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

December 15, 1971

EXAMINER HEARING

IN THE MATTER OF:
Application of El Paso Natural Gas
Company for the suspension of
certain provisions of Rules 14(A)
and 15(A) of the General Rules and
Regulations for the prorated gas
pools of Southeastern New Mexico,
promulgated by Order No. R-1670,
as amended.

Case No. 4633

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

1 MR. UTZ: Do you want to mark your exhibits?

2 MR. MORRIS: Yes, sir, I only have one exhibit.

3 (Whereupon, Exhibit Number 1
4 marked for identification.)

5 MR. UTZ: 4633.

6 MR. HATCH: Case 4633, Application of El Paso
7 Natural Gas Company for the suspension of certain provisions
8 of Rules 14(A) and 15(A) of the General Rules and Regulations
9 for the prorated gas pools of Southeastern New Mexico,
10 promulgated by Order No. R-1670, as amended.

11 MR. MORRIS: Mr. Examiner, I am Dick Morris of
12 Montgomery, Federici, Andrews, Hannahs, and Morris, Santa Fe.
13 I am appearing for the Applicants.

14 With me is Mr. Dave Burleson, attorney for El Paso
15 Natural Gas Company from El Paso, Texas.

16 We have one witness, Mr. Dave H. Rainey.

17 (Witness sworn.)

18 MR. UTZ: Any other appearances?

19 It looks like you are not going to have any contest
20 today.

21 Would you like to proceed?
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DAVID H. RAINEY

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

EXAMINATION

BY MR. BURLESON:

Q Mr. Rainey, have you testified previously before this Commission and have your qualifications been accepted by the Commission?

A Yes, sir, they have.

Q Would you please explain to the Commission what El Paso is seeking in this application?

A El Paso is asking by its application, Case 4633, to suspend for one year, from January 1st, 1972, until December 31st, 1972, the balancing provisions of Rule 14(A) and Rule 15(A) of Order R-1670, as amended, as applies to certain prorated gas pools in Lea County, New Mexico.

Those pools are the Blinebry, Crosby (Devonian), Eumont, Jalmat, Justis, Tubb, and Monument McKee-Ellenburger.

Q Would you please explain Rule 14(A) and 15(A), which our request would affect, please, sir.

A Rule 14(A) Order R-1670 provides that underproduction which accrues in one proration period may be carried forward and made up in a subsequent proration.

Rule 15(A) provides that any overproduction accrued

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1 in one proration period must be made up in the next
2 proration period, or be shut in again at the beginning
3 of the third proration period.

4 We are asking for suspension of those provisions
5 requiring the completion of balancing within one
6 proration period.

7 Q And for a period of how long?

8 A For one year, to December 31st, 1972.

9 Q Would you please explain some of the circumstances which
10 have made it reasonably necessary for El Paso to make
11 this request.

12 A Yes, sir. In December of 1969 El Paso filed application
13 with the Federal Power Commission to install 17,000
14 horsepower of additional compression at its existing
15 plant on its Lea County gathering system.

16 This application was certificated in the authority
17 given to El Paso to initiate this construction in June
18 of 1970.

19 El Paso already had on order certain of the
20 facilities, the equipment that was necessary to install
21 this compression.

22 Other portions of the compression had to be placed
23 on order after the certificate was granted.

24 We had delivery dates promised from manufacturers
25 running from August -- I mean from October, 1970, on

1 through about the first of 1971.

2 Most of these delivery dates -- and I am not intending
3 to blame the manufacturers -- but most of these delivery
4 dates would take anywhere from thirty days to four months.

5 As a consequence, facilities at El Paso had
6 anticipated being able to be placed in service in early
7 spring of 1971, and did not even begin to go into service
8 until about June of 1971 -- excuse me -- July of 1971.

9 Since the initiation of some of the first compression
10 installations, initiation of use of them we have had
11 mechanical problems with certain of these compression
12 installations.

13 As a consequence, much of the allowable that we
14 anticipated being able to produce by the use of this
15 compression installation has been unable to be produced,
16 and it is El Paso's feeling that the operator of these
17 wells should have the opportunity to produce this
18 allowable, because it has been through no fault of theirs
19 and no fault of El Paso's that these compression
20 installations have not operated satisfactorily.

21 We are requesting here the extension of time in
22 order to make up underproduction that accrued because
23 this compression installation was not in service.

24 Additionally, as a result of the underproduction in
25 certain areas, we have had to overproduce wells in other

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1 areas in order to meet the market demands from the
2 Southeast New Mexico gas pools, and we are therefore
3 asking for an extension of time in which to make the
4 overproduction that was necessary because of the
5 production that was not capable of being achieved from
6 the well in which compression was installed.

7 Q Mr. Rainey, a document has been heretofore identified
8 as Exhibit Number 1, which is entitled "The Status of
9 Unbalanced Wells Connected to El Paso Natural Gas
10 Company in the Southeast New Mexico Prorated Pools as of
11 November 30th, 1971."

12 I would ask you to refer to a copy of that and
13 explain the significance of the figures contained on that,
14 give any additional explanation that you feel appropriate
15 in regard to those figures.

16 A Yes, sir. Exhibit Number 1 is merely a tabulation of the
17 number of wells in each of the pools for which El Paso
18 is asking exception for balancing provisions in this
19 application that are underproduced and overproduced in
20 each of those pools.

21 If you will note column two of the exhibit, it
22 indicates that in the Jalmat Pool, the last number before
23 the total, we have accrued underproduction of some
24 six hundred and sixty-six million cubic feet of gas that
25 would be subject to cancellation as of January 1st, 1972,

1 if this exception is not granted.

2 At the same time, the cumulative status of those
3 same wells is eight million three hundred and eighty
4 thousand cubic feet underproduced.

5 I will call your attention also to the fact that in
6 the Eumont Pool, which is the third pool listed, we have
7 a hundred and twenty-eight million of underproduction
8 that will be subject to cancellation of January 1st, 1972.

9 And then I call your attention to the last series
10 of numbers in the next to the last column, that because
11 of the underproduction that accrued in the Jalmat and in
12 certain areas of the Eumont Pool, it was necessary to
13 overproduce wells in the Blinebry, some other wells in
14 Eumont Pool, and a substantial number of wells in the
15 Jalmat, a substantial volume of gas in the Tubb Pools in
16 order to offset that underproduction.

17 If you will look at the totals, the total under-
18 production that would be subject to cancellation is very
19 close to the value of the overproduction that would be
20 subject to shut-in on January 1st, 1972, the under-
21 production being 865 million cubic feet and the over-
22 production being 948 million cubic feet.

23 So, we pretty well had to offset the underproduction.
24 We couldn't take it by overproduction from other sources.

25 Q Mr. Rainey, was Exhibit marked for identification Exhibit

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1 Number 1 prepared under your direction or by you?

2 A It was prepared under my supervision, yes.

3 Q You previously indicated that there were certain
4 difficulties with the compression facilities which will
5 be installed.

6 Are those facilities installed at this point, and
7 are they operating?

8 A The facilities are all installed.

9 As of the first of last week, they seemed to be
10 working fine, and I understand that as of the first of
11 the week, they were having some more problems with them.

12 The manufacturers have been more or less living in
13 Southeast New Mexico the last few months, and it is my
14 understanding that, based on analyses they are making
15 this week, they think hopefully they have got the problem
16 licked, and we will have them in full operation by the
17 first of 1972.

18 As of this date, we never yet have been able to put
19 a full load on certain of the compression installations
20 that we installed at our station number three in Lea
21 County.

22 Q Do you feel that the installation and operation of these
23 compression facilities will materially assist in bringing
24 the wells in the pools mentioned into balance within the
25 period of suspension requested here?

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1 A It is our hope that this will do so. Until we get these
2 compressors in full operation, it is difficult, because
3 of capacity limitations and the manner in which this
4 compression will have to work, to be able to ascertain
5 with any real certainty that we will be able to make up
6 every bit of this underproduction, but it is our feeling
7 we will be able to make up a substantial portion of it.

8 MR. BURLESON: I would like to request the
9 Exhibit marked 1 for identification be received into evidence
10 at this time.

11 MR. UTZ: Without objection, Exhibit 1 will be
12 received into the record.

13 (Whereupon, Exhibit Number 1
14 admitted into evidence.)

15 MR. UTZ: Any questions of Mr. Rainey?
16 I have a couple.

17 EXAMINATION

18 BY MR. UTZ:

19 Q Mr. Rainey, I think this exhibit, as you stated, just
20 does consider wells connected to the El Paso system?

21 A Yes, sir.

22 Q I have noticed here -- and you called our attention to it --
23 that taking all pools as a whole, that the underage and
24 overage is pretty close to the same.

25 A Yes.

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1 Q But going back to -- and I think I called your attention
2 to this Jalmat, we have a lot more underproduction than
3 overproduction.

4 A Yes, sir.

5 Q Can you explain?

6 A Yes, sir, because we couldn't produce the gas. In Jalmat,
7 these compressors substantially affect the gathering
8 system that serves the Jalmat Pool, and portions of the
9 Eumont Pool, because we could not produce this under-
10 production or this allowable from the well in the Jalmat
11 Pool, it was necessary to go elsewhere.

12 We have no underproduction in Blinebry, but we are
13 a hundred and twenty-two million cubic feet overproduced
14 because we had to go to Blinebry.

15 To a lesser degree, we have the same situation in
16 Eumont.

17 We do have a substantial portion of underproduction
18 in other portions of pools in Eumont.

19 We were able to make up overproduction there, so it
20 was not a question of balancing wells in a given pool, but
21 having to balance over the whole Lea County area.

22 Q In other words, Jalmat suffered because they didn't have
23 the facilities in there?

24 A Yes, sir.

25 Q You don't have any figures at all on the Monument (McKee)?

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1 A Well, at the time we filed the application it looked
2 like we might be in trouble there.

3 However, we managed to balance all of the wells in
4 Monument.

5 Q They do have accumulated status, don't they?

6 A They should have. We were trying to reflect the status
7 of wells currently that are still underbalanced. Since
8 there are no unbalanced wells -- these are just
9 unbalanced wells shown here. These are not the total
10 number of wells in the pools we are showing.

11 Q I understand, but the cumulative status shown on
12 Exhibit 1, is that the true cumulative status or is that
13 the balanced status?

14 A No, that is the cumulative status as of November 30, 1971.
15 It has no unbalanced wells. Therefore, we did not show
16 anything.

17 Q Okay. Now, by being able to take the underproduction of
18 these pools, will that also assist you in balancing the
19 overproduced well?

20 A Yes, sir. If these wells are capable of making up the
21 underproduction, then we can curtail other wells in order
22 to make the overproduced wells-- in order to bring them
23 back into balance.

24 Q Now, I think we should clarify this point in the record
25 since we seem to have a little problem as to just how

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1 to handle this type of a suspension the last time we
2 had this type of order.

3 You have asked here for an exception to the Rule 14
4 and Rule 15, which is under- and overproduction
5 balancing rules?

6 A Yes, sir.

7 Q From 1-1-72 through 12-31 -- or 1-1-73?

8 A Yes, sir.

9 Q Now, by that do you mean that as of 1-1-72 that
10 there would be no cancellation, no curtailment?

11 A That is correct.

12 Q Likewise, the proration period beginning July 1,
13 there would be no curtailment and no cancellation?

14 A That is correct.

15 Q July '72?

16 A Yes, sir.

17 Q And then 1-1-73, on that date the Rule would again go
18 into effect?

19 A Yes, sir.

20 Q And then the way you understand your request, what would
21 happen as far as cancellation and curtailment is
22 concerned?

23 A Any of the numbers shown in column two or column five,
24 the balance status underproduced and overproduced that
25 is not made up either underproduction or overproduction

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1 by January, by December 31, 1972, would at that time be
 2 cancelled or shut in.

3 As of January 1st, 1973, a new balanced status would
 4 be established or determined for each of the wells in the
 5 pools, and they would go back into a normal period,
 6 in other words that which had accrued, either under-
 7 production or overproduction from now until January 1st,
 8 1973 must be made up by July 1st, 1973.

9 In effect, what we are saying, ordinarily you have
 10 a six-month balancing period.

11 What we are applying for here is an eighteen-month
 12 balancing period, the six months just elapsed, plus
 13 another year. And at the end of that time, the ordinary
 14 balancing sequence would take place.

15 Q In other words, 1-1-72 you would have an underproduction
 16 status that would be subject to cancellation?

17 A Yes, sir.

18 Q Now, what you want, all of the 1972, in order to make
 19 up this subject to cancellation and subject to curtail-
 20 ment figure?

21 A Yes.

22 Q That portion that is not made up during that one entire
 23 period which should be 1-1-73, that would be cancelled
 24 or curtailed?

25 A Yes.

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1 Q The accrued underage or overage during the one-year
2 period would then be subject to the same balancing in
3 July, 1973?

4 A Yes, which could be a portion of that volume that is
5 shown in column three and column six.

6 Q In other words, I think more simply, you are requesting
7 here a one-year balancing period rather than a six-month
8 balancing period?

9 A No. I think, Mr. Utz, we are asking for an eighteen-
10 month balancing period because the status that is shown in
11 column two -- and I know column five started on
12 January 1st -- I mean on July 1st, 1971.

13 Q Yes.

14 A We are asking until January 1st, 1973, to bring that into
15 balance.

16 The numbers shown as of November 30th, 1971, in
17 column two and column five of Exhibit 1, that is what is
18 left of a balanced status that began on July 1st, 1971.

19 We are asking until January 1st, 1973, to make
20 that up. At that point a new balanced status will be
21 established based on the cumulative status as of that date
22 which should be made up by July 1st, 1973.

23 Q Then your statement that you are requesting a one-year
24 extension --

25 A That is correct.

1 Q -- is a correct statement?

2 A Yes, sir.

3 MR. UTZ: Are there any other questions of the
4 witness?

5 Mr. Rainey, I am not sure this is the place to
6 take this up, but we have this type of situation plaguing us
7 almost consistently anymore. We seem to have more exceptions
8 to Rule 14(A) and 15 than we have nonexceptions.

9 In your opinion, is there any way that we could
10 change the Rules 14 and 15 in order to alleviate this
11 situation?

12 MR. RAINEY: Mr. Utz, quite candidly, I haven't
13 given any great deal of thought to that. Each time this has
14 happened, there have been extenuating circumstances, either
15 for El Paso or, in one case where Northern Natural Gas
16 asked for same extension in Lea County area.

17 They have been extenuating circumstances. I don't
18 think I am prepared at this time to suggest to any commission
19 in basing proration order.

20 It is possible that some study is -- study should be
21 given to it, so to speak, if this is going to be a
22 continuing or continuous thing and possibly amend rules, but
23 at this time, to say because it has been extenuating circumstances
24 every time that has caused this, it seems to me like
25 ordinarily the rules are operating fairly reasonably.

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MR. UTZ: Any other question?

Witness may be excused.

Is that all in the case? Case will be taken under
advisement.

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I N D E X

WITNESS

PAGE

DAVID H. RAINEY

Examination by Mr. Burleson

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Examination by Mr. Utz

9

E X H I B I T S

Marked

Admitted

Exhibit Number 1

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

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

9
10 Richard Sturges
11 Court Reporter

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do hereby certify that the foregoing is
a complete record of the proceedings in
the Hearing of Case No. 4633
held by me on 12/15/50, 1950.
Richard Sturges, Reporter
New Mexico Oil Conservation Commission