

BEFORE THE
OIL CONSERVATION COMMISSION
Aztec, New Mexico
August 8, 1956

87-43

IN THE MATTER OF:)
CASE NO. 1124)

TRANSCRIPT OF PROCEEDINGS

NEW MEXICO OIL CONSERVATION COMMISSION

Main Court Room, San Juan County Court House

Aztec, NEW MEXICO

REGISTER

HEARING DATE

August 8, 1956

TIME: 10:00 a.m.

NAME:	REPRESENTING:	LOCATION:
<i>Ernest A. [Signature]</i>	N M O C C	Santa Fe
<i>E. C. Arnold</i>	"	Aztec
<i>L. C. Truby Jr.</i>	PNW	Salt Lake City
<i>T. A. Dugan</i>	"	Farmington
<i>H. H. Peppin</i>	"	"
<i>Kathleen [Signature]</i>	N. M. O. C. C.	Aztec
<i>L. D. Gallogay</i>	El Paso Natural Gas Co	Farmington, N. M.
<i>W. B. [Signature]</i>	PNW	"
<i>John A. Woodward</i>	El Paso Natural Gas Co.	El Paso
<i>F. Norman Woodruff</i>	" " " " "	" "
<i>A. G. [Signature]</i>	Wood River Oil Ref. Co	Aztec
<i>Sumner [Signature]</i>	Thurmond M. [Signature]	Armore, Okla
<i>Harold L. Kendrick</i>	El Paso Natural Gas Co	Farmington, N. M.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
August 8, 1956

IN THE MATTER OF:

Case No. 1124: Application of Pacific Northwest Pipeline Corporation for an order extending the time limits set for making deliverability tests for approximately 125 gas wells in the Blanco-Mesaverde Gas Pool located in San Juan and Rio Arriba Counties, New Mexico, as required by Order R-333-C and D and for the assignment of allowables to said wells in exception to Order R-128-D.

Applicant, in the above-styled cause, seeks an order excepting approximately 125 gas wells in the Blanco-Mesaverde Gas Pool, to which the applicant expects to connect, from the requirements of making initial deliverability tests for the remainder of the year of 1956, as required by Section B, Sub-Section I, Paragraph A of Order R-333-C and D, and from seven day shut-in pressure tests as required by Section B, Sub-Section I, Paragraph B of said Order R-333-C and D; and further that said wells be granted an allowable at the time of connection for the remainder of 1956 notwithstanding the fact that no deliverability tests shall have been made as required by Rules 5 and 9 of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool as set forth in Order R-128-D.

BEFORE:

Mr. Warren W. Mankin, Examiner.

PROCEEDINGS

MR. MANKIN: The hearing will come to order. The only case we have on the docket today is Case No. 1124, which is the application of Pacific Northwest Pipeline Corporation for an order extending the time limit set for making deliverability tests for approximately 125 gas wells in the Blanco-Mesaverde Gas Pool, located in San Juan and Rio Arriba Counties, New Mexico, as required by Orders R-333-C and D and for the assignment of allowables for said wells in exception to Order R-128-D. Proceed.

TOM DUGAN

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

MR. DUGAN: I am Thomas A. Dugan, Engineer with Pacific Northwest Pipeline Corporation.

MR. MANKIN: I believe you have previously qualified as a technical witness before this Commission, have you not?

MR. DUGAN: No.

MR. MANKIN: We had better get your qualifications then. First as a -- your training, educational and your present training with Pacific or other companies. Relate those very briefly.

MR. DUGAN: I graduated from Oklahoma University in 1950 and have been working for different companies in the oil and gas business since that time. I am now Assistant Division Superintendent with Pacific Northwest Pipeline Corporation.

MR. MANKIN: Your degree was a Petroleum Engineering Degree?

MR. DUGAN: That is right.

MR. MANKIN: And you have been in this area for how long?

MR. DUGAN: For four years, approximately.

MR. MANKIN: Qualifications acceptable, proceed.

MR. DUGAN: Pacific Northwest Pipeline Corporation requests that the New Mexico Oil Conservation Commission grant Pacific, approval to take exception retroactive to April 1956, and for the remainder of 1956, to the following items in Order R-333-C & D and Order R-128-D. One exception, the assignment of allowables 45 days prior to date upon which well's initial deliverability is reported to the Commission as stated in Rule 9, paragraph 'c', Order R-128-D and the deliverability tests to be taken in conformance with the provision of R-333-C as stated in Rule 5 and 9 of Order R-128-D. We would like to take exception to the 45-day limit for the completion of initial deliverabilities as stated in section B, sub-section 1, paragraph a, Order No. R-333-C & D and take exception to the 7-day shut-in pressure for the annual deliverability test as stated in Section B, sub-section 1 paragraph B, Order R-333-C & D.

Pacific requests that the option to use the 7-day shut-in pressure taken either before or after the deliverability test. Pacific Northwest Pipeline will start delivery of gas on a large scale to the Pacific Northwest during the month of October, 1956. We will connect approximately 100 wells to our gathering system at that time. This fact will make it very difficult for us to secure deliverability tests on these wells and comply with Orders Nos. R-333-C & D and Order 128-D. The low demand on the line will undoubtedly fluxuate to a great extent because of the initial problem involved in starting such a transmission line. This fluxuation will complicate the securing of satisfactory deliverability tests. Pacific plans to deliver a large amount of gas to the Northwest during the last quarter of 1956, and it will be undesirable - and it might be undesirable to necessitate the shutting-in of a great number of wells for seven days following the deliverability tests. We do not plan to connect any wells or send any connection notices on the wells until we are in a position to take the deliverability tests. At the present time we have twelve Mesaverde wells connected to the line which we have submitted deliverability - connection notices on. And of those twelve we have completed deliverability tests on four and have one in progress. I mean we have completed satisfactory deliverability tests on four.

MR. MANKIN: Is that all you have?

MR. DUGAN: That is all.

MR. MANKIN: You had on - You had no exhibits, nothing further to present at this time?

MR. DUGAN: No exhibits.

MR. MANKIN: Is there question of the witness in this case?

CROSS EXAMINATION

MR. ARNOLD: I have a question. I think you said you wanted the order retroactive to April. Did you specify a date in April or -

MR. DUGAN: No, just the first of April.

MR. ARNOLD: That would be prior to the time that any of your -

MR. DUGAN: Well, yes it would. Probably the - our first connection notices were sent in on the 20th of April.

MR. ARNOLD: You just wanted it prior to the time that you had any connection made.

MR. DUGAN: Yes.

MR. ARNOLD: Did you intend that these special tests, where you use an optional shut-in pressure, on wells which are connected during October of this year would serve as regular annual tests with no allowable change until February 1st, 1958?

MR. DUGAN: Yes, unless requested by the Commissioner on our initiative to retest the well.

MR. ARNOLD: I believe that the Order states that we can not allow retest except for substantial reason. What would you consider a substantial reason?

MR. DUGAN: Well, production history of the well.

MR. ARNOLD: Taking into consideration a line pressure? In other words a -

MR. DUGAN: Yes. The line pressure and the production history, and the deliverability of the well as it continues to produce.

MR. ARNOLD: What provision do you think should be written into the order to insure that wells on which the initial tests are delayed do not become more than six months over-produced before an allowable is granted?

MR. DUGAN: Well, we do not anticipate to overproduce the wells, and we don't anticipate a large production from the Basin - from New Mexico wells until October, and at that time we will be securing tests. I don't believe that we will be six-months overproduced in that time.

MR. ARNOLD: In case we requested it, could you submit some sort of representative production test on each well in this category so that an approximate allowable could be calculated for the purposes of checking over-production limits?

MR. DUGAN: Yes, we could.

MR. ARNOLD: I believe that is all of the questions I have.

MR. UTZ: Mr. Dugan, did I understand you correctly to say that you have twelve Mesaverde well connected to your permanent transmission system now?

MR. DUGAN: We have twelve connected that we have submitted connection notices on and produced.

MR. UTZ: Four of these have acceptable deliverability tests?

MR. DUGAN: Yes sir.

MR. UTZ: And these were connected about the 20th of April?

MR. DUGAN: Well, it varies, but we have several that was connected the 20th and five was connected in April.

MR. UTZ: Do I understand that you are requesting an allowable on these wells based on a subsequent deliverability test to be retroactive to the date of connection?

MR. DUGAN: Yes sir.

MR. UTZ: What are you using the gas for now that you are producing from these wells?

MR. DUGAN: To purge and test our main line to Oregon and Washington.

MR. UTZ: You are not actually making any deliveries -

MR. DUGAN: And drilling gas.

MR. UTZ: And drilling gas?

MR. DUGAN: Yes sir.

MR. UTZ: You are not actually making any deliveries to customers in the Northwest as of now?

MR. DUGAN: That is correct.

MR. UTZ: And when do you anticipate that this will begin?

MR. DUGAN: October 1st.

MR. UTZ: Do you have any idea as to what quantities of gas you will be delivering?

MR. DUGAN: In October?

MR. UTZ: Yes.

MR. DUGAN: Well, I believe we will have to - is it alright if Mr. Truby answers that question?

MR. TRUBY: Approximately 80 million a day - L. G. Truby, Jr., with Pacific Northwest Pipeline Corporation - is our present estimate of production from the New Mexico portion of the San Juan Basin.

MR. UTZ: About 80 million a day?

MR. TRUBY: Yes sir. That is, of course, subject to the availability of our customers demand and the completion of their facilities - that is our present estimate.

MR. UTZ: Is it not true, Mr. Dugan, that these wells would accumulate a substantial amount of underage if we re-calculated the allowable back to the date of connection?

MR. DUGAN: No sir, I don't believe so. At the present time, on the four wells we have deliverability tests on, we have calculated their allowables and on the remaining wells we have assumed deliverabilities and calculated their allowables. On the twelve wells we are 48,117 MCF overproduced - on the thirteen wells at the present time - well, on the twelve mesaverde wells plus one Fruitland well.

MR. UTZ: Now, on the other wells that you are going to connect between now and October, which I understand will be in the neighborhood of 125 to 150.

MR. DUGAN: It will be approximately 100.

MR. UTZ: Approximately 100 between now and October 1st?

MR. DUGAN: Yes, and we do not plan to submit connection notices until we are in a position to take a deliverability test on the well.

MR. UTZ: But you will go ahead and produce the wells before you submit connection notices?

MR. DUGAN: No sir.

MR. UTZ: You will only connect them?

MR. DUGAN: Yes sir.

MR. UTZ: Then those wells will not produce any gas until you actually have a demand in the Northwest?

MR. DUGAN: That is right.

MR. TRUBY: But it is your understanding, isn't it Mr. Dugan, that these 100 wells that Mr. Utz has referred to will not be submitted to the Commission as connected until we are in a position to take a test on the well or produce the wells?

MR. DUGAN: That is what I intended to say a while ago, I don't know what I said.

MR. UTZ: Therefore there will be no possibility of those wells accumulating any back allowable or underage?

MR. DUGAN: That is right.

MR. TRUBY: Well, there is one possibility, if the connected wells for some reason were not able to produce for intervals of time they would accumulate allowables for the intervals that they were not produced from the time that they were connected.

MR. DUGAN: Well, there I don't think we will accumulate any great amount of underages within the next six weeks which will take us through to the October 1st -

MR. TRUBY: Or by our estimated demand at the present time it does not appear that we will accumulate large allowables?

MR. DUGAN: Yes, that is correct.

MR. UTZ: Do you anticipate that the wells that you do not now have connected will have deliverability tests before you request an allowable?

MR. DUGAN: Repeat that please.

MR. UTZ: On these wells over and above the twelve wells that you now have connected, do you anticipate that you will request an allowable for those wells

before you produce them?

MR. DUGAN: No sir.

MR. UTZ: You are not asking for an extension of time then on the wells except these twelve?

MR. DUGAN: Yes sir, that is right.

MR. TRUBY: And from the time that we connect well -

MR. DUGAN: Yeah, and any additional wells that we are in a position to test that we submit connection notices on. In other words we would like exception on the additional wells to be connected commencing with the time that we submit the connection notices.

MR. UTZ: Then you want more than the 60 days in which to test these wells?

MR. DUGAN: Yes, for the reason that we feel that there might be some interruptions in our demand which would necessitate shutting-in of the wells, and not being able to produce them for a continuous 21 days.

MR. UTZ: well, if you don't produce these wells, substantially produce these wells, and your load is interrupted, aren't they liable to and if the well is assigned an allowable, aren't they liable to accumulate a substantial amount of underage?

MR. DUGAN: well, I don't believe that our demand will fluxuate that much. In other words, I don't believe we will be shut-off for any length of time after we initially start production. But it might be long enough to make us start again, to commence again on the deliverability test. I don't believe that we will accumulate any substantial amount of underages.

MR. UTZ: would you be receptive to a provision in the order which would allow you to produce the wells in the amount that you, that is necessary in order to provide you with drilling gas, line purging gas, and until you have a substantial demand in Portland or Seattle, on the basis of a supplementary allowable. In other words a supplementary allowable would simply give you the amount of allowable which you actually produced from those wells up until such a time that you have a sufficient demand. The point being that we don't feel that

we should allow these wells, while you are on an interrupted demand basis, to accumulate a substantial amount of underage. You would be provided with the amount of gas that you needed to produce, then put them on the proration schedule when your demand was not interrupted.

MR. DUGAN: In other words, even if we stay possibly overproduced to the rate of 500,000,000 we would not be held accountable for that overproduction?

MR. UTZ: Over and above an estimated allowable, you mean?

MR. DUGAN: Yes.

MR. UTZ: Well, of course in this sort of a proposition that I am mentioning here, that is a definite danger.

MR. DUGAN: Yes. I mean it can work both ways, of course.

MR. UTZ: That is correct. Further, would you object to a provision in the order which would set a limit, a monthly limit, on the amount of gas that you could produce from any one well to avoid overproducing?

MR. DUGAN: Well, of course it is not our intention to accumulate a large amount of underages and really what we are asking for is to keep from - well, at the present time since we are overproduced and if we were not allowed this we would be overproduced to a very large extent on the twelve wells. We are not asking for this to accumulate a large amount of underage, but to oblivate our testing problem when our demand starts in October and a large amount of wells are connected to the line and we are short of personnel to help us get satisfactory tests on the wells.

MR. UTZ: Well, if you are going to connect wells from now on out, the numbers up to 100 wells, wouldn't it be possible to shut-in these wells that are badly overproduced now and take gas from those other wells in a reasonable amount?

MR. DUGAN: Yes.

MR. UTZ: So that at the time that you have an uninterrupted demand, you could have your wells in pretty fair shape as far as potential allowable is concerned.

MR. TRUBY: Could you give Mr. Dugan a specific question there, I don't quite understand your question and I am not sure he did.

MR. UTZ: Specifically, what I am proposing to Mr. Dugan is this: You have an interrupted demand, and due to that interrupted demand you don't know just what your actual demand is going to be from one week to the next and due to this interrupted demand you cannot make decent tests on the wells, acceptable tests, so I am proposing to you that we allow you to produce those wells without any allowables up until you have an uninterrupted demand of a substantial quantity so that you will be able to test those wells in the regular manner and also go ahead and produce them enough to make your allowables or keep pretty well in balance. But we would still like to have some sort of a ceiling on the possibility of your overproducing any of those wells.

MR. TRUBY: First, Mr. Dugan, don't you think that the production data that we could submit to the Commission as considered by - asked by Mr. Arnold cover this overproduction situation.

MR. DUGAN: I sure think it would cover the overproduction.

MR. TRUBY: And secondly, since we have wells drilled in a prorated field and we do have a demand, even though possibly it is disproportionate to the field production of the other pipelines that at present we do not anticipate accumulating a big allowable. Is that correct?

MR. DUGAN: We don't anticipate accumulating a lot of underages or over-producing any specific well.

MR. TRUBY: Or do we anticipate connecting wells to the line until we can test the individual well?

MR. DUGAN: No sir, I stated that a while ago, that we didn't.

MR. TRUBY: But if we are able to test wells and hook them up into a line in a prorated pool we do feel that we should accumulate what allowable on the wells that have legitimate tests on, isn't that correct, under the present proration set up?

MR. DUGAN: Well, there is no reason why we shouldn't. Other companies do the same thing.

MR. UTZ: Even though you don't have a demand for the gas, you feel that you should accumulate allowable on those wells?

MR. TRUBY: Even though our demand is small, isn't that correct? We do need to produce our wells.

MR. ARNOLD: As I understood your testimony to begin with, insofar as those wells you are going to connect in October, I understood that your main problem there, you thought was that your demand was going to be so high that you wouldn't be able to take that seven-day shut-in pressure -

MR. DUGAN: That is one problem.

MR. ARNOLD: And if you anticipate that being your problem it must be you certainly don't anticipate accumulating an underage.

MR. DUGAN: No sir, we sure don't. But also on the same basis, where we are starting up a new line we might have some short interruptions which would ruin any deliverability tests in progress where we would have to start them over and that is why we are asking for the 45 day to be waived.

MR. ARNOLD: That is right. There would be no reason why it wouldn't be perfectly legal to accumulate underage during those short periods when the wells has to be shut-in.

MR. DUGAN: That is true.

MR. UTZ: You are asking them for these twelve wells to receive an allowable as of the date of connection?

MR. DUGAN: Yes sir.

MR. UTZ: To be tested any time between now and January 1st?

MR. DUGAN: Yes sir, at our earliest possible moment.

MR. UTZ: And subsequent wells you will not produce or send in connection notices -

MR. DUGAN: Until we are in a position to test that well, that specific well.

In other words, we will have to complete satisfactory tests on the thirteen wells or the - yes we have thirteen wells on which we have to get deliverability tests on, twelve in the Mesaverde.

MR. UTZ: That being the case then, I do not see why you need an extension of time beyond the 60 days.

MR. DUGAN: Well, like I explained, we are worried that we might have some interruptions due to possible line breaks or possible shut down of some of our customers, when starting a new system, which would interrupt a deliverability test, and make it necessary for us to start again on the test and exceed the 45 day limit plus the fifteen day extension. It is just to smooth out our testing program on the 45 day waiver that we are asking. In other words we would possibly have a , say 40 wells on test, and on the final chart and we would have a shut down for two days. Well, we would have a lot of production there that would not be covered if we did not have the -

MR. UTZ: Due to the problems of -

MR. DUGAN: Yes, a new line.

MR. UTZ: I believe that is all I have.

MR. MANKIN: Mr. Dugan, you indicated that you had been producing these twelve wells since April.

MR. DUGAN: Five of the twelve, yes. I mean it varies on the twelve but we have connected all of the twelve since April.

MR. MANKIN: However, between now and the first of October you possibly intend to put on some, or roughly say 88 more wells.

MR. DUGAN: No sir.

MR. MANKIN: Have them ready to put on?

MR. DUGAN: They will be ready, yes sir. We do not plan to submit connection notices until we are in a position to take the deliverability test on that particular well.

MR. MANKIN: Rather than these five wells or twelve wells accumulating a

great amount of overages, it would appear to me that it would be more probable to put some of these other wells on, of these other 88 wells, and make more equitable withdrawals rather than having overages right along on these few wells. I do not quite feature your reason for having only these few wells on and collecting great amounts of overages and not attempting to put on these other wells.

MR. DUGAN: Well, we haven't any great amount of overages.

MR. MANKIN: Well, it is going to be worse as you go along because you are filling the line.

MR. DUGAN: Yes, we are still filling the line but we are not - right now - since every one of these wells has been connected to the line we have been attempting to get deliverability tests on them, and for one reason or another we have only got satisfactory tests on four. So we will not produce these wells other than attempting to get deliverability tests on them. When we get a satisfactory deliverability test on any particular well we will shut-in and start on another well. In other words, right now other than trying to fill our line we are also attempting to secure satisfactory deliverability tests.

MR. MANKIN: Well, I realize that. That of course help those particular five wells or twelve wells and they will be shut-in after satisfactory tests. But you still have a great demand, do you not, for drilling gas and for purging gas and for filling the line between now and the first of October. Where is that coming from?

MR. DUGAN: Not any great demand. I believe we nominated a 120 million for the month of September.

MR. MANKIN: So it is still going to be taken from these twelve wells during the period between now and the first of October, is that correct? Other than the gas that will be put into the line from them from other wells having deliverability tests taken, other than the twelve wells. But there will be other wells other than the twelve wells tested between now and the first of October.

MR. DUGAN: We hope so. This estimated overproduction, of course, is from twelve wells, not each individual well.

MR. MANKIN: I realize that. From all twelve wells, and as of now and the first of October?

MR. DUGAN: As of now. That is the last of July.

MR. MANKIN: So it is going to be worse than that before the first of October then?

MR. DUGAN: I don't believe so.

MR. MANKIN: Well, I guess I am a little hazy, but are you going to be testing other wells, other than the twelve wells for deliverability tests between now and the first of October?

MR. TRUBY: I believe the answer to Mr. Mankin's question is: After completing satisfactory tests on these twelve wells, if we have the demand for one reason or another, we would send in connection notices on additional wells. At present do you believe that we will be able to get the -

MR. DUGAN: The present rate of production, I doubt it.

MR. TRUBY: Doubt if we will get even these twelve wells tested?

MR. DUGAN: That is right. At the present time we are producing one well.

MR. MANKIN: So you don't anticipate then that any of these other wells will be tested and that production going into the line prior to October 1st., other than these twelve wells?

MR. TRUBY: That is correct. But isn't it also right that we don't know our demand positively. We have given you our best estimate for the say, the following two months, and isn't it right that we don't care to be pinned down to a specific production or number of wells for the purpose that, I believe, Mr. Utz and yourself have asked these questions.

MR. DUGAN: Yes.

MR. MANKIN: Well, to get back to Mr. Utz's question where he indicated that it might not be desirable to put these wells on a proration schedule until such a time as you actually had them properly connected into a steady demand, such

as the first of October. Would there be anything wrong with following that procedure rather than going back into April, if these were given an allowable by supplements rather than by schedule until such time as there was a steady demand?

MR. TRUBY: I think Mr. Dugan, if I may interject here, because of some of the background that I may be familiar with that Mr. Dugan isn't, there we would prefer that the wells be considered under the present allowable program in that we feel that we are trying to hook up the wells as requested by the Commission. It would appear to me, from your line of questioning, that you are getting back to the proposition that a pipeline should be prorated to its actual demand and at present we are not ready to propose that. So for that reason we would prefer to along with the present proration set up.

MR. MANKIN: Then, I take it from your comments, that all you would be asking for, for allowable purposes back in to April would be these twelve wells.

MR. DUGAN: Or back to the time of the connection notices, which would only be five wells in April.

MR. MANKIN: But a maximum of twelve wells sometime during this April -

MR. DUGAN: Yes, that is correct.

MR. MANKIN: In other words, this business of 125 wells has to do with testing only and has nothing to do with allowables.

MR. DUGAN: Yes.

MR. MANKIN: Until such time as they are on.

MR. DUGAN: We are not asking for a back allowable only on the wells which we have submitted connection notices to and we would like to have it to the date that each individual well's connection notice was submitted.

MR. MANKIN: Is there other questions?

MR. UTZ: I have one more. It seems to me than, that your statement, Mr. Truby, to the effect that you are not willing to propose that a pipeline be prorated to it's actual demand simply means that you are proposing to accumulate some underage.

MR. TRUBY: If it works out that way, that is correct. That has been the way it works in the Basin, the way I understand it, for the last - since

proration has been initiated and we are not ready at the present time to suggest that the proration system be changed.

MR. UTZ: Well, you do realize that your allowables are entirely dependent on your actual demand from the area.

MR. TRUBY: The way I understand it, is that each pipeline submits a nomination to the pool and that the pool nomination is distributed among the wells that are connected at the time that the nomination is distributed, or the allocation is distributed.

MR. UTZ: The pool is then balanced, when the production information is available, the pool is then balanced to the actual production.

MR. TRUBY: That is my understanding.

MR. UTZ: Which is the demand.

MR. TRUBY: That is my understanding.

MR. UTZ: That is all I have.

MR. MANKIN: Any other questions? Mr. Woodward.

MR. WOODWARD: Mr. Woodward, appearing for El Paso Natural Gas Company. Mr. Dugan, the call of this hearing states that Pacific Northwest is first applying for an extension of the time limit set for making deliverability tests for approximately 125 gas wells in the Blanco Mesaverde Gas pool. Does that statement conform with what you are applying for here?

MR. DUGAN: The only - we have corrected that to approximately 100 wells.

MR. WOODWARD: You are asking that the time limit for taking deliverability tests on approximately 100 wells be extended, is that right? As an exception to Order R-333-C and D?

MR. DUGAN: That is correct for the remainder of 1956.

MR. WOODWARD: Now, Order R-333-C & D would require you to take deliverability tests within what time?

MR. DUGAN: 45 days, plus a fifteen day extension that we applied for.

MR. WOODWARD: 45 days after what date?

MR. DUGAN: After the date of Connection.

MR. WOODWARD: Of the well to the transportation facility, is that correct?

MR. DUGAN: Yes.

MR. WOODWARD: And you are asking that that time limit be waived for the balance of 1956?

MR. DUGAN: Yes sir.

MR. WOODWARD: And when do you propose to take those deliverability tests?

MR. DUGAN: We propose to take deliverability tests as rapidly as we can as our demand, and as our personnel and other factors allow us.

MR. WOODWARD: By what date do you expect to take those tests?

MR. DUGAN: To complete them?

MR. WOODWARD: Yes.

MR. DUGAN: We expect to have deliverability tests completed on all wells connected by the end of 1956.

MR. WOODWARD: In other words, you are asking for a time extension to December 31, 1956?

MR. DUGAN: Through December 31, 1956.

MR. WOODWARD: Now, you are also asking for the assignment of allowables to these 100 wells -

MR. DUGAN: No sir, oh excuse me, go ahead.

MR. WOODWARD: In exception to Order R-128-D, is that correct?

MR. DUGAN: I started to anticipate your question there, would you repeat it?

MR. WOODWARD: You are also requesting an assignment of allowables to these wells in exception to Order R-128-D, is that correct?

MR. DUGAN: Yes.

MR. WOODWARD: Now, what specific exception to Order R-128-D are you asking for?

MR. DUGAN: 45 days prior to the test - assignment of allowables 45 days prior to date upon which well's initial deliverability test is reported to the Commission as stated in Rule 9, paragraph 'c', Order R-128-D.

MR. WOODWARD: Now, under Order R-128-D, when would allowables be assigned?

MR. DUGAN: 45 days prior to the date upon which well's initial deliverability is reported to the Commission.

MR. WOODWARD: And you are asking that that provision be waived and that the allowable be assigned when?

MR. DUGAN: To the date of connection.

MR. WOODWARD: Even though no deliverability is taken for sometime and no notice is given to the Commission for sometime past the 45-day period, is that correct?

MR. DUGAN: That is correct.

MR. WOODWARD: Now, at the present time you have twelve wells connected to your system.

MR. DUGAN: Twelve Mesaverde wells.

MR. WOODWARD: Twelve Mesaverde wells, and at least one of these Mesaverde wells has been connected since April?

MR. DUGAN: Yes.

MR. WOODWARD: You stated that on the basis of your estimate or calculation as to what the allowable would have been had these wells been carried on the proration schedule, they are now 48 million cubic feet overproduced?

MR. DUGAN: The total of 49,117 MCF overproduced for the total. Well, this the total twelve wells.

MR. WOODWARD: Was that calculation made on the basis of what nominations should have been entered for those wells plus other nominations in the field?

MR. DUGAN: Well, we have made nominations.

MR. WOODWARD: Since April you have made nominations -

MR. DUGAN: Since May -- May 1st.

MR. WOODWARD: And those nominations have been averaged in with the other nominations in the field.

MR. DUGAN: That is the usual procedure.

MR. WOODWARD: And allowable assigned back to all wells in the field except these twelve?

MR. DUGAN: I believe that is correct.

MR. WOODWARD: Well, these wells have not been assigned an allowable to date, have they?

MR. DUGAN: Well, unless it would be for the three wells which we have completed tests on last month.

MR. WOODWARD: Do you know that those three wells have been assigned an allowable?

MR. DUGAN: No, I do not.

MR. WOODWARD: Now, what you are proposing then is that all of these 100 wells be assigned an allowable as of the date they are connected to the transportation system, even if that involves a retroactive assignment of allowable.

MR. DUGAN: That is correct. As of the date the connection notice is applied for is submitted to the Commission.

MR. WOODWARD: Now as to the wells that are not presently connected what conditions will have to be satisfied before those connection notices are sent to the Commission.

MR. DUGAN: Well, of course, the well will have to be connected to the pipeline and we do not plan to submit connection notices until we are in a position to take a deliverability test on the well.

MR. WOODWARD: And how soon after your connection notice will you take that deliverability test?

MR. DUGAN: We will start a deliverability test immediately.

MR. WOODWARD: But it is going to take you to the end of the year, you feel, to properly test these wells?

MR. DUGAN: Possibly.

MR. WOODWARD: Now, you are going to start continuous operation of your line October 1st?

MR. DUGAN: That is correct.

MR. WOODWARD: And at that time you will start taking from all 100 wells?

MR. DUGAN: Approximately.

MR. WOODWARD: And it will be sometime after that before deliverability tests are taken? Sometime between October 1st and the end of the year?

MR. DUGAN: True.

MR. WOODWARD: What use are you making of the gas from the twelve wells that are presently connected?

MR. DUGAN: It is being used to purge and test our main line for drilling gas.

MR. WOODWARD: Do you anticipate connecting any of the other 88 wells, approximately, to your system between now and October the first?

MR. DUGAN: Only if we have completed the deliverability test on the twelve - on the thirteen wells and are in a position to take additional tests.

MR. WOODWARD: You are in a position to take them. You don't necessarily propose that all of those tests be taken before the first of October?

MR. DUGAN: No, I don't believe we can take them.

MR. WOODWARD: Alright, now let me ask you what the result of this would be. If between now and the first of October you announce that you are - that you file connection reports with the Commission on these wells, and at the date they are assigned an allowable, and no gas in substantial quantities is taken from those wells before October 1st. when you begin your deliveries to the Northwest, will not those wells accumulate an allowable for which there is no demand at the present time?

MR. DUGAN: It is not our intention to do that.

MR. WOODWARD: Well, regardless of what your intention is, would that not be the result from that state of fact?

MR. DUGAN: Yes.

MR. WOODWARD: Would you have any objection to a provision - an order by this Commission granting the exception relief you are seeking to the effect that no allowable shall be assigned to those wells until October 1st., to this other 88 wells that you ask?

MR. DUGAN: Yes, we would object because it would change our future demand.

MR. WOODWARD: Would you explain how it would change your future demand estimate?

MR. DUGAN: I correct my statement. If our future demand estimate changes we do not want to be pinned down to the specific well - specific number of wells.

MR. WOODWARD: I wish you would clarify that statement.

MR. DUGAN: Well, in other words, suppose that our demand would be - that they would actually produce the wells September 15th, start the large take, instead of October first.

MR. WOODWARD: Well, would it be agreeable to you to put a provision in the order authorizing the production of those wells - the exception of relief you are asking - as of the date that you file a notice to the Commission that your line is ready to commence operation for deliveries to the Northwest.

MR. DUGAN: Our line is ready to commence operations now to portions of the Northwest.

MR. WOODWARD: It is not actually in operation at the present time making such deliveries?

MR. DUGAN: No sales at the present time.

MR. WOODWARD: The date that it first commences operation can be ascertained, can it not?

MR. DUGAN: Yes.

MR. WOODWARD: Would you have any objection to commencing the assignment of allowable as of that date?

MR. TRUBY: May I be sworn in so that I may answer the question as I think

I know more of the demand potentialities.

L. G. TRUBY, Jr.

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

MR. TRUBY: My name is L. G. Truby, Jr., employed as manager of production operations for Pacific Northwest Pipeline, Salt Lake City, Utah.

MR. WOODWARD: Now, Mr. Truby, the question that I am asking is what objection would you have to making the assignment of allowables for these 88 wells, which are not presently connected, to the system, effective the date that deliveries are first commenced to the Northwest through your pipeline?

MR. TRUBY: Well, we think that under the present proration set up in New Mexico that we should not be pinned down to any particular date or any change in allowable because, for example, if we did take a 45-day deliverability test on a well at any time, the way I understand the current Commission Rules, we would be given an allowable for the well. We have drilled a number of wells in the Basin and at present we don't intend to test the wells and officially connect them in the line until we produce them. Our exact demand from the pipeline as to be pinned down to a specific date, I do not believe can be determined. We will start delivering gas from certain fields connected to the pipeline as of August 10th, is our present estimate. We feel that our construction facility and that our demand will allow us to initiate production from the Basin on October 1st, which is now our best estimate. But at present we are trying to avoid being pinned down to any specific date and the gas that we are requesting to be allocated to the wells is for those wells that have been tested or will be tested in the future as our demand and facilities allow us.

MR. WOODWARD: Now granted that the Commission gives you the relief you are seeking with respect to test procedures, to enable you to go ahead whenever you are ready and start deliveries of gas, how does it pin you down in any way to simply make the assignment of allowable contingent upon the actual operation of your pipeline so that you can take what ever allowable is assigned as of that date?

MR. TRUBY: Because our - actually our pipeline is in operation now from that standpoint. We have nominated gas, we have produced gas under the rules of the Commission.

MR. WOODWARD: You have produced a large or a small amount of gas into your pipeline?

MR. TRUBY: A small amount of gas.

MR. WOODWARD: A small amount compared with your anticipated continuous requirements to the Northwest?

MR. TRUBY: That is correct.

MR. WOODWARD: Now, you have taken that gas for what purposes?

MR. TRUBY: Purging and testing the line and for drilling gas.

MR. WOODWARD: Now, that is a sporadic and temporary use or operation of the line, is it not?

MR. TRUBY: That is correct.

MR. WOODWARD: Then when we talk about the operation of this line for the purpose for which it was intended, we are talking primarily about the delivery of gas to the Northwest, are we not?

MR. TRUBY: That is correct.

MR. WOODWARD: And until that time you will not take any substantial portion of the allowable which could be assigned to these 100 wells?

MR. TRUBY: Yes, that is correct.

MR. WOODWARD: And whatever you do not take accumulates as an underage if there on the proration schedule, is that not correct?

MR. TRUBY: That is a possibility. We would like to point out that up to date it is our estimate that we have overproduced our wells and not underproduced them through and conversely if we do not tie our wells into the line we may accumulate a large overproduction that would be charged against us during future operations.

MR. WOODWARD: Would you explain how you would acquire this overproduction

after you get on the schedule?

MR. TRUBY: If, for example, a well has a 2,500,000 deliverability and is prorated back to approximately 1,500 cubic feet a day, assuming that our nomination has been increased in the basin, I believe that would be the approximate proration, we may produce a well, for example --- as an extreme example, 27 days during the month at maximum capacity. The well would then be produced 27 times $2\frac{1}{2}$, produced approximately 675 million cubic feet during the month. Yet if we were interrupted in our deliverability test to the extent that this entire 30 days couldn't be included in that 45-day period, as noted in, I believe, Rule 128-D, this entire 675 million would be charged against us --- against our future allowable from the well.

MR. WOODWARD: Not if the Commission grants your application to waive those requirements, would it?

MR. TRUBY: That's right. That is the reason we are asking for the extension.

MR. WOODWARD: We are assuming here that the Commission will waive these test requirements in Orders R-128-D and R-333-C & D. Now assuming that they have waived those requirements and the well is put on the schedule at the time it starts substantial continuous production, the only overproduction it will accrue would be simply from overproducing its allowable, is that right?

MR. TRUBY: That's right, if we were given the 45 day extension and then we would be on the same basis with every other operator in the field, the way I understand your question there.

MR. WOODWARD: That's correct. We are assuming that. Now by connection and production from some twelve wells you have accumulated 48,000,000 cubic feet of overproduction. In the event that you file connection notices on say 50 or 60 of these 88 remaining wells between now and October 1st, and they started acquiring an allowable, that overage would be eaten up pretty quick, wouldn't it?

MR. TRUBY: No, since we intend to connect the wells as we are able to have the demand. We have indicated that we will try and test our wells that we have on now. And that in order to test the wells we have to have the demand in order to put the gas some place.

MR. WOODWARD: If you need your present production to test the wells, the twelve or thirteen wells you now have, is there any necessity at all for putting these other wells on the schedule until you are ready to commence deliveries of gas to the Northwest?

MR. TRUBY: That is our intention, to have the wells put on the schedule when we commence deliveries to the Northwest.

MR. WOODWARD: Do you have any objection to taking credit to your good intentions by recommending to the Commission such a procedure?

MR. TRUBY: No, I don't think we should change the basic --- I think by doing that we are changing the basic concept of proration in New Mexico and we are not in a position to advocate that at the present time.

MR. WOODWARD: You are aware, of course, that what you are asking for is an exception to the basic proration plan in New Mexico, are you not?

MR. TRUBY: No, I don't believe we are asking an exception to a basic concept or proration. We are saying that we are going to try and test our wells as best we can.

MR. WOODWARD: You are asking for exception to present test procedures, is that correct?

MR. TRUBY: That's correct.

MR. WOODWARD: And you are asking for the assignment of allowable or an order which would permit you to assign an allowable to a well before it was ready to produce in any substantial quantities. Do you consider that a basic plan of proration?

MR. TRUBY: No, not as regard to a basic proration principal, no.

MR. WOODWARD: Not basic whether these wells be assigned an allowable whether they are ready to produce or not?

MR. TRUBY: The well--actually, nearly all of our wells, nearly all, I say, now are ready to produce. We have, in essence, by proration principals, been drained for the last year or since a well was completed in the field through our fault in that we had no facilities to produce and transport the gas.

MR. WOODWARD: Well, that fact wouldn't justify shutting-in everybody else or giving you an allowable you couldn't use.

MR. TRUBY: No, sir.

MR. WOODWARD: Now, how with your operation being so close would it justify this retroactive assignment, or possible retroactive assignment of allowables?

MR. TRUBY: For the 88, or the twelve wells, or all of them?

MR. WOODWARD: I am talking now about any well that is not capable of delivering any substantial portion of such allowable assigned to it.

MR. TRUBY: To date, as we have indicated, every well has, in our estimation, produced its --- substantially its allowable that we have hooked into the line. Every well that we have hooked into the line has been in good faith and the estimation that we will produce it. It was our understanding that gas taken from the field, the prorated field, was prorated gas if it went into the transportation facility, according to the rules, We have drilling gas systems which we have not nominated or sent connection notices in on the field which we understand is the current practice by all operators in the Basin.

MR. WOODWARD: Now, recognizing that you have produced some 48 million cubic feet from those well connections you now have, there is certainly no possibility that there hasn't been a substantial need from those wells. But speaking now, of course, about the wells that have not been hooked into the system but might be hooked in between now and October 1st. As I understand your testimony you do not expect your demand prior to October 1st or whatever commencement date is settled upon, to take the allowables of all of those wells.

MR. TRUBY: That is our present estimate, October 1st, which would mean if we don't get these wells tested, that we have submitted connection notices on, we will in all probability submit very close to 88 connection notices on the remaining wells on October 1st, if our construction facilities and market facilities are such that we would need the gas in October, and we would be able to test the wells.

MR. WOODWARD: If you commence the operation of that line on October 1st, you are going to expect to send in connection notices on most of the remaining wells in order to make delivery of the gas you are required to deliver.

MR. TRUBY: Yes, sir.

MR. WOODWARD: Now, turning to these twelve wells you now have connected. Do you expect between now and October 1st to continue taking from those wells substantial quantities of gas, more or less continuously? Or do you intend to shut some of them off and test others?

MR. TRUBY: I imagine that some of them will have to be shut off in order to test others.

MR. WOODWARD: So, between now and the first of October, you will be using your limited demand for the purpose, primarily, of testing these twelve wells or the untested portion thereof?

MR. TRUBY: Yes, sir.

MR. WOODWARD: Is it your position that gas used for that purpose should be prorated?

MR. TRUBY: Under the present rules, yes, sir.

MR. WOODWARD: Well now, considering that we are in an exception situation, that you are seeking an exception, do you think that an exception should also be made for that circumstance? Regardless of what the present rules now provide.

MR. TRUBY: I think that if a well is drilled in a prorated field and is tied into a transportation facility and the necessary and required deliverability test is made and accomplished on the well, that it should be given an allowable and should not be penalized for gas that it has produced in the past. If the situation arises where it would be overproduced or underproduced, which happens in a number of wells in the field, then that individual well should take both its overage and underage according to the present proration set up.

MR. WOODWARD: Now, let me give you a hypothetical situation to which you can give a hypothetical answer. Suppose a well, for which there is no current market, is hooked up to a transportation facility. A relatively small amount of gas is taken from that well and in so doing deliverability tests are made. The gas goes a short distance through the transportation facility, a tap is made on it for drilling purposes and the well produces for a limited time a small amount of gas which is alternately used in drilling another well, is then shut in for six weeks, three months, 4 months. Is it your position that, by reason of the fact that the well was once produced, a deliverability test was made on the well, delivered into a gas transportation facility, that that well should be assigned an allowable and carried on the proration schedule thereafter?

MR. TRUBY: I would think that if a case like that arose, that would be a proper matter to bring before the Commission and have a decision made at the time.

MR. WOODWARD: Well, that is what we are doing here.

MR. TRUBY: No, the case has not yet arisen, I don't believe. To our knowledge it hasn't.

MR. WOODWARD: But you do have some twelve wells that you have hooked up, and some of them at least have been hooked up since April. You now want an assignment of allowables retroactive to the date of connection on those twelve wells. You do not plan to produce all of them continuously, but intend to use your current demand to test some of them, and at least some of those wells could be shut in as much as six weeks hereafter.

MR. TRUBY: That is possibly correct. If they do accumulate this large overage in this time, then I think maybe the situation should be reviewed, but along with that review, goes back to your basic conception of proration again, should every well in the field that has an overage or underage be reviewed as opposed to merely the wells that we have connected and tested, would be my hypothetical answer.

MR. WOODWARD: You would agree, I think, in principal, would you not, Mr. truby, it would be better for the Commission to provide safeguards in its original action to prevent a situation requiring review down the road, if it could make such safeguards without hampering in any way the essential purpose of getting the gas required for consumer use, produced, and delivered without delay or interference.

MR. TRUBY: I think, under our present situation, we would end up into an unduly complicated matter of proration in which we are looking at a problem that is basic to all of us whereby in a pool where more than one pipeline is producing from a single gas field, how does the proration establish equity between pipelines at such time as the market demand of the pipeline is disproportionate one to the other relative to the deliverabilities of the wells connected to each pipeline. Which is a point, in my understanding, that you have brought up now, and I don't think the Commission should attempt to solve in this type of situation regarding the order that we are requesting at the present time.

MR. WOODWARD: Well, if I brought up that matter, I withdraw it. I think it is a hypothetical answer to a hypothetical question that hasn't been asked yet, and I quite agree with you. I think that is far beyond the scope of our inquiry here.

MR. TRUBY: But, I think basically that is what you are looking at when you say that should the Commission attempt to try and allocate what production goes to wells that do have a deliverability test on at a particular time, and try to foresee that it may happen.

MR. WOODWARD: I might make this statement in clarification, there is no question where there are two purchasers in the same field that what is done with the nominations, with the market, with allowables, affects everyone that is interested in the field as a purchaser and of course as a producer, and we are very much concerned here. I think it would be more appropriate to state our position on that matter in the closing statement, which we will do. We haven't made any statement as to our interest in the case but we felt that it was obvious. We have no further questions on cross-examination at this time.

MR. MANKIN: Mr. Truby, there has been bantered around here this business on these twelve wells, in regard to drilling gas, purging gas and gas for filling the line. You are not attempting to tell this Commission, are you, that drilling gas should not be charged against the allowable?

MR. TRUBY: I think that from the inquiries I have made and to the best of my knowledge, and the present practice in the Basin, has been, where drilling gas goes into an established gas transportation facility, that gas has been nominated for and should be charged against an allowable. Where drilling gas has been put into a drilling gas system, used on the leases for taking gas from one well to drill another well, in that case we have not nominated drilling gas. It is my understanding that the other operators in the field have not either.

MR. MANKIN: Under what authority have they not nominated what has been used off of the lease?

MR. TRUBY: I could not answer that question.

MR. MANKIN: The rules do not provide for it, do they? Rule 10 says that it will be charged against the well's allowable regardless of what disposition is made of the gas, provided however, the gas used in maintaining the producing ability of the well shall not be charged against the well's allowable. Now, of course, you would not construe that drilling gas off of the lease, on another lease would be gas used to maintain the producing

ability, would you, of that particular well.

MR. TRUBY: No, that is right. But it was our understanding from discussions with people, and I cannot give a specific time or place right now, I think we are maybe getting a little bit aside from the hearing.

MR. MANKIN: I grant you, but it has been bantered considerably, I wanted to know if -----

MR. ARNOLD: I think I could answer that question. As far as the Commission is concerned, it has been the policy of the Director of the Commission in the past to take the position that a supplement would be issued for that gas. In other words, it would be given an allowable equal to the amount of production without actually being assigned an allowable.

MR. MANKIN: Has Pacific nominated for the drilling gas that they have been utilizing in the past few months?

MR. TRUBY: Only for that gas that we felt would be going into our transmission facility and used that we would also determine the deliverability of the well with, and that went into our main line facilities. If it went into a temporary system, we have not nominated for or attempted to --- or assumed that that gas would be, say, put on the proration schedule and then included in the nomination. We have submitted the volumes of gas produced, of course, by each well, whether or not they went into the drilling gas system or whether they went into the main line and the wells were, I believe, so noted.

MR. MANKIN: So the production was properly noted on the Form C-115?

MR. TRUBY: Yes, sir.

MR. MANKIN: Whether it went to drilling gas or where it went. Is it not true also that Pacific has been selling some gas, other than what has been going into their own system and for drilling?

MR. TRUBY: No. We haven't made a sale to a customer to date, to my knowledge.

MR. MANKIN: Is there further question of the witness? Apparently we appear to have two witnesses on the stand here. I guess it is just as well that we continue in that matter. Is there question of either witness that we have on the stand?

MR. UTZ: Yes, I have one.

MR. MANKIN: Indicate who it is to, if you would please.

MR. UTZ: Mr. Truby, maybe you have stated that, and if you have I would like for you to restate how many wells you anticipate having connected to your system by October 1st?

MR. TRUBY: Is your definition of connected, with a connection notice or physically on the ground connected?

MR. UTZ: My definition would be a well which is connected to your system and which you wish to produce.

MR. TRUBY: If we wish to produce the well we will submit a connection notice and with our present estimate of demand from the New Mexico portion of the San Juan Basin, there will be approximately the twelve wells now connected, no additional wells. If our demand increases, which we do not presently know of or foresee, but do know that it is a possibility, then we would submit connection notices on additional wells as they could be tested and could be produced.

MR. UTZ: You anticipate delivering 80 million during the month or 80 million a day during the month of October.

MR. TRUBY: 80 million per day.

MR. UTZ: And you anticipate producing that from twelve wells?

MR. TRUBY: No. I say, in October, we will be in a position where we need to have additional gas. Therefore, with this additional demand we will be in a position that we are putting a large number of wells on the line in a short period of time.

MR. UTZ: Well, how many wells do you think that you will need or have connected to produce that 80 million a day?

MR. TRUBY: We think that we will probably need every well that we operate in the Basin and can put into our pipeline. We don't know the exact production from each well, all we can do is estimate from an initial potential test, at the present time, with no means of checking the reliability of this type of estimate.

MR. UTZ: Well, you must know how many wells you plan to have connected by the first of October.

MR. TRUBY: Physically we plan to have connected by the first -- we had hoped to have connected by the first of October approximately 100 wells. Our connection notices on those wells, which would be the official connection of the well, I would say, would be submitted when the well could be produced. When our demand would allow us to produce the well.

MR. UTZ: Well, how much gas would you estimate that you would have to produce per day from any well in order to meet your demand during October.

MR. TRUBY: Our present estimate would be closer to full deliverability than any prorated volume to meet our demand. We are in a position that our demand is liable to be greater than our prorated volume. So until we determine the exact potential of our wells or the exact deliverability of the wells, we are afraid we are in the position of pulling our wells at the ~~very~~ maximum.

MR. UTZ: Then I take it that that is your objection to having any ceiling put on the production of any well.

MR. TRUBY: Well, that would be one reason, yes. I don't think that-- we don't care to go either way on the well. We are not asking, right now, that we be able to go over proration but we certainly feel that we should not be penalized under proration. We don't know what our situation is. At such time as we are able to determine what our exact problem is there. I think the problem should be discussed then.

MR. UTZ: If you had 100 wells connected to the pipeline as of that date and your demand was 80 million a day, each well would have to average 800,000 a day, is that a correct figure?

MR. TRUBY: Yes, sir.

MR. UTZ: Do you believe that that is an average deliverability for those wells. Do you have any opinion on that?

MR. TRUBY: I believe we can average that much, yes. That is an estimate based on --- attempting to evaluate our deliverability from an initial potentials which I have indicated is not a good way to estimate deliverability, but the best we have at the present time.

MR. UTZ: Well, I agree with you in that statement. I believe that is all I have.

MR. MANKIN: Mr. Truby, I believe you indicated you has been taking initial potential tests on all of your wells as they are completed. Is that correct?

MR. TRUBY: Yes, sir.

MR. MANKIN: In other words the 3-hour pitot tube test procedure , essentially.

MR. TRUBY: Yes, sir, with the --- up until about the, approximately the first of December, I believe, we went along with the 3-hour pitot tube open flow test and I believe it was at about that time we changed to a 3/4 inch back pressure test as suggested in a memorandum of the Commission.

MR. MANKIN: Getting back to the question that Mr. Utz had indicated. Apparently, if you have to take, say, 800,000 cubic feet a day from each of your wells, isn't that possibly almost double what the prorated volumes would be for those wells or at least it is considerably more than what the prorated volume would be per well, based upon its proportionate acreage and deliverability factor.

MR. TRUBY: If we are in a position -- I think the answer to your question depends upon the distribution of the deliverability of the wells which I have indicated that we can only estimate at the present time. If it is a 2 million well and we pulled the well at full deliverability, we would then be at approximately double the allocated volume. If it is a 400,000 well we, or 350,000 deliverability well, I believe the allocation will be close to that with the --- our new demand in the Basin. So that for that reason it is difficult to answer your question. It depends on the size of our wells.

MR. MANKIN: I realize that it varies with the size of the well. Assuming that your wells would have certain deliverabilities similar to what your initial potential test would have shown, in other words not too far off, would you not then be producing your wells at a greater prorated-- in other words, a greater capacity than what they would be if they were properly prorated at that time at the beginning of October?

MR. TRUBY: That's right. In order to meet our estimated market demand it is believed that we may have to produce our wells at the deliverability of the well.

MR. MANKIN: On the basis that you are going to have to get in balance sometime, is that not going to put those in an overproduced status and also is it not going to be drainage across the lease lines in that respect?

MR. TRUBY: I think that that is a problem that should be discussed with the Commission at such time as it arises.

MR. MANKIN: Is is a probability though.

MR. TRUBY: It is occurring in some cases in the Basin at the present time. If it occurs to a great extent it is a --- again that's going back to a basic problem in proration where you have more than one pipeline tied into one proated field.

MR. MANKIN: Well, of course, we are going to have to assume that our proration formula, we will have to live with, for the present time, whether it is right or wrong.

MR. TRUBY: Well, that is why I have said at the present time that we are not prepared to suggest any changes in the present method or prorationing. We will try and live with it, until we see what problems we do have. We are trying to cross, maybe a bridge, before we come to it.

MR. MANKIN: You don't feel that an offset operator to you will be drained during this interim period until you can actually get some realistic deliverabilities there. I am speaking of the period, the last three months of 1956.

MR. TRUBY: Not at any rate any different than the present proration set-up allows. I don't know whether one would be drained or not.

MR. MANKIN: Mr. Arnold, of course, refers me to the balancing at the next period, that's true. But I am talking about as it occurs there will be some inequities that would be set out even though you would have to balance during the next proration period. Is that not true? There would be some inequities set up?

MR. TRUBY: If either the field were overproduced or underproduced under proration there would be inequities for anybody's well according to my understanding of the theory of proration at the present time.

MR. MANKIN: That is all I have.

MR. UTZ: I have one more question. Mr. Truby, how many of these wells will be in units?

MR. TRUBY: All but three or four wells will be in unitized areas that I can think of at the present time. We have ---- of wells that we operate, I can think of only four that are not in units, the remaining are all in unitized areas.

MR. UTZ: How many units will be involved?

MR. TRUBY: The 29-5 Unit, the 29-6 Unit, 32-7 Unit, 32-8 Unit, the Rosa Unit, the Cox Canyon Unit, 30-5 Unit, the 31-6 Unit, 29-4 Unit and possibly the 28-4 Unit. The later two units are very sparsely developed at the present time. I would like to point out, in answer to your question there, offset wells inside of a unit, relative to drainage, are paid royalty on the acreage committed to the unit and not from the production from the individual well. Which would indicate that except along unit lines the drainage would be minimized. I should say any possible drainage would be minimized.

MR. UTZ: But if you didn't produce somewhat ratably between these units, there might be discrimination between units.

MR. TRUBY: That is correct.

MR. UTZ: That is all.

MR. MANKIN: Mr. Truby, I believe you mentioned about 100 wells and there has been conversation about twelve wells--thirteen wells. Are all of these Mesaverde wells, Blanco Mesaverde wells? I think there was mentioned, maybe, a fruitland well that is not prorated, is that true?

MR. TRUBY: That's right. I believe the Fruitland well we have connected is in a non-prorated area in the 32-7 Unit.

MR. MANKIN: But the bigger part of the 100 wells will be Blanco Mesaverde wells as differing from the application of 125 wells?

MR. TRUBY: That's right. The application was in error there. I believe that it should have stated 100 wells instead of 125.

MR. MANKIN: Is there further question of the witness. Mr. Woodward.

MR. WOODWARD: John Woodward, appearing for El Paso. Mr. Truby, we would like to say that we fully appreciate your problems in getting this operation kicked off. Before anything, we deny the flexibility required to do that. But Rules and Regulations and Statutes aside, we would like to understand exactly what your needs are between now and the end of the year.

As I understand it, you have got 12 wells connected, some of which since April and they have produced a relatively small amount of gas for purging the line and drilling purposes, and with that small demand you have been able to test some three or four of them. Now, first you want to go ahead and test the remainder of those wells, is that right?

MR. TRUBY: That is correct.

MR. WOODWARD: Then you want the latitude or the flexibility to go ahead and test such other of the untested wells that you can before October 1st?

MR. TRUBY: We want to test any wells that our demand will allow us to test.

MR. WOODWARD: In other words, within the limits of your demand you would like to go ahead and test any additional wells that you can?

MR. TRUBY: Yes, sir.

MR. WOODWARD: Then on October 1st, when you are ready to start up and you really need the gas, you want to be able to go ahead and deliver that gas without first taking these tests or taking them within the time limits presently required so you can fulfill your market.

MR. TRUBY: If we are able to test wells over and above the twelve presently connected, we feel that our currently estimated demand will have to increase. If it does not increase, we submit a large number of wells to be --- does not increase until our presently anticipated large volume in October. We will have to tie on, officially, a large number of wells with an immediate large demand, which is our present outlook. In which case it may be difficult for us to obtain the uninterrupted production period that is required by the test within that 45-day period. If we, for example, were even able to produce a well twenty days straight, then we are shut-in for twelve or twenty-four hours, we are starting from scratch on our next test again.

MR. WOODWARD: Now, to get back to the latitude you need to achieve those objectives, you want first the latitude of going ahead and hooking up to any wells beyond the twelve which your demand will permit you to test after you have completed your tests on the twelve?

MR. TRUBY: That's correct.

MR. WOODWARD: Then on the first of October or whenever you commence deliveries to the Northwest, you want to go ahead and hook up the wells that are needed to meet your demand without interference, in the form of deliverability tests, until you can make such tests?

MR. TRUBY: I don't understand your question.

MR. WOODWARD: Commencing October 1st, you want to start deliveries of sufficient gas to meet your demand to the Northwest, without interrupting your supply through the taking of deliverability tests within the limits now assigned by these orders to which you are seeking an exception.

MR. TRUBY: That's correct. One of the provisions of the test is that we would be shut down seven days from the --- at the end of the test.

MR. WOODWARD: Alright now, let me ask you if this procedure gives you the flexibility and the latitude that you require to do those two things. First, that your application extending the time limit for making deliverability tests for approximately a 125 or 100 wells, in the Blanco Mesaverde Gas Pool, be granted. Second, that until you commence deliveries to the Northwest, you be granted a supplemental allowable for the purposes of purging your line, supplying drilling gas, conducting such deliverability tests as you can conduct with that demand, provided some overall maximum take from any one well, beyond that would be required for the taking of such tests, and excluding that supplemental allowable, or emergency or temporary allowable, from the mechanics of proration put into effect when deliveries are commenced to the Northwest. That supplemental allowable would be an addition to and an

exception from any allowable granted after the commencement date. It would not be discounted from the allowable you will receive after that date. You can take that supplemental allowable, based on your estimate of need, and produce it from whatever wells you felt it was necessary to produce the allowable from, make whatever tests you wanted to make, so long as the withdrawals from no one well exceed a certain reasonable limit which would protect the offset owners. Now, under that scheme is there any denial of any flexibility or latitude which you require to get your system kicked off?

MR. TRUBY: I am not sure I understand the entire scheme, but again I will go back to the point that I don't think we should change basically what is in operation at the present time through amending this 45-day or the seven day shut-in period. I would like to point out one thing, that in order to take a deliverability test you are required to overproduce the well, if the deliverability is greater than the marginal deliverability in the field. So that during the time that we are attempting to test these wells it may be, when we see what our actual deliverability is, necessary for us to pinch back on some wells that are being produced into the line while we are overproducing others. If it is necessary for us to pinch back, choke or switch wells then those particular wells we would not be able to obtain the test on during this period of time. So that this very requirement that necessitates our overproducing a well during the test period, makes it difficult when we put a large number of wells on the line at once, to get that required test in that 45-day period. The Commission is actually requiring us to overproduce to try and get the well test.

MR. WOODWARD: Well, do you construe the suggestion made here as limiting you in any way from producing the allowable from a well necessary to test it?

MR. TRUBY: I think it is changing the --- again, I don't know.

MR. WOODWARD: Let me state that part of the proposal again. All

the relief you are asking for after you commence deliverability be granted--- after you commence deliverability to the Northwest, be granted. Until that time you can go ahead and produce whatever gas you need to purge your line, supply drilling needs or test these wells, from any wells that you select. The only limitation there is some reasonable limit on what one well can produce beyond what it needs to take these tests. Now that would allow you to go ahead and hook up any wells that you want, do anything that you want with them except that until the system went on stream, no permanent assignment of allowable or regular appearance on the proration schedule be made. The allowable that you would receive prior to going on stream for deliveries to the Northwest would be a supplemental allowable to take care of this temporary situation. Now, is there anything in that proposal that denies you any of the flexibility or latitude that you require to get kicked off?

MR. TRUBY: I don't believe so, with the exception that, according to the way I understand your proposal, no well would accrue either an underage or overage until some specific date, is that correct?

MR. WOODWARD: That is correct. You would simply be assigned a supplemental allowable for certain limited purposes, or the purposes that you feel are necessary now, namely the purging of your line, testing your wells and supplying drilling needs, which you would be privileged to take from your connections without specific well allocations, other than the reasonable limitation upon the production from any one well which might exceed what is required for the test that you want to make.

MR. TRUBY: I think it is possible, but we would not advocate that course of action, nor request it of the Commission. I think that what we have requested is unreasonable within the current proration rules and regulations.

MR. WOODWARD: But that scheme doesn't hurt you?

MR. TRUBY: At the present time, I see no way that it would hurt us.

MR. WOODWARD: That's all.

MR. MANKIN: Is there further question of either witness? If there is no further question of either witnesses, both witnesses may be excused. Is there statements to be made in this case?

MR. TRUBY: I believe for Pacific Northwest the opening statement of Mr. Dugan covers our request. Thank you very much.

MR. WOODWARD: El Paso has a statement it would like to make in this case: I would like to emphasize again the sincere desire on the part of El Paso to see this operation kicked off with a minimum of difficulty, delay or confusion and at all times sufficient flexibility exist that will permit Pacific Northwest to commence their operations without undue delay or administrative difficulties. On the other hand, we feel that any action taken with respect to one purchaser in a field, in which there are more than one purchaser affects the others and any proposal which would retroactively permit the assignment of allowables to wells for which there is not a commensurate demand, and operates to a very serious detriment of the other purchasers in the field. To be quite specific, in the event that a substantial number of these wells are announced ready for connection prior to October 1st, and the only nominations of any size that are made in that field are from El Paso as the other purchaser. Those nominations will be spread across the board among the various proration units which will reduce the amount of gas which we can take from our connections. In order to supply our demand, we must accrue an overage. In succeeding proration periods when both purchasers are taking substantial quantities and one has an underage to make up, and does in fact make the underage up and produce current allowables, we are cut back in order to make up the overage which does not permit us to take our then current requirements from the field. A very dangerous situation.

Now, we have suggested an alternative proposal which from Pacific Northwest's testimony, will not injure them, and we do think it will protect us. That alternative proposal is this. That between now and the time that they go on stream for delivery to the Northwest, whenever that time may be, that they be granted a supplemental allowable to cover whatever immediate requirements they have. That they can take this allowable and produce it from any or all of their well connections as they see fit, for whatever purposes they see fit, for purging their line, or supplying drilling gas or lumping that demand around a few wells for the purpose of testing them, we think that should be permitted. Such allowable would not be discounted from any subsequent allowable granted. Then on the date that they commence deliveries and go on full stream and make continuous and substantial purchases from their connections that they be granted all of the relief concerning test procedures that they have requested. In this wise we think they will receive the maximum latitude that they require and we will receive the maximum protection against any continuancy which would deprive us of an opportunity to take our requirements from this area in the future.

MR. MANKIN: Is there any other statements to be made at this time?
If not, we will take the case under advisement and the hearing is adjourned.

STATEMENT OF EL PASO NATURAL GAS COMPANY IN CASE 1124 REGARDING APPLICATION OF PACIFIC NORTHWEST PIPELINE CORPORATION FOR EXCEPTION TO THE REQUIREMENTS FOR TAKING DELIVERABILITY TESTS FOR THEIR WELLS IN THE BLANCO MESAVERDE POOL AND THE ASSIGNMENT OF ALLOWABLES TO SUCH WELLS PRIOR TO THE TAKING OF DELIVERABILITY TESTS.

We concur in the request of Pacific Northwest for relief from the provision of Order R-333C and D which requires that deliverability tests be taken and filed with the Commission within forty-five (45) days after the connection of a well.

In order that Pacific may be able to place their system on stream with the minimum amount of interruption and difficulty at such time as they are prepared to deliver gas from the San Juan Basin, it is recommended that Pacific be permitted to test their wells by either the initial or annual deliverability test procedure within a reasonable length of time after their system is in operation but not limited to the forty-five (45) day requirement specified in Order R-333C and D.

A preliminary allowable based on an estimated deliverability should be assigned the well effective the date the Pacific system goes on stream to deliver gas from the San Juan Basin or the date of connection, whichever is the latter. A final allowable should be assigned the well after the deliverability test has been taken and made retroactive to the date of the preliminary allowable. It is considered that it would be inappropriate for the Commission in assigning either the temporary or retroactive final allowable to make the effective date prior to the time the system goes on stream and it is recommended that this not be done.

Should Pacific require production from their wells prior to their placing their system in operation for delivering gas from the San Juan Basin, it is recommended that authorization be granted for supplemental, emergency or temporary allowables for such wells as are needed to fulfill their requirements but that such wells not be subjected to proration and assigned an allowable. The resulting production would not be charged against any subsequent allowables assigned after the wells are placed on the proration schedule.

