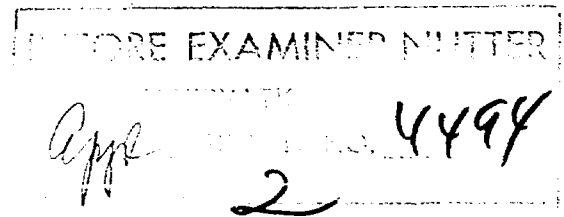
Gentlemen:

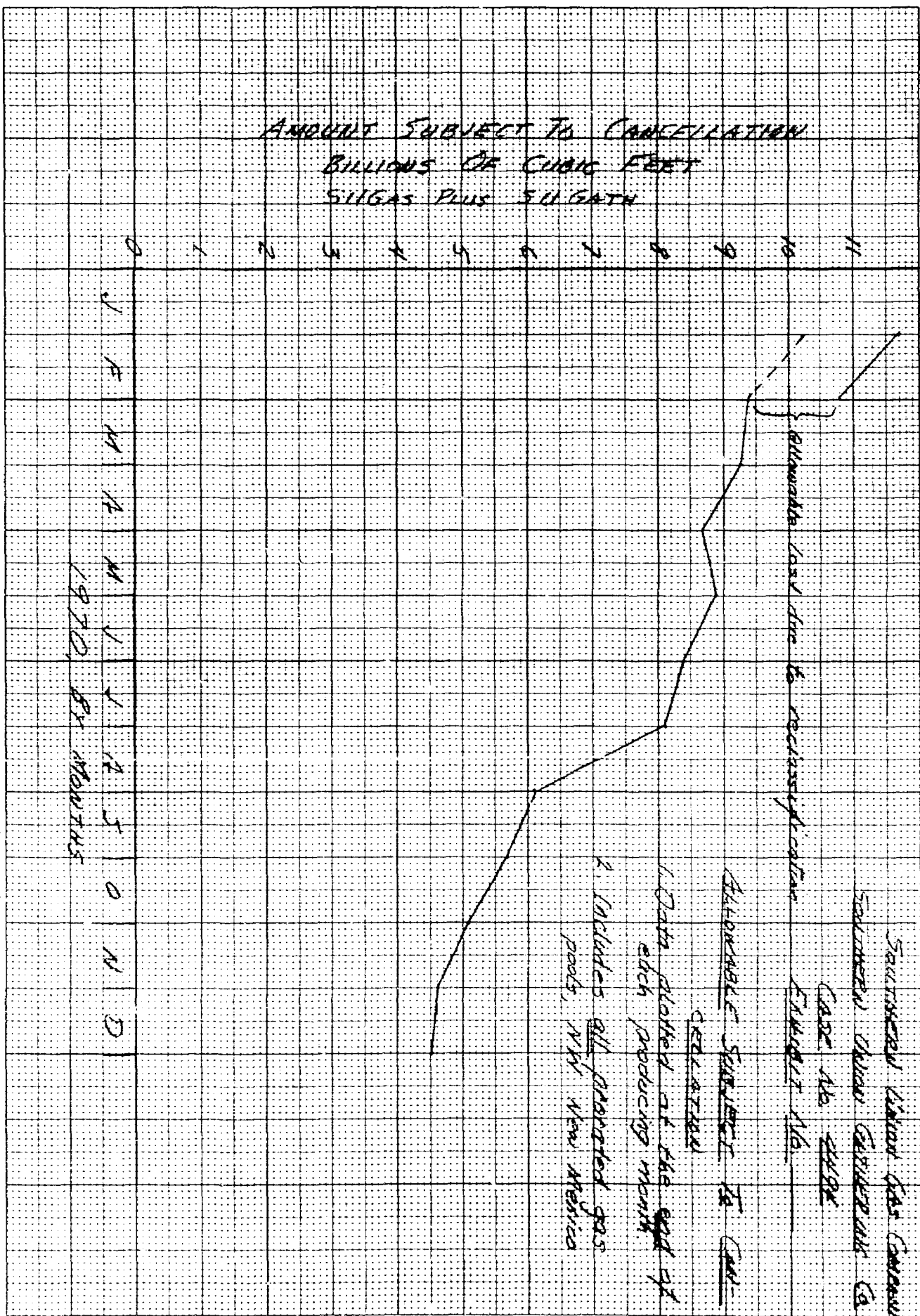
Approval of Southern Union Gathering Company's application for a Limited Certificate of Public Convenience and Necessity which would allow them to sell up to 50 MMCF of natural gas daily in the San Juan Basin of New Mexico to El Paso Natural Gas Company would be of great assistance to the New Mexico Oil Conservation Commission in performing its function of protecting correlative rights. Our Commission would therefore appreciate your favorable consideration of the application.

Yours very truly,

A. L. PORTER, Jr.  
Secretary-Director

ALP:ir





EXAMINER  
NO. 4494



SOUTHERN UNION GAS COMPANY  
SOUTHERN UNION GATHERING COMPANY

CASE NO. 4494  
EXHIBIT NO.

III. TOTAL SOUTHERN UNION GAS COMPANY AND SOUTHERN UNION GATHERING COMPANY CONNECTIONS

	<u>BASIN DAKOTA</u>	<u>BLANCO</u>	<u>AZTEC</u>	<u>BALLARD</u>	<u>FULCHER KUTZ</u>	<u>SOUTH BLANCO</u>	<u>TAPACITO</u>	<u>WEST KUTZ</u>	<u>TOTAL</u>
	<u>PICTURED CLIFFS</u>	<u>PICTURED CLIFFS</u>	<u>PICTURED CLIFFS</u>	<u>PICTURED CLIFFS</u>	<u>PICTURED CLIFFS</u>	<u>PICTURED CLIFFS</u>	<u>PICTURED CLIFFS</u>	<u>PICTURED CLIFFS</u>	
Estimated Allowable Subj. to Cancellation February 1, 1971:	3,755,027	138,567	30,479	21,489	33,249	83,020	-0-	11,728	4,073,559
Feb. 1, 1971 Cancellable Underage that can be made up before February 1, 1972:	2,177,703	22,244	15,559	17,576	-0-	22,138	-0-	488	2,255,708
Estimated Allowable that will be Subj. to Cancellation August 1, 1971:	4,452,776	1,659,189	317,315	72,077	169,434	492,537	131,766	21,319	7,316,413
Aug. 1, 1971 Cancellable Underage that can be made up before February 1, 1972:	1,419,552	217,739	33,744	34,358	73,156	1,345	9,977	1,193	1,791,064
Total Allowable Subj. to Cancellation, next two Balancing Periods:	8,207,803	1,797,756	347,794	93,566	202,683	575,557	131,766	33,047	11,389,972
Total that can be made up:	3,597,255	239,983	49,303	51,934	73,156	23,483	9,977	1,681	4,046,772

PETROLEUM EXAMINER NOTED

EXHIBIT NO. 4494  
CASE NO. 4



## OIL CONSERVATION COMMISSION

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

February 10, 1971

GOVERNOR  
BRUCE KING  
CHAIRMAN  
LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER  
STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

Mr. William J. Cooley  
Burr & Cooley  
Attorneys at Law  
152 Petroleum Center Building  
Farmington, New Mexico 87401

Re: Case No. 4494  
Order No. R-4101  
Applicant:  
Southern Union Gas & Southern  
Union Gathering

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x  
Artesia OCC \_\_\_\_\_  
Aztec OCC x

Other Mr. Joe Starks, Aztec Oil & Gas Co., Dallas, Texas

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 4494  
Order No. R-4101

APPLICATION OF SOUTHERN UNION GAS COMPANY  
AND SOUTHERN UNION GATHERING COMPANY FOR  
THE SUSPENSION OF CERTAIN PROVISIONS OF  
RULES 14(A), 15(A), AND 15(B) OF THE GENERAL  
RULES AND REGULATIONS FOR THE PRORATED GAS  
POOLS OF NORTHWESTERN NEW MEXICO IN SAN JUAN,  
RIO ARriba, AND SANDOVAL COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 3, 1971,  
at Santa Fe, New Mexico, before Examiner Daniel S. Mutter.

NOW, on this 10th day of February, 1971, 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 by Order No. R-3923, dated February 20, 1970, Rules  
14(A), 15(A), and 15(B) of the General Rules and Regulations for  
the Prorated Gas Pools of Northwest New Mexico were suspended for  
a one-year period beginning February 1, 1970.

(3) That the applicants, Southern Union Gas Company and  
Southern Union Gathering Company, owners and operators of pipe-  
lines connected to gas wells in the aforesaid prorated gas pools,  
seek the suspension for an additional period of one year from  
February 1, 1971, of said Rules 14(A), 15(A), and 15(B).

-2-

CASE No. 4494

Order No. R-4101

(4) That there are numerous non-marginal wells in said prorated gas pools that have accumulated underproduction which is subject to cancellation as of February 1, 1971.

(5) That there is such a present and continued need for gas that many of the wells which have accrued the aforesaid underproduction should be able to produce the aforesaid underproduction in addition to the normal allowables by February 1, 1972.

(6) That in order to allow the operators of the above-described non-marginal wells the opportunity to produce their just and equitable share of the reserves underlying said gas pools, the aforesaid Rule 14(A) should be suspended for an additional one-year period from February 1, 1971.

(7) That the suspension of said Rule 14(A) without a corresponding suspension of Rules 15(A) and 15(B), which provide for the shutting in of overproduced wells, would not adequately protect the correlative rights of the operators of wells in the subject pools that are subject to being shut in as of February 1, 1971.

(8) That in order to protect correlative rights, prevent waste, promote conservation, and allow each producer in the prorated gas pools of Northwest New Mexico the opportunity to produce his just and equitable share of the reserves underlying said gas pools, the aforesaid Rules 14(A), 15(A), and 15(B) should be suspended for an additional period of one year from February 1, 1971.

IT IS THEREFORE ORDERED:

(1) That Rules 14(A), 15(A), and 15(B) of the General Rules and Regulations for the Prorated Gas Pools of Northwest New Mexico are hereby suspended for an additional period of one year from February 1, 1971.

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

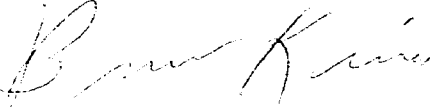
-3-

CASE No. 4494

Order No. R-4101

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



BRUCE KING, Chairman



ALEX J. ARMIJO, Member



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



ear/

# Mobil Oil Corporation

P.O. BOX 633  
MIDLAND, TEXAS 79701

February 1, 1971

New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

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

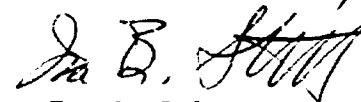
NEW MEXICO OIL CONSERVATION COMMISSION  
CALLED CASE NO. 4494  
SUSPENSION OF BALANCING RULE 14(A),  
RULE 15(A) AND RULE 15(B) OF ORDER  
R-1670 AFFECTING PRORATED GAS POOLS  
IN SAN JUAN BASIN AREA, NEW MEXICO  
FOR THE YEAR 1971.

Gentlemen:

Mobil Oil Corporation has reviewed the application of Southern Union Gas Company and Southern Union Gathering Company seeking suspension for a one year period starting February 1, 1971 of rules concerning the balancing provisions of Rule 14(A), 15(A) and 15(B) of Order R-1670, as amended.

Mobil has no objection to the application as outlined in Docket No. 3-71, for the Examiner Hearing scheduled February 3, 1971.

Very truly yours,



Ira B. Stitt  
Division Operations Engineer

WBSimmonsJr/ldm



# Telegram

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DANIEL S NUTTER NEW MEXICO OIL CONSERVATION COMMISSION=  
BOX 2088 SANTA FE NMEX=

REFERENCE CASE 4494 TENNECO OIL COMPANY WISHES TO GO ON  
RECORD IN SUPPORT OF SOUTHERN UNION GAS COMPANY AND  
SOUTHERN UNION GATHERING COMPANY IN THEIR APPLICATION OF  
A ONE YEAR EXTENSION OF THE CANCELLATION IN  
REDISTRIBUTION RULES ON SAN JUAN BASIN GAS WELLS TO BE  
HEARD BEFORE THE NMOCC FEBRUARY 3 1971 IN CASE 4494.  
TENNECO BELIEVES THIS EXTENSION WILL PROTECT  
CORRELATIVE RIGHTS BY PROVIDING THE OPPORTUNITY TO  
MAKE UP LARGE AMOUNTS OF PRODUCEABLE UNDER PRODUCTION.-

WU 1201 (R)

C W NANCE TENNECO OIL CO=

WHITE, GILBERT, KOCH & KELLY  
GILBERT, WHITE AND GILBERT

ATTORNEYS AND COUNSELORS AT LAW

LINCOLN BUILDING

SANTA FE, NEW MEXICO 87501

CARL H. GILBERT (1891-1963)

L. C. WHITE

WILLIAM W. GILBERT

SUMNER S. KOCH

WILLIAM BOOKER KELLY

JOHN F. MCCARTHY, JR.

KENNETH BATEMAN

BENJAMIN PHILLIPS

January 29, 1971

POST OFFICE BOX 787

TELEPHONE 982-4301

AREA CODE 5051

New Mexico Oil Conservation  
Commission  
P. O. Box 2088  
Santa Fe, New Mexico

Re: In the Matter of Southern Union  
Gas Company and Southern Union  
Gathering Company, Case No. 4494

Gentlemen:

Enclosed is original and copy of my Entry of Appearance  
as local counsel in the above matter.

Very truly yours,

*L. C. White*  
L. C. WHITE

LCW:cc  
Enclosures



1 STATE OF NEW MEXICO

COUNTY OF SANTA FE

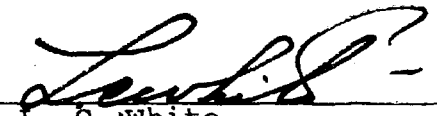
2 BEFORE THE NEW MEXICO STATE  
3 OIL CONSERVATION COMMISSION

4 IN THE MATTER OF SOUTHERN UNION  
5 GAS COMPANY AND SOUTHERN UNION  
6 GATHERING COMPANY

Case No. 4494

7 ENTRY OF APPEARANCE OF LOCAL COUNSEL

8 Comes now L. C. White of White, Gilbert, Koch and Kelly,  
9 and enters his formal appearance in the above entitled proceeding  
10 as local counsel for and on behalf of Aztec Oil & Gas Company.  
11 By way of comment, Attorney Joe E. Starks, of Dallas, Texas, and  
12 a member of the Texas Bar, will represent the Aztec Oil & Gas  
13 Company at the hearing and in the proceedings pertaining to the  
14 above entitled matter.

15   
16 L. C. White  
17 White, Gilbert, Koch & Kelly  
18 P. O. Box 787  
19 Santa Fe, New Mexico

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WHITE, GILBERT, KOCH & KELLY  
ATTORNEYS AT LAW  
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New Mexico Oil Conservation Commission  
Post Office Box 2088  
Santa Fe, New Mexico 87501

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

Re: Suspension of Balancing Provisions of Rule 14(A) -  
(Underproduction), Rule 15(A) - (Overproduction),  
and Rule 15(B) - (Overproduced Six Times Current  
Month's Allowable) of Order R-1670, as amended.

Gentlemen:

Southern Union Gas Company and Southern Union Gathering Company request a hearing to consider suspension for a period of one year from February 1, 1971, of the balancing provisions of Rule 14(A) - (Underproduction), Rule 15(A) - (Overproduction), and Rule 15(B) - (Overproduced Six Times Current Month's Allowable) of Order R-1670, as amended.

As testified to in Case No. 4302, Gathering Company has filed its application with the Federal Power Commission seeking temporary authority to sell larger volumes of gas to El Paso Natural Gas Company than previously authorized. Such application was delayed and the authority therein sought was not issued until August, 1970. With additional volumes of gas being delivered by Gathering Company to El Paso Natural Gas Company, a portion of the underproduction from wells connected to its lines will be made up. Likewise, Gas Company will be able to produce more gas from underproduced wells connected to its lines by reducing the volumes that otherwise would have been purchased by it from Gathering Company.

As these rules and this order pertain to wells in the prorated gas pools of Northwest New Mexico in San Juan, Rio Arriba and Sandoval Counties, we therefore request a February, 1971, hearing date so that this matter can be heard prior to the time normal cancellation and redistribution of prorated pools in the San Juan Basin takes place in order to avoid the burden of reinstating underages and releasing for production wells that have been ordered shut in for overproduction.

Very truly yours,

SOUTHERN UNION GAS COMPANY

By Charles H. Heston  
Manager Gas Supply

SOUTHERN UNION GATHERING COMPANY

By Charles H. Heston  
Manager Gas Supply

Fidelity Union Tower  
Dallas, Texas 75201

DOCKET MARKED

1-22-71

DOCKET EXAMINER HEARING - WEDNESDAY - FEBRUARY 3, 1971

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

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

CASE 4494: Application of Southern Union Gas Company and Southern Union Gathering Company for the suspension of certain provisions of Rules 14(A), 15(A), and 15 (B) of the General Rules and Regulations for the prorated gas pools in Northwestern New Mexico in San Juan, Rio Arriba, and Sandoval Counties, New Mexico. Applicants, in the above-styled cause, seek suspension for a period of one year from February 1, 1971, of those provisions of Rules 14 (A), 15 (A), and 15 (B) of the General Rules and Regulations for the prorated gas pools of Northwestern New Mexico promulgated by Order No. R-1670, as amended, that provide for the cancellation of unproduced allowable and the shutting-in of over-produced wells.

CASE 4495: Application of Southern Union Production Company for a triple completion, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of the triple completion (conventional) of its Cicarilla "K" Well No. 13 located in Unit E of Section 11, Township 25 North, Range 5 West, Rio Arriba County, New Mexico, to produce gas from the South Blanco-Pictured Cliffs, Otero Chacra, and Basin-Dakota Pools through a combination of tubing strings and the casing-tubing annulus.

CASE 4490: (Continued from the January 13, 1971 Examiner Hearing)  
Application of Texas Pacific Oil Company for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico. Said exception would be for the applicant's Woolley Federal Well No. 3 located in Section 21, Township 17 South, Range 30 East, Loco Hills-Abo Pool, Eddy County, New Mexico.

CASE 4475: (Continued from the December 16, 1970, Examiner Hearing)  
Application of Texas American Oil Corporation for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico. Applicant seeks an exception to the provisions of said order for wells completed in the Sand Dunes-Atoka Gas Pool and the Sand Dunes-Cherry Canyon Pool, Eddy County, New Mexico, to permit the disposal of water produced by said wells in unlined surface pits.

*3-yr. Deal*

OIL CONSERVATION COMMISSION

P. O. BOX 2086

SANTA FE, NEW MEXICO 87501

April 17, 1970

Federal Power Commission  
Washington, D. C. 20426

Re: Docket No. CI 70-862

Gentlemen:

Approval of Southern Union Gathering Company's application for a limited Certificate of Public Convenience and Necessity which would allow them to sell up to 50 MMCF of natural gas daily in the San Juan Basin of New Mexico to El Paso Natural Gas Company would be of great assistance to the New Mexico Oil Conservation Commission in performing its function of protecting correlative rights. Our Commission would therefore appreciate your favorable consideration of the application.

Yours very truly,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Ex Hearing - Feb. 3, 1971

Set a Case for Suspension  
of NW Rules for  
Southern Union

DRAFT

GMH/esr  
2-5-71

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:

RECORDS CENTER

CASE No. 4494

Order No. R- 4101

APPLICATION OF SOUTHERN UNION GAS COMPANY  
AND SOUTHERN UNION GATHERING COMPANY FOR  
THE SUSPENSION OF CERTAIN PROVISIONS OF  
RULES 14(A), 15(A), AND 15(B) OF THE GENERAL  
RULES AND REGULATIONS FOR THE PRORATED GAS  
POOLS OF NORTHWESTERN NEW MEXICO IN SAN JUAN,  
RIO ARriba, AND SANDOVAL COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 3, 1971,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this \_\_\_\_\_ day of February, 1971, 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 by Order No. R-3923, dated February 20, 1970, Rules  
14(A), 15(A), and 15(B) of the General Rules and Regulations for  
the Prorated Gas Pools of Northwest New Mexico were suspended for  
a one-year period beginning February 1, 1970.

(3) That the applicants, Southern Union Gas Company and  
Southern Union Gathering Company, owners and operators of pipe-  
lines connected to gas wells in the aforesaid prorated gas pools,  
seek the suspension for an additional period of one year from  
February 1, 1971, of said Rules 14(A), 15(A), and 15(B).

(4) That there are numerous non-marginal wells in said prorated gas pools that have accumulated underproduction which is subject to cancellation as of February 1, 1971.

(5) That there is such a present and continued need for gas <sup>many of</sup> ~~that~~ <sup>which</sup> the wells ~~that~~ have accrued the aforesaid underproduction should be able to produce the aforesaid underproduction in addition to the normal allowables by February 1, 1972.

(6) That in order to allow the operators of the above-described non-marginal wells the opportunity to produce their just and equitable share of the reserves underlying said gas pools, the aforesaid Rule 14(A) should be suspended for an additional one-year period from February 1, 1971.

(7) That the suspension of said Rule 14(A) without a corresponding suspension of Rules 15(A) and 15(B), which provide for the shutting in of overproduced wells, would not adequately protect the correlative rights of the operators of wells in the subject pools that are subject to being shut ~~in~~ as of February 1, 1971.

(8) That in order to protect correlative rights, prevent waste, promote conservation, and allow each producer in the prorated gas pools of Northwest New Mexico the opportunity to produce his just and equitable share of the reserves underlying said gas pools, the aforesaid Rules 14(A), 15(A), and 15(B) should be suspended for an additional period of one year from February 1, 1971.

IT IS THEREFORE ORDERED:

(1) That Rules 14(A), 15(A), and 15(B) of the General Rules and Regulations for the Prorated Gas Pools of Northwest New Mexico are hereby suspended for an additional period of one year from February 1, 1971.

-3-

CASE No. 4494

(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.