

DOCKET: REGULAR HEARING - WEDNESDAY -FEBRUARY 19, 1969

OIL CONSERVATION COMMISSION - 8:30 A. M. - MORGAN HALL, STATE LAND OFFICE
BUILDING, SANTA FE, NEW MEXICO

- ALLOWABLE: (1) Consideration of the oil allowable for March, 1969;
- (2) Consideration of the allowable production of gas for March, 1969, from thirteen prorated pools in Lea, Eddy, and Roosevelt Counties, New Mexico; consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico.

CASE 3834: (Reopened):

In the matter of Case No. 3834 being reopened pursuant to the provisions of Order No. R-3479, which order suspended for a period of one year beginning August 1, 1968, certain portions of Rules 14 (A) and 15 (A) of the General Rules and Regulations for the prorated gas pools of Northwest New Mexico, promulgated by Order No. R-1670, as amended. All interested parties may appear and show why said Order No. R03479 should or should not be rescinded.

CASE 3996 (Continued from the January 15, 1969, Regular Hearing)

Application of Martin Yates, III, 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, after January 1, 1969. Said exception would be for the applicant's Cordie King Well No. 1 located in Unit L of Section 22, Township 23 South, Range 26 East, Kark Canyon (Delaware) Pool, Eddy County, New Mexico. Applicant seeks authority to continue to dispose of produced salt water in an unlined surface pit located in the aforesaid quarter-quarter section.

CASE 4026 (Continued from the January 15, 1969, Regular Hearing)

Application fo Fred Pool Drilling Company for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant in the above-styled cause, seeks asn 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, after January 1, 1969. Said exception would be for the applicant's leases located in Sections 8 and 9, Township 25 South, Range 30 East, Corral Canyon-Delaware Pool, Eddy

(Case 4026 continued)

County, New Mexico. Applicant seeks authority to continue to dispose of produced salt water in three unlined surface pits located in the SW/4 NW/4 and the SE/4 SE/4 of said Section 8, and the SW/4 SW/4 of said Section 9.

CASE 4027: (Continued from the January 15, 1969, Regular Hearing)
Application of MacDonald 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, after January 1, 1969. Said exception would be for the applicant's Sinclair Parke Well No. 1 located in Unit F of Section 22, Township 17 South, Range 30 East, Jackson Abo Pool, Eddy County, New Mexico. Applicant seeks authority to continue to dispose of produced salt water in an unlined surface pit located in the aforesaid Unit F.

CASE 4046: Application of Texaco, Inc., for an exception to Order No. R-3221, as amended, Lea 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 or gas on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, after January 1, 1969. Said exception would be for the applicant's New Mexico State CR Lease located in Section 32, Township 19 South, Range 32 East, Lusk Field, Lea County, New Mexico. Applicant seeks authority to continue to dispose of produced salt water in an unlined surface pit located in Unit F of said Section 32. In the alternative, applicant seeks the extension of that area excepted from the provisions of Order (3) of said Order No. R-3221 by Order No. R-3221-B to include the aforesaid Section 32.

CASE 4047: Application of Larry C. Squires for an exception to Order No. R-3221, as amended, Lea 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 or gas on the surface ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, after January 1, 1969. Said exception would authorize the applicant to dispose of produced salt water into three natural salt lakes located in Lea County, New Mexico, as follows:

NEW MEXICO OIL CONSERVATION COMMISSION
P. O. BOX 2088
SANTA FE, NEW MEXICO

GAS NOMINATIONS FOR MARCH, 1969

SOUTHEAST POOLS

Atoka-Pennsylvanian	1,048,800 Mcf
Bagley-Lower Pennsylvanian	35,000 Mcf
Bagley-Upper Pennsylvanian	35,000 Mcf
Blinebry	1,571,739 Mcf
Crosby-Devonian	201,500 Mcf
Eumont	5,902,050 Mcf
Indian Basin-Morrow	142,400 Mcf
Indian Basin-Upper Pennsylvanian	6,577,000 Mcf
Jalmat	3,880,893 Mcf
Justis	338,600 Mcf
Monument McKee-Ellenburger	242,480 Mcf
Todd-Lower San Andres	52,000 Mcf
Tubb	2,047,943 Mcf

TOTAL 22,075,405 Mcf

NORTHWEST POOLS

Basin-Dakota	22,676,500 Mcf
Blanco-Mesaverde	21,699,400 Mcf
Aztec-Pictured Cliffs	1,223,400 Mcf
Ballard-Pictured Cliffs	1,271,800 Mcf
Fulcher Kutz-Pictured Cliffs	511,600 Mcf
South Blanco-Pictured Cliffs	3,442,200 Mcf
Tapacito-Pictured Cliffs	927,300 Mcf
West Kutz-Pictured Cliffs	301,200 Mcf
Devils Fork-Gallup	93,700 Mcf
Devils Fork-Gallup - Estimate	106,764 Mcf

TOTAL 52,147,100 Mcf

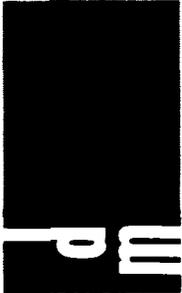
Total on Devils Fork-Gallup - Estimate 52,160,164 Mcf

Total Adjusted Nominations - Both Areas 74,235,569 Mcf

EXHIBIT-A
Gas Allowable Hearing
February 19, 1969

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS
1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6491 • ALBUQUERQUE, NEW MEXICO



BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

February 19, 1969

REGULAR HEARING

IN THE MATTER OF:)	
)	
)	
Case No. 3834 being re-)	
opened pursuant to the)	Case No. 3834
provisions of Order No.)	
R-3479.)	
)	

BEFORE: A. L. Porter, Jr., Secretary-Director
Alex J. Armijo, Land Commissioner
George Hatch, Counsel

TRANSCRIPT OF HEARING

MR. PORTER: We will take up Case 3834.

MR. HATCH: Case 3834, reopened, in the matter of Case No. 3834 being reopened pursuant to the provisions of Order No. R-3479, which order is suspended for a period of one year beginning August 1, 1968, certain portions of Rules 14(A) and 15(A), of the General Rules and Regulations for the prorated gas pools of northwest New Mexico, promulgated by Order R-1670 as amended.

MR. MORRIS: If the Commission please, my name is Dick Morris, of Montgomery, Federici, Andrews, Hannahs and Morris, Santa Fe, appearing for El Paso Natural Gas Company. Associated with me in the presentation of this case is Mr. Robert A. Meyer of the El Paso Natural Gas Company, and a member of the Texas Bar, who will handle the presentation of the evidence.

(Whereupon, Applicant's Exhibits
3-R, 6-R, 7-R, 8-R, 9 and 10,
were marked for identification.)

F. NORMAN WOODRUFF

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

DIRECT EXAMINATION

BY MR. MEYER:

Q State your name.

A My name is F. Norman Woodruff.

Q Where are you employed?

A With El Paso Natural Gas Company.

Q Are you the same witness who testified before the Commission in this case when it was originally heard on August 14, 1968?

A I am.

MR. MEYER: If it please the Commission, Mr. Woodruff's qualifications as a witness before the Commission were recognized in the prior hearing. I now move that he be here qualified to testify as an expert relevant to this matter.

MR. PORTER: The Commission considers Mr. Woodruff qualified to testify in the case.

Q Mr. Woodruff, I direct your attention to El Paso's Exhibit marked 3-R, and by way of explanation to the Commission, in the original case we had several exhibits marked 1 through 8. In the present instance this is a continuation or in the nature of a continuation of that case, and those exhibits which are relevant to this matter have been revised, and that includes Exhibit 3 now offered as 3-R, Exhibit 6 offered now as 6-R, 7-R, and 8-R. There are two additional exhibits which we will mark as 9 and 10, since they will all form a part of the exhibits which are to make up the evidence of El Paso Natural Gas in the

form of exhibits for this case.

Mr. Woodruff, I direct your attention to El Paso Exhibit 3-R, and ask you to interpret in detail and to bring the Commission up to date as to what that exhibit is intended to reflect.

A As indicated by the title, this exhibit graphically reflects the gas requirements of El Paso Natural Gas Company for the years 1967-1968, and it has a projection for 1969 requirements through the month of July.

It may be noted on the right half of the graph, the upper curves, that we have a heavy dashed line. This heavy dashed line reflects the actual average daily requirements of El Paso Natural Gas Company during the last portion of 1968. This may be compared with the short dashed line in its vicinity, which was our estimate at the time of the August, 1968 hearing, an estimate of what the requirements by months for the rest of 1968 would be.

Now, starting on the left hand side of the graph for the month of January, I will call your attention to the double dot dashed line there. The January point of approximately 1,255,000,000 cubic feet of gas a day is the actual figure for January. The points for the other months through July are our best estimate of what the demand will be for the remaining

months between this time and August 1, 1969.

I think it is interesting to note from this graph that our anticipated demand between now and August 1st of 1969 for the most part will be less than the demand for the same months of 1968.

Q I direct your attention to El Paso Exhibit 6-R, Mr. Woodruff. Would you kindly express to the Commission what that reflects?

A At the time of our original hearing, we pointed out to the Commission two major factors which had caused volumes of gas to be taken by El Paso Natural Gas Company out of the San Juan Basin in excess of what had been anticipated to be needed. And this was reflected in what we refer to as best efforts deliveries to California.

Above the line, about the middle of the page, are the figures that we showed you at the time of our August hearing. The data below the line reflects the circumstances that have existed since the August hearing and through January, 1969, and shows on the average that we have delivered to our California customers 120,000,000 cubic feet of gas a day of the best efforts category.

It would be well to visualize that this best efforts gas is the gas sale that will be terminated when the new

facilities are completed out of the Delaware, Valverde, and Permian Basin areas, which will enable El Paso to increase its takes from that area.

Q Now I direct your attention, Mr. Woodruff, to El Paso's Exhibit 7-R, as revised. Will you please explain that?

A At the time of the hearing we pointed out that we had had unanticipated sales to Transwestern Pipeline Company, as a result of a fire in their Roswell compressor station, which limited their ability to deliver gas to their California customers. At that time we advised you that our agreement provided for a termination on August 25, 1968.

Transwestern found that the repairs to their facilities were not completed at that time. They had a continuing need for more gas, and this agreement was extended beyond that time.

Below the dotted line is the information which reflects first the actual August conditions which, if I may refer you to the next to the last column, shows that we delivered 60.8 million cubic feet of gas per day during the month of August, which may be compared with the figure above the line of 87,000,000 a day which we had predicted at the time of the August hearing that would be delivered during that month.

Following that, in the month of September, you can see we delivered on the average day 43 million. There was a

continuing need for gas for various problem conditions on Transwestern's system subsequent to this each month, until a termination of deliveries to Transwestern on February 7, 1969.

Without going into the details, we can see for each month in the intervening period, the volumes of gas that were delivered to Transwestern. It is particularly interesting to note in the lower righthand corner that the total volumes of gas delivered to Transwestern exceeded 6.3 billion cubic feet of gas.

I think it is well to note, too, that this gas went to the California customers of Transwestern, who are also our California customers. By helping Transwestern in this manner, we were able to better satisfy the needs of our California customers.

However, as testified at the August hearing, in doing this we further aggravated the need, we further aggravated the production of large volumes of gas by El Paso in the San Juan Basin area, resulting in the over-production of wells that were our concern and which we testified to previously.

Q Will you please refer to El Paso Exhibit Number 8-R, and interpret this exhibit with specific reference to the over-produced wells in each of the prorated pools in the San Juan Basin for the balance of the period since August 14th?

A Exhibit 8-R is a study of the over-produced wells in the prorated pools in the San Juan Basin during that period, and for ease in visualizing the meaning of this exhibit, we would suggest that you refer to Exhibit 8 submitted at the time of our August hearing. I have made copies of that, and have distributed that also for your ease in making a comparison.

This exhibit is worked to reflect the same information that the original exhibit was, except that it reflects the status as of January 31, 1969, rather than the status as of July 31, 1968, which was true on the original exhibit.

Without going into detail on the individual pools and the wells in them, I think it is well to note in the group of figures on the left hand side of the page that at the end of July there were 1,171 wells in the prorated pools of the San Juan Basin that were over-produced, an aggregate volume of 25 billion-plus, averaging 21.7 million per well, and which on the average was an equivalent of over-production of 45 days.

The figures on the righthand side of the exhibit reflect the condition that would exist were the Commission to terminate the suspension to the over and under-production rules as of the February 1st bouncing date. Were this to be done, we would find there would be cancellation of underage and redistribution to all prorated wells, with the result that

there would still be 516 over-produced wells, which would not have been bounced in the intervening period.

These wells would have been over-produced an average of 13 million cubic feet, which is an equivalent of approximately 30 days over-production. It can easily be visualized, as you look at the individual fields above there, that the number of days varies from pool to pool. By comparing the two exhibits, you can note that the circumstances reflected on this new exhibit as of January 31, 1969, are somewhat more severe than the conditions that existed at the end of July, 1968. These are the circumstances essentially as we have predicted at the August hearing that would occur. We expected a more severe condition to exist at this time, and this reasonably reflects what we had expected to occur.

Q Turning for a moment, Mr. Woodruff, to the testimony that you offered the Commission in the August 14, 1968 hearing, would you bring us up to date on the relevance of your testimony at that time regarding the Federal Power Commission's consideration of El Paso's application for certificate of public convenience and necessity in CP-67217, and how that affects this case?

A Yes, I will. As we testified in that hearing, El Paso had before the Commission a request for additional facilities

out of the Permian Basin -- when I say Permian, I mean Permian-Delaware-Valverde Basin areas -- in Docket CP-67217, which would permit 310 million additional volumes of gas to come from that area, and with this ability to deliver gas we would then be able to decrease our withdrawal out of the San Juan Basin area. We testified that we expected the certification to be granted at any moment. Well, two and a half months later it was granted on October 30, 1968 by opinion number 549 of the Federal Power Commission.

Immediately upon receiving this certificate, we found that it was an acceptable certificate, and we initiated the acquisition of materials, and initiated construction, to the end that we are well along now in the construction of these facilities, with a predicted completion date of May 1, 1969.

Q Is that date within the date that you represented to the Commission at that time that these facilities would be completed?

A Yes, at the time of our August hearing, we indicated that at the outside that we thought the facilities would be completed within an eight-month period. I think it is reasonable to assume that had we got all our certificates as we expected in the middle of August, that we would have had two and a half months more time for an earlier completion, two and

a half months before the May 1st date that we now project. This, of course, would have been a significant thing in that we will have the period from May 1, 1969, assuming that our facilities are complete and in operation at that time, we will have the period from May 1 through July of 1969 to bounce the wells that are subject to being shut in on August 1, 1969, when, as we anticipate, the Commission will put back into effect the proration orders that provide for over-production and under-production.

Had we had the certificate earlier, we would have had more time to have done this naturally. However, a review of our figures causes me to conclude that there will be very few wells that will be subject to shut in on August 1, 1969.

Following the completion of our facilities, we believe that most of the wells can be brought into bounce. That is not to say that there is a great variety of over-production. Some of them are slightly over, some of them are more over, and I am sure that some wells may have to be shut in at that time, but not to a degree that we consider will be of concern.

Q Are we presently in a position, Mr. Woodruff, to say then that the conditions that you anticipated have now occurred?

A Yes, sir.

Q And that your representations to the Commission made

in August of 1968 have been accurate, and have proved to be accurate by what has transpired in the interim?

A I consider them to have been.

Q Is it your considered opinion then that the balancing provisions of the rules granted by the Commission, and the suspension of them which El Paso has requested, is necessary?

A Yes, I consider that it is necessary that they be continued to the August 1, 1969 date, as originally requested.

Q Are you still of the opinion expressed at the original meeting and hearing that the continuation of the exception of the rules will neither create waste nor cause a violation of correlative rights?

A That is my opinion.

Q Would you explore how the failure of the Federal Power Commission to grant timely the 310 certificate created any problems for El Paso?

A I think I may have fairly adequately described that. I would say that as to the conditions that exist today, the delay had no influence because we had not anticipated a completion of the facilities so as to gain relief by this time. But the delay until October 30, 1968 has decreased the amount of time that El Paso will have to bounce their wells after their completion, and the August 1, 1969 resumption of bouncing rules.

Q So the original application for El Paso's request for a one-year suspension from August 1, 1968 to August 1, 1969 is still valid?

A Well, I consider it to be. The need is still valid, and we are certainly here requesting that the Commission continue the application of that rule in accordance with our initial request.

Q Mr. Woodruff, I refer you to El Paso's Exhibit Number 9. Will you explain to the Commission what this exhibit reflects?

A Exhibit Number 9 is an application. Exhibit 9 is a copy of the application to the Federal Power Commission by El Paso Natural Gas Company, Docket CP-69203, requesting authorization for the construction of an additional 33,000 horsepower of compression at the cost of approximately \$10 million to be installed in the San Juan Basin for the purpose of reducing land pressure for the wells in the Basin.

The exact location of these compressors are still under study. However, it is anticipated that the average conditions resulting from this installation will be a reduction in land pressure for a reduction of 60 to 70 pounds.

Q When did you anticipate that these facilities will be installed?

A We anticipate that these facilities will be installed

in time to be in service by this coming winter, the winter of 1969-1970.

Q I refer you to Exhibit Number 10. Will you explain to the Commission what this exhibit reflects?

A I might say in order to acquaint the Commission with all the circumstances that have existed or occurred since the time of our last hearing, we are also filing with them this copy of an application to the Federal Power Commission, Docket CP-69140, requesting a certificate which will permit the installation of compression and upgrading of other compression on the system which takes gas north out of the San Juan Basin into the northwest division. This docket reflects the application of El Paso Natural Gas Company for facilities which will increase the capacity to deliver gas northward out of the San Juan Basin by an additional 50 million cubic feet of gas a day.

Q Were Exhibits 3-R, 6-R, 7-R, and 8-R prepared either by you or under your direction and supervision?

A They were.

Q Were Exhibits 9 and 10 prepared by you or by El Paso Natural Gas Company?

A Exhibits 9 and 10 were prepared by El Paso Natural Gas Company, and are copies of the official documents filed with the Federal Power Commission reflecting their applications as

described.

MR. MEYER: If it please the Commission, I would like to offer these exhibits in evidence.

MR. PORTER: If there is no objection, the exhibits will be admitted.

(Whereupon, Applicant's Exhibits Numbers 3-R, 6-R, 7-R, 8-R, 9, and 10 were admitted into evidence.)

MR. PORTER: Does anyone have a question of Mr. Woodruff?

Q Do you have anything further, Mr. Woodruff?

A I know of nothing further, other than to say that at this time we believe that these facilities requested for the additional 50 million capacity going north out of the San Juan Basin will be installed in time for them to be in service this coming winter.

MR. WHITE: I am Charles White, appearing on behalf of Tenneco, and I have a few questions.

MR. PORTER: All right, sir.

CROSS EXAMINATION

BY MR. WHITE:

Q Mr. Woodruff, referring to your demand shown on Exhibit 3-R, to what do you attribute the reduction in demand for 1969?

A The reduction is attributable to two things. One is a decision on El Paso's part that we must restrict our deliveries to California in order to bring our wells back into balance; and the results of the completion of the 310, so-called 310 facilities, which will enable us to take gas from other sources. In other words, a dropoff in May and June, and July here, are the dropoffs resulting from the cutting back due to the gas coming from other sources.

Q After the August period, next August, and assuming there is a good balance, what effect will this new line have on the San Juan Basin?

A Now you are asking about our 310 line out of the Permian Basin area?

Q Yes, sir.

A This 310 line will have capacity so as to minimize the need of taking best efforts gas out of the San Juan Basin area. The volumes that I testified to and exhibited on my Exhibit Number 6-R, were volumes of gas which were taken by El Paso from the San Juan Basin and delivered to our customers, which could come from no other source. Upon the completion of our 310 facilities, these volumes can be supplied from that source.

Q Is it your opinion that after the period has been

reached as to the future there will be less take from the San Juan Basin?

A I didn't understand all of your question. Would you be good enough to repeat it? I didn't hear it all.

Q After August of next year, you anticipate that the takes from San Juan Basin will be less than they were in the past.

MR. PORTER: Is that August of 1969?

Q That's correct.

A I consider that the takes from the San Juan Basin will be less than they were in 1968.

Q As the West Coast demand increased, will the San Juan share rateably be increased?

A There is no way of knowing that, Mr. White. As California customers' demands increase, their suppliers attempt to meet that, but are privileged to do so on any firm basis only upon a showing that they have the reserves that substantiate the building of the facilities necessary to deliver that gas.

MR. PORTER: Who places these restrictions on you?

THE WITNESS: The Federal Power Commission does. And since the supplies of our California customers may come from El Paso, or Transwestern, or from Pacific Gas Transportation out of Canada, we have no assurance, of course, what our share

will be. However, to the extent that they have a demand and we have a capacity for delivering best efforts gas, and it is not available from these other sources, it is entirely possible that again best efforts gas at some time in the foreseeable future will be delivered.

Q I believe you testified at the last hearing that your contract with Transwestern was an outright sale?

A That's correct.

Q Now, you have had new contracts with them since then. Are those outright sales?

A That is outright sales.

Q Did you read this morning's paper about El Paso entering into a contract out on the West Coast for some additional gas?

A No, sir, I did not.

Q Since last August, have you attempted to renegotiate hard gas with Southern Union Gas Company?

A Since last August have we attempted to negotiate? Not to my knowledge.

MR. PORTER: From Southern Union Gas Company?

MR. WHITE: Yes, sir.

THE WITNESS: And I assume you mean in the San Juan Basin area?

Q (By Mr. White) That's correct.

A Not to my knowledge.

Q Have you any plans to rework any of the wells in the San Juan Basin and improve their deliverability?

A That does not fall within my responsibility, and I cannot say one way or the other, though I would not be surprised that would be done along with other means of maintaining deliverability capacity of other wells.

Q Do you expect the last half of demand of 1969 to be approximately the same as 1967?

A I have no projection available to me. However, I would not be surprised to have it be somewhat consistent with that type of demand.

MR. PORTER: Was that a comparison between 1969 and 1967?

MR. WHITE: Yes, sir. That is all.

THE WITNESS: Just to be sure that I don't mislead in my answer, in thinking about the data that was submitted on Exhibit 6-R in 1967, on that exhibit, as you can see, we delivered substantial volumes of best efforts gas. And it may well be that during the last half of this year that our deliveries to the California companies out of the Permian Basin area will be less, commensurate with these best efforts

deliveries which we expect to be coming out of the Permian Basin area.

MR. MEYER: Mr. Woodruff, you said the Permian Basin. You meant the San Juan Basin as compared with the Permian Basin?

THE WITNESS: Well, I am not sure what it was, so let me restate what I attempted to import. On Exhibit 6-R, we showed during 1967 best efforts gas volumes delivered to the California customers out of the San Juan Basin. Now, I am saying that during the rest of 1969, it would not be unreasonable to assume that deliveries of gas out of the San Juan Basin will be less, commensurate with these best efforts gas volumes which would be coming out of the Permian Basin area upon the completion of the 310 facilities.

MR. PORTER: What do you mean by best efforts, Mr. Woodruff?

THE WITNESS: Best efforts gas is gas which you have no firm commitment to deliver, but which you deliver to your customers in response to a demand on their part, if you have the ability to do so. Your obligation is not firm, it is on a best efforts. You do it if you can.

MR. PORTER: Mr. Utz.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Woodruff, it is my understanding, this question was brought up due to a question asked by Mr. White, it is my understanding that you actually called on Southern Union Gas and they were unable to deliver, is that true?

A I believe my answer to that must ask you to refer to the statement by Mr. Whittaker at the last hearing, as well as what I may have said. We did ask Southern Union Gas to enter into an extension of the agreement that we have, which would have permitted them to have made available to us more of their underproduction. They considered it was not in the best interest of their company to do so at the time, and as I understood Mr. Whittaker's testimony, and such an agreement was not entered into.

Q Do you have a specific contract with them on a volume basis, or do they deliver you what they feel like they ought to deliver?

A There is a volume set out in the contract on which a demand commodity charge is based. However, in my visualization of the agreement, the overall purpose of it is to take volumes of gas from them which will enable them to maintain rateable takes from those wells under the agreement, with the takes of El Paso from their wells, in other words, to let them take their allowables from all of their wells.

Without this agreement, since their demand is less than ours, their wells would be severely underproduced. Consequently, they deliver to us from these wells covered by the agreement the allowables which they had no demand for.

Q Would you have purchased more gas from Southern Union Gas had they offered it to you?

A Yes, we would have.

MR. UTZ: That is all.

MR. PORTER: Any further questions?

MR. KELLAHIN: Jason Kellahin of Kellahin and Fox, Santa Fe, appearing for Continental Oil Company.

CROSS EXAMINATION

BY MR. KELLAHIN:

Q On your Exhibit 3-R, you have for your anticipated demand for 1969, your estimate, you said something like 200 million below the actual 1968 production, is that right?

A Certainly not on the average, Mr. Kellahin. I have no positive figure.

Q Well, the end of July would show that?

A Right. These figures show for each individual month, and the month of July appears to be approximately 200 million less.

Q During the past years, say from 1959 through 1967,

the figures would seem to indicate that the San Juan Basin has increased, the outlets have been increased by about nine per cent. Would you agree with that, per year?

A Your question was 1959 to 1967?

Q Yes. The outlets have increased by about nine per cent per year?

A I don't know.

Q Well, would you agree they have increased, would you not?

A Yes, sir.

Q What would your forecast then be -- of course, you can explain the reduction in takes here for 1969 by your balancing period. What would your forecast be for the following year?

A Are you asking me for a forecast for the year 1970?

Q Yes.

A I don't have such a forecast at this time.

Q How about the remainder of 1969?

A I have already testified there, too, that I have no forecast for that, but I thought it would be reasonable to assume somewhat paralleling 1967, with an anticipated reduction equivalent to the best efforts gas that was delivered in 1967.

Q You mean the best efforts of 1968?

A No, the best efforts of 1967. If I may refer you to my Exhibit 6-R, you notice we have a group of figures February through July, 1967, and then August, 1967 through January, 1968, and then showing the totals. For the period February through July, we delivered 102.4 million cubic feet of gas a day on the average. That is the best efforts gas I referred to for that period.

Then for the next period, we delivered 117.5 million cubic feet of gas per day on the average, and those are the volumes I have reference to.

Q In response to a question by Mr. White as to the San Juan Basin, I believe your answer was based to the extent that El Paso would participate in the supply. I would like to ask you this: to the extent that El Paso fills the demand for gas, will the San Juan Basin share rateably with your sources of supply, limiting this to El Paso Natural Gas facilities?

A I should say yes, but it really should be explained why I say that. That is a big question, Mr. Kellahin.

Q I understand it is.

A Your term rateably could have many facets, so let me explain it. We are currently certificated to take certain volumes out of the San Juan Basin, and we have the built facilities to accommodate that volume of gas. Now, we have no

plans for building additional facilities out of the San Juan Basin. Any plans to do that would have to be supported by reserves which we considered would support the additional facilities over a long period of time. Now, if we did not have those reserves, but we had new reserves in other areas, we could then expect to supply additional customer demand by building facilities to those new reserves in other areas.

So to the extent that they went to that area, there would be no additional increase out of the San Juan Basin. But it is not our plan to build facilities from other areas to take gas at the expense of the San Juan Basin. It would be built in order to supply increased customer demand.

MR. KELLAHIN: That is all I have. Thank you.

MR. PORTER: Does anyone else have a question of Mr. Woodruff? You may be excused.

If there is no further testimony to be presented in this case, we will now hear the statements.

MR. ROSS: My name is Louis C. Ross. I appeared at the last hearing for Pan American Corporation, and am making a reappearance now. At that hearing I made a statement that Pan American was sympathetic with El Paso's predicament, and I went on further to say that we would hate to see this particular order that might be forthcoming at that time be an

opening wedge to destruction of proration in the San Juan Basin, and that is still our position.

It looks to us now like the present order will expire on August 1, 1969, if it isn't extended by the Commission or not revoked.

We also are still concerned with the facilities in the San Juan Basin, an increase in those facilities, if it isn't accomplished according to Mr. Woodruff's testimony, we would like to see more production be taken from low pressure wells that are in the area so as to increase the volumes of gas that can come out of the Basin.

Now, Pan American may not be as much concerned now about proration terminating as a result of this hearing, because we now see that this particular order because of its being based on such a special situation, might not be a precedent, because we don't really think that another similar type circumstance like this will ever come up again. We hope not. But on account of this special situation, we are concerned very much with Rule 15-B, which is not presently before the Commission, but everyone recognizes that come August 1, 1969, there will be a number of these highly productive wells that have been supplying this gas to the California markets actually shut in under 15-B.

Pan American feels that these operators that have been forced to supply this gas through no fault of their own might be entitled to some relief either in one of two ways, number one, if it were possible for the Commission to do so, we think the special situation might permit the Commission to put all of these operators back in the same position that they were in on September 1, 1968, when the order commenced. That is a thought. Number two would be perhaps some exception to the existing order whereby it might be possible for the Commission to extend the takes from these over-produced wells, and perhaps allow a workable percentage of production from these wells to be produced, with the resulting or remaining production being allocated toward alleviating the over-produced situation, if the Commission follows me. It would extend the period that some of these wells would be shut in. I realize very well at this time that none of the operators here, including us, are perhaps in the position to fully evaluate what their situation is going to be on August 1, 1969, as far as wells being shut in. But I would like to more or less leave this matter open, with the thought that perhaps any interested party might again petition the Commission toward giving these operators some relief.

If a number of wells are shut in, it is going to cause

pretty much of an imbalance in the economics of the San Juan Basin, at least it will as far as some of the larger operators are concerned that have these wells that have been putting in the bulk of the over-production.

That is Pan American's position at this time. It is perspective, more than anything else, I realize, but we didn't want to let this hearing pass without again stating that we are still fully in favor of continuing proration, we insist on it, but we believe that special circumstances merit perhaps some further reconsideration if 15-B is actually going to cause somebody some trouble come August 1, 1969.

MR. PORTER: Mr. Ross, I believe that I understand you with your reference to this rule, that your concern is for those wells which have become or which have been over-produced in order to meet this high demand, and which will be subject to shut-in at the end of this period that we are talking about. Your concern is that they not be shut in altogether, or that there might be some relief afforded whereby they could produce a percentage of their allowable, so as not to be shut in completely. Is that it?

MR. ROSS: Yes, that is basically one of our positions, and I realize that 15-B is not before the Commission, and perhaps the matter would have to be readvertised. But I don't

want to just let this present order go out peacefully on August 1, 1969, and have somebody in trouble. Some of these operators have been fulfilling these needs.

MR. PORTER: So I anticipate that you are going to be keeping a pretty close watch on what is going to be happening to your wells out there.

MR. ROSS: Yes, sir. I know now we have 30 wells in that six-month category now, with a number of others coming up that will be, even under this projection, will probably be in that category. But I couldn't tell the Commission right now what our situation is going to be on August 1, 1969.

MR. PORTER: That has to do with the rules on wells that are six times over-produced.

MR. ROSS: Yes, that are automatically shut in.

MR. PORTER: Does anyone else have a statement?

MR. WHITE: Mr. Charles White, representing Tenneco. Tenneco is in sympathy with the proposition of El Paso, and we have no objection to the suspension of the balancing period until August 1, 1969. However, we are very concerned that the San Juan Basin receive its fair share of the increase of the market demand in California, and that continued efforts be made to put up gas reserves in the San Juan Basin.

MR. PORTER: Does anyone else have a statement?

MR. ROSS: Mr. Porter, we are also concerned with Tenneco with getting our fair share of the market out of the San Juan Basin to the California market. There is one other little point that I am sure that the Commission is aware of. Under 15-B, there is going to be a lot of applications, I feel sure, to produce small amounts of gas, 500 Mcf, I believe, in order to keep some leases alive. And I anticipate a number of leasehold problems if some sort of a partial relief isn't made available to these over-produced wells.

MR. PORTER: You fellows wouldn't mind having an unfair share, if it was in your favor, would you?

MR. ROSS: Well, I know that a difference could be made, because it has been made. That is not our position. We want to stretch out some kind of relief that won't shut us down entirely.

MR. PORTER: All right. We certainly appreciate all of these comments. We will certainly, and particularly Mr. Utz will be keeping an eye on the thing. We don't like to shut in wells, and we hope that we can keep that to a minimum.

In regard to this case, if there is nothing further to be offered, I, as the Director of the Commission, will recommend that the order be extended as requested by the applicant. We will proceed.

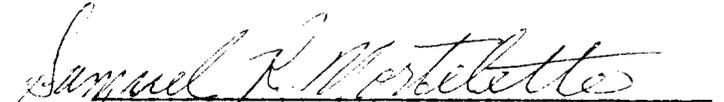
I N D E X

<u>WITNESS</u>	<u>PAGE</u>
F. NORMAN WOODRUFF	
Direct Examination by Mr. Meyer	2
Cross Examination by Mr. White	15
Cross Examination by Mr. Utz	21
Cross Examination by Mr. Kellahin	22

<u>EXHIBITS</u>	<u>MARKED</u>	<u>OFFERED AND ADMITTED</u>
Applicant's Exhibits Numbers 3-R, 6-R, 7-R, 8-R, 9 and 10	2	15

STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

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


COURT REPORTER