

Case Number

4302

Application

Transcripts.

Small Exhibits

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 4, 1970

EXAMINER HEARING

IN THE MATTER OF:

Application of El Paso Natural
Gas Company for suspension and
amendment of certain provisions
of Rules 14(A), 15(A), and
15(B), of the General Rules and
Regulations for the prorated gas
pools of Northwestern New Mexico.

Case No. 4302

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: The Hearing will come to order.

The first case this morning will be Case No. 4302.

MR. HATCH: Case 4302: Application of El Paso Natural Gas Company for suspension and amendment of certain provisions of Rules 14(A), 15(A), and 15(B), of the General Rules and Regulations for the prorated gas pools of Northwestern New Mexico.

MR. NUTTER: The record will show that there is an appearance in this case by Richard S. Morris, attorney in Santa Fe.

Other appearances, please.

MR. COOLEY: William J. Cooley, Farrington, New Mexico; appearing on behalf of Southern Union Gas Company.

MR. MEYER: If it please the Commission, my name is R. A. Meyer. I am representing El Paso Natural Gas Company an association of Richard S. Morris.

I have one witness, Mr. F. Norman Woodruff.

MR. HATCH: Would you stand and be sworn, please?

(Witness sworn.)

F. NORMAN WOODRUFF

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

DIRECT EXAMINATION

BY MR. MEYER:

Q I have entered in evidence Exhibits One
through Seven which have been marked.

Mr. Woodruff would you please state your
name?

A F. Norman Woodruff.

Q By whom are you employed?

A El Paso Natural Gas Company.

Q How long have you been so employed?

A Twenty years.

Q What is your present job title?

A Manager gas proration operations.

Q Have you testified before this Commission
on prior occasion on matters generally relevant to this
application?

A Yes; I have.

Q Were your qualifications as a qualified
witness accepted by the Commission at that time?

A They were.

MR. MEYER: I would move for the acceptance of the qualifications of this witness by the Commission.

MR. NUTTER: Mr. Woodruff is qualified.

Q (By Mr. Meyer) As manager of proration, Mr. Woodruff, are you familiar with El Paso's application in Case No. 4302?

A Yes; I am.

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

A By this application El Paso is requesting the suspension for a period of one year, that is until February 1, 1971, the provisions of Rule 14(A), 15(A) and 15(B) of the General Rules and Regulations for the prorated gas pools of Northwest New Mexico as promulgated in Order R-1670, as amended.

Q Would you please explain briefly what Rules 14(A), 15(A) and 15(B) provide?

A Rule 14(A) provides that under-production by a well in one proration period may be made up by over-production in the next succeeding six month proration or balancing period.

Rule 15(A) provides that over-production

accrued by a well during one six month balancing or proration period may be made up by subsequent under-production in the next succeeding six month proration or balancing period.

Rule 15(B) provides that if a well has over-produced an amount equaling six times its current monthly allowable, it shall be shut-in during that month and each succeeding month until such time as its over-production less -- excuse me -- until such time as its over-production is less than six times the current monthly allowable.

Q Is it the thrust of El Paso's application in this instance that each of these rules be suspended for a one-year period?

A That is correct.

Q Would you please explain in general the circumstances which have led to the necessity by El Paso to make this application in request to this Commission?

A Yes, sir; I will.

And may I ask that at this time the Commission accept and make a portion of this record the record of the Case 3834?

MR. NUTTER: Mr. Woodruff, was 3834 the same case in August of 1968 as well as February of 1969?

THE WITNESS: That's right. It is the record made in the August 14, 1968 hearing and the rehearing on February 9, 1969.

MR. NUTTER: And you are requesting that the record in both of those hearings be made a part of the record in this one?

THE WITNESS: That's correct.

MR. NUTTER: The record in Case No. 3834 heard in August of 1968 and February of 1969 will be made a part of the record in this case by reference.

Q (By Mr. Meyer) Will you continue, Mr. Woodruff, and relate how those two cases, one of which was reopened, Case 3834, relates to this case?

A At the time of those cases we testified as to the status of the take situation in the San Juan Basin as it relates to El Paso Natural Gas Company.

At the time of the hearing of Case No. 3834 on August 14, 1968, we asked for an exception

for a one-year period for certain portions of the rules including a portion of those which we are asking for an exception for today.

This was occasioned at that time by our anticipating through the normal process of rule enforcement by the Commission that a substantial number of our wells would be shut-in because they had failed to produce during the preceding balancing period.

We asked at that time for an exception of the balancing provision so as to bring those wells back into balance. Essentially, we were successful in that there were few if any, wells that were shut-in on August 1, 1969, that would have been shut-in on August 1, 1968.

However, in the intervening time over-production was accumulated on these wells which in turn, must -- was required to be made up by February 1, 1970. As best we can discern at this time, and it will be reflected by our exhibits, we have a similar circumstance to that which caused us to come forward in Case No. 3834.

That is, if the Commission is to enforce

their rules to the point of shutting-in over-produced wells, that there will be wells tied into the El Paso system that will have to be shut-in; and the amount of the availability from those wells, if shut-in, the loss of the availability if those wells are shut-in, will keep us from meeting our full market requirements during some portions of the rest of the wintertime period.

It's clearly anticipated by us that we will need the approximately a hundred and fifty million delivery capacity which we believe would be denied us if these wells were shut-in, to meet peak demand requirements for gas out of the San Juan Basin.

I think it's well to say that the demand for gas out of the San Juan Basin will be that remaining after minimizing our takes from all other sources of supply. But even under those circumstances we believe we will need the availability of gas from these wells.

Consequently we have come before you asking for this exception so that these wells will be made available to us in order to meet market requirements.

I would say that they will be opened up and produced only when market requirements are

necessitated.

Q Mr. Woodruff, I hand you Exhibit No. One which represents gas requirements from prorated fields in the San Juan Basin. Will you please explain the relevancy of this exhibit to your request?

A I believe, Mr. Examiner, that this exhibit is in your hands and in the hands of most other interested parties here in this room.

We have provided on Exhibit One the data that was made available to you in August of 1968 in Case No. 3834 and brought it up to date with actual monthly volumes through '69, with our best projection of what the monthly volumes would be for 1970.

I think on this Exhibit One, the main thing that I would like for you to visualize are the daily averages for the year. And may I say, though it's not shown clearly on this exhibit, we are talking about millions of cubic feet in these numbers here. So you should all make note that the figures here are M square CFD. Millions of cubic feet per day.

So that, for instance, the 1967 average

daily volume is, in terms of cubic foot, would be one billion and eighty-two million cubic foot.

You can see in 1968 that our average daily demand, and this is for gas from the eight prorated pools that are subject to our request for exception, increased to the billion two hundred and three million cubic feet per day.

During 1969 we significantly reduced our takes, and you can see that we took on the average day only a billion and seventy-one million; which was a drop of a hundred and thirty-two million cubic feet of gas per day.

We estimated our 1970 average daily requirement to be a billion and thirty-seven million, slightly lower than what we experienced during 1969, that being a difference of thirty-four million.

Q Mr. Woodruff, I hand you comparison exhibits and Counterpart 2a, 2b and 2c in graph. Will you please explain these for the benefit of the Commission?

A Exhibit 2a is a graphic representation of the data that was presented on Exhibit One; and shows for the years 1967, 1968, 1969 and 1970, the average daily volume each month that was taken from

the wells tied into the El Paso system from the eight prorated pools in the San Juan Basin.

I think that the data here can be best understood in terms of what I want to impart with it by referring you to Exhibit 2b.

Exhibit 2b compares the 1968 actual with the 1969 actual; and it shows in the green line that there was a substantial reduction in El Paso's takes in 1969 over 1968. As I pointed out in discussing the data on Exhibit One, the difference averaging over the year is a hundred and thirty-two million less.

From this exhibit there are several things that I think you would be interested in knowing; and that is, that after the three winter months of January, February and March, El Paso undertook to reduce to the full extent of its ability the sales of gas out of the San Juan Basin. This was in an effort to balance the over-produced wells.

The figures for April and May were the reductions reflected by the curve for those months -- was a result of two major items. One was a cessation to a great extent of the Best Efforts Gas that we have been selling to our California customers during 1968

and during the first several months of 1969. And then in June the completion and putting into service of our so-called 310 facilities which were testified to at our previous hearing and which have been installed and which gives us the opportunity to deliver to our customers additional three hundred and ten million cubic feet of gas per day with the source to be Permian, Delaware, Val Verde Basin sources.

So, you can see that with the reduction of our Best Effort sales and with the installation of the 310 facilities which we have previously testified will enable us to cut back in the San Juan; that this actually was accomplished as reflected by this graphic representation.

I refer you next to Exhibit 2c. It shows in the green, or actual 1969, the same as the preceding graph, and then in the purple shows our best estimate of what our average daily demand will be by month for the year 1970. You can see there will be a considerable similarity in our demand requirements for 1970 except for the first several months of the year.

Overall, as I have previously stated, this

purple line will result in a reduced deliveries out of the San Juan Basin in an estimated volume of thirty-four million cubic foot of gas per day.

Q Mr. Woodruff, would you please refer to Exhibit Number Three marked Best Efforts deliveries to California which represents tabulation and explain it for the Commission?

A Yes, sir.

At the time of our August, '68 hearing and at the time of the rehearing in February of '69, we presented certain data to you which we have now brought up to date and completed in terms of the Best Efforts deliveries that were made to California.

The data above the double line at the middle of the page is the data that was presented to you at the August, '68 hearing. At the rehearing in February, 1969, the data between the double line and the single line across the page is the data furnished to you at that time relative to Best Effort sales.

The data at the bottom of the page below the single line is the final accounting for the Best Efforts Gas.

By a hurried visual review of the data on

the left-hand column you can see that we were delivering substantial volume of Best Efforts Gas to our California customers through January of '69, and through the following proration period February, '69 through July, '69, that our average Best Efforts deliveries were only twenty-nine point nine million per day.

MR. NUTTER: Mr. Woodruff, for the sake of clarification, would you explain what GX2 Best Efforts Gas sales are, please?

THE WITNESS: The GX2 is a -- the classification of sale permitted by the Federal Power Commission to serve a customer's needs when such needs can be fulfilled by a seller through his existing facilities. The authority to deliver this is on a Best Efforts basis; that if the pipeline has the gas and can get it to the customer and the customer wants it, well then, it can be sold. But there is no firm obligation. It is just on a Best Efforts basis.

As you will recall we had extensive delays in the authorization and installation of our 310 facility. Those 310 facilities, as I explained, were to enable -- with the installation -- would enable El Paso to

deliver to its customers an additional three hundred and ten million.

However, we had capacity out of our San Juan Basin facilities to get to our California customers volumes over and above the certificated sales, and to the extent that those could be made, they were Best Efforts deliveries.

MR. NUTTER: In other words, Mr. Woodruff, you are obligated under contract to furnish a certain amount of gas to these customers?

THE WITNESS: That's right.

MR. NUTTER: If they need more gas and you can provide it, you do them a favor and provide it with Best Efforts sales; is this correct? You are helping them out of a bind.

THE WITNESS: That is true.

MR. NUTTER: You are trying to meet a demand above and beyond what your contract calls for you to deliver, is this correct?

THE WITNESS: Yes. I might elaborate to say that we had an additional contract with a California customer to deliver the gas which would be available under the 310 case. But we didn't have the facilities to

enable us to fulfill it from that source, so we were given the authority to deliver what we could of that to existing facilities.

MR. NUTTER: Well, now, could any gas that was sold after the 310 facilities went into operation in 19 -- in the midyear of 1969, would any gas sold above your contract requirement then be Best Efforts Gas also; or are you authorized to make Best Efforts sales now?

THE WITNESS: My recollection is that we have no current authorization to make Best Efforts deliveries.

MR. NUTTER: In other words, once the 310 facilities were installed, your Best Efforts sales ceased?

THE WITNESS: They did cease, and so far as I know we have no authority at this time to sell Best Efforts gas to our California customers.

MR. NUTTER: And each Best Efforts sale is authorized by a number similar to this GX2?

THE WITNESS: The GX2 is the broad definition of Best Efforts Gas and --

MR. NUTTER: It's not for a particular sale,

though?

THE WITNESS: It's not just something that would, say, be applicable to El Paso Natural Gas Company.

MR. NUTTER: I see.

THE WITNESS: But it would have to be authorized by special order of the Commission.

Should an occasion occur in the future when it would be needed or necessary, we would have to get such an order authorizing Best Efforts deliveries.

MR. NUTTER: Then GX2 is just a broad classification number?

THE WITNESS: That's correct.

Q (By Mr. Meyer) Mr. Woodruff, I hand you El Paso Exhibit Number Four which is a study of over-produced wells and the balancing period of that; would you please explain this exhibit for the benefit of the Commission?

A This exhibit shows you our best estimate of the balancing status at the end of January 31, 1974 --

Q 1970?

A --before cancellation and redistribution of allowables which would normally occur were this

exception not requested.

Now, these are estimated figures because to give you end-of-January figures would require that we have available to us the actual January producing figures; and since those things -- that data -- that information was not available to us at the time that we prepared this schedule, we made our best estimate of what January conditions would be so that we could project for you the most accurate data within our means of developing showing you, as I say, the status as of the end of January 31, 1970 before cancellation and redistribution and after cancellation and redistribution.

As you can see we have done it on a pool by pool basis for the eight prorated pools of Southeast New Mexico -- of Northwest New Mexico.

I believe the third column headed "Wells" is the most significant column to call to your attention at this time. And I think that it would be interesting to show you or to relate to you the situation that existed relative to over-produced wells at our two previous hearings on this matter.

First, relating what is shown here; there

are seven hundred and ten wells as of the balancing date which is the end of January, 1970, that were over-produced in excess of eight billion cubic foot of gas a day. Now, these -- the number of wells at our August, 1968 hearing, would be nine hundred and thirty-six wells as compared to this. The volume would be twelve million as compared to the eight million.

And now here I ask you all to realize that when I say million, it is properly defined as MCF at the top so that it's eight million cubic feet. And the volumes that I will talk about then are eight million MCF.

At the time of our rehearing in February, '69, the comparable volume was twenty-five billion.

So, to tell you what significance this has to me would, I think -- it would be well to review what I have just given you to indicate that in August, 1968, we had twelve billion allowable at -- that was over-produced for the wells in the San Juan Basin pools. This twelve billion increased to twenty-five billion at the time of our February hearing in 1969; and this volume is now reduced to eight billion for this hearing.

Now, I also have some comparable figures for you for the status as best we can discern it of what will occur -- reclassification, cancellation and redistribution, actual experience, and that is the group of figures on the right-hand side of Exhibit Four.

It shows that our best -- that in accordance with our best estimate there will be two hundred and twenty-eight wells under existing Commission orders which would be ordered shut-in because they had failed to balance during the last proration period. This compares with three hundred seventy wells at the time of August, '68.

MR. NUTTER: What was that figure?

THE WITNESS: Three hundred seventy wells in August of '68.

MR. NUTTER: Thank you.

A (Continuing) These wells have only two billion cubic feet of under-production accumulated that have not been balanced.

You can see on the average that each of these wells would have to be shut-in thirty-seven days because that's the number of days that it is over-produced still.

after all reliefs were given to these wells. You can see it varies from pool to pool, looking in the right-hand column there. It's interesting, I think, for you to know that this two billion figure for February 1, 1970, compares also to a possibly two billion figure for August of '68 when we made our previous request for an exception.

And that volume had grown to seven billion at the time of our February, 1969, hearing.

Q (By Mr. Meyer) Mr. Woodruff, would you care to remark about the effect of peak day production and its relevance to these eight prorated pools in connection with this exhibit?

A The peak day production during the year -- during the month of January, 1970, as best we have been able to determine from our records was a volume equivalent to one billion two hundred and sixty-seven thousand cubic feet.

Q One billion two hundred --

A One billion two hundred and sixty-seven million cubic feet.

Now, at the time this peak demand was met in January of 1970, we were having to call on essentially

everything that was available from the prorated pools of Northwest New Mexico. Had we not had the gas available from these wells which we anticipate will be shut-in by the Commission if this request is not granted, we would have been unable to meet our market demand to the extent of some estimated amount of approximately a hundred and fifty million cubic foot of gas per day.

Now, we anticipate that we will have similar peak demand conditions during other times of this winter period, and at those times we will need the gas available from these two hundred twenty-eight wells which Exhibit Four indicates would be shut-in. And our request for exception is to have these wells available to us so that we can meet our peak demand conditions for the utilization of all the wells available to our system if the need requires.

Q Does El Paso have sufficient deliverability from the prorated pools to meet average market conditions?

A El Paso does have the sufficient deliverability to meet the average daily requirements, and we also have sufficient deliverability to meet peak day requirements as evidenced by the fact that we have done

so. We would not have the peak day ability though, if we were to lose the, approximately, a hundred and fifty million delivery capacity attributable to these two hundred and twenty-eight wells.

Q Mr. Woodruff, I hand you El Paso Exhibit Number Five representing certain compressor horsepower figures related to the so-called 180 case. Will you please explain this exhibit?

A Yes, I will. And, let's see, I have only a few extra copies of that. If you would be good enough to pass them on around to the Commission staff. I do not have adequate exhibits to pass out to everyone in the audience, but this is to indicate to you what has been and is being done by El Paso Natural Gas Company in accordance with the certification received by the Federal Power Commission in Docket CP-69,203 which was granted on June 10, 1969.

At the time of our February, 1969, hearing we advised you that El Paso was filing for certification for horsepower to be installed in the San Juan Basin area with the anticipated beneficial results of reducing the line pressure against which the wells in the Basin would have to produce equivalent to possibly seventy

pounds, and this --

Well, first, I will say that our application was for authorization for this horsepower, and the authorization to expend the up to twelve million dollars that we anticipated it would cost, leaving to us the election to place this horsepower at those spots in our system where we considered the most beneficial results and the greatest--well, the most beneficial results and also to comply with the greatest needs.

And this map on which is shown the rated horsepower installed at various stations and areas around the Basin is the supplement to what we have previously given you regarding this case; and shows you where horsepower has been installed and the amount of the horsepower. Now, this is the rated horsepower not the derated horsepower.

The rated horsepower in the aggregate will be thirty-five thousand five hundred sixty-nine horsepower. Derated, it will be thirty-two thousand and ten horsepower.

Now, as of today, it is my understanding that all of this horsepower is installed and in operation with the exception of the two, one thousand horsepower

units to be installed, one at Bronco Plant and one at the Choco Plant.

Now, were you to add up the horsepower that is reflected on this exhibit, you will find that it does add up to the thirty-five thousand plus horsepower that I told you, so long as you do not include the sixteen hundred and eight brake horsepower installed at Ignacio; the sixteen oh eight horsepower installed at Ignacio.

That sixteen hundred and eight horsepower was installed in accordance with a different certificate which we made you aware of at our previous hearings.

The two twelve thousand horsepower units at Bronco and Choco are currently being constructed, and will be in operation, we anticipate, in early spring.

Q Mr. Woodruff, El Paso has Exhibit Number Six and three counterparts marked a, b, and c which are proceedings before the Federal Power Commission in Docket Number CP-69,225, being an application for a certificate of public convenience and necessity, the first supplement to such application and an order issuing thereon. Would you please relate to the Commission what relevance these documents for the Federal Power

Commission proceedings have to this -- in this proceeding?

A Yes; I will. I think that it may be well for me to put together the three dockets so we can furnish them to the Commission. And may I say, that we are furnishing these to the Commission for their information so that they may have the best possible continuing knowledge of the efforts being made by El Paso Natural Gas Company to -- not only to supply its market, but to relieve the situation in the San Juan Basin that has caused concern and resulted in our having to come before the Commission on this being the second occasion requesting exceptions to the balancing provisions.

I will not go into detail with you on this particular exhibit since it is furnished to you for information purposes.

I think it would be well to tell the group that this is what we refer to as the 180 case. It's docket number is CP -69,225, was filed on February 24, 1969, certificate was issued on August 7, 1969.

The purpose of this application was to enable El Paso to replace with Permian Basin source gas

one hundred million cubic feet of our San Juan Basin supply. The other eighty of the one eighty was to come from the Permian Basin area but was to be sold to customers east of California.

The status as of this time is that the approximately thirty-five miles of thirty inch loop that was asked for in this case has been installed. The, I believe it's seven thousand five hundred horsepower to be installed at our El Paso station and fifteen hundred horsepower to be installed at our Pecos River station have not been installed, but will be so as to be in operation in early spring.

I should correct the figure for the El Paso station; it should be eight thousand five hundred rather than seven thousand five hundred.

MR. NUTTER: Now, let me review that one more time, Mr. Woodruff, very briefly.

The purpose of this 180 application is to replace a hundred and eighty million cubic feet per day of the San Juan Basin with a hundred million from the Permian Basin and eighty million from further east. Is this correct?

THE WITNESS: No. This 180 case was to

enable El Paso to sell an additional one hundred eighty million to its customers.

A hundred of the hundred and eighty was to replace gas out of the San Juan Basin. It's gas that we anticipated that we would lose under the provisions of a divestiture order, and this order is still not filed. But the facilities have partially -- are partially installed, the certificate has been granted for all of the facilities, and when they are completed in the early spring, we will have the ability at that time to deliver the one hundred and eighty million cubic foot of gas a day to customers and to reduce our San Juan takes by a hundred million.

MR. NUTTER: All right, sir.

THE WITNESS: Now, to a significant extent, somewhere in the vicinity of a hundred million a day, we have been able to accomplish that type of relief during the last winter, even though we didn't have our compressor in at the El Paso and Pecos River points. The pipeline loops that were installed enabled us to increase deliveries out of the Permian Basin area; and we have made use of these facilities to the full

extent of our ability.

Q (By Mr. Meyer) Mr. Woodruff, I hand you El Paso Exhibit Number Seven, being Docket Number CP-7147 before the Federal Power Commission, an application for a public -- certificate of public convenience and necessity in relation to additional horsepower in the San Juan Basin. Would you please relate the relevance of this exhibit to these proceedings?

A I have already testified relative to the efforts of El Paso to reduce line pressure in the San Juan Basin, and the map that I presented as Exhibit Five showed the Commission where this would be located and the quantities that are being installed.

We refer to that as our phase one compression project.

Now, on December 4, 1969, we filed with the Commission a docket authorizing us to build and operate still additional compressor facilities in the San Juan Basin. We refer to that as our phase two compression. We anticipate that approximately seventeen thousand horsepower will be installed under this phase two application which, incidentally, is -- has been docketed by the Commission as CP-70,124.

MR. NUTTER: This is identified on this thing as 147.

THE WITNESS: I am in error then. It is 70147.

MR. NUTTER: Now, Norman, will this seventeen thousand horsepower be rated or derated?

THE WITNESS: That is -- I don't know.

MR. NUTTER: It might turn out to be about fifteen thousand actual horsepower, then?

THE WITNESS: Well, we have asked -- in our application we have said for approximately seven thousand horsepower to cost approximately ten and a half million dollars. And if the installation is somewhat characteristic of what phase two has done -- we ended up with thirty-two thousand derated horsepower when our application had been for thirty-three thousand. I would visualize that this is probably the derated or usable horsepower at altitude, but I cannot tell you positively that this is the way it's pictured in this exhibit. Probably were we to take the time to review it, it could be defined exactly.

We do anticipate upon the installation of this phase two horsepower that we will have an additional

fifty to seventy pounds pressure drop.

MR. NUTTER: In the San Juan Basin- -

THE WITNESS: In the San Juan Basin fields over and above that accomplished through the installation of phase one.

MR. NUTTER: How much pressure drop did you achieve with phase one; or will you achieve when it's completed?

THE WITNESS: We anticipate that it will be as high as seventy pounds out in the field.

MR. NUTTER: Up to seventy pound decrease on phase one and fifty to seventy on phase two?

THE WITNESS: That's right.

Now, the status of this phase two is that it was filed on December 4, 1969. We had no action on the part of the Commission, and we have had no specific indication that there will be opposition to this request, and we are hopeful for a certificate and the necessary authorization to install these facilities before this coming winter.

Q (By Mr. Meyer) Mr. Woodruff, why is El Paso seeking a suspension of the balancing provisions for a one-year period rather than just the next six

months which would get you through the winter of '69 and '70?

A We are asking for this exception for a number of reasons.

One, it gives us a greater assurance of getting the over-produced wells in balance; and two, with the installation of the phase one compression facilities and the improved delivery characteristics of the wells, will give the under-produced wells a better opportunity to make up the under-production accumulated to them which would otherwise have been cancelled as of February 1, 1970.

Another factor that we have not mentioned yet but which should be mentioned, is the fact that we have reached an agreement with Southern Union Gas Company whereby they will deliver to us fifty million cubic foot of gas per day which is a volume essentially representing that portion of their allowable which is in excess of their own demand. This does require FPC certification, but with such certification it will give the producers tied to the Southern Union system an opportunity to make up some of the under-production that they have accumulated which would otherwise be cancelled.

We don't know exactly when the Southern Union agreement will be certificated by the Commission and when these deliveries can be initiated. But we think that the one-year period will enable us to bring all of these unknown, but beneficial factors into effect. I believe that the one year suspension is necessary for us to analyze the full effect of the lowering of our pipeline pressure and the receipt of additional gas from Southern Union Gathering Company.

Q Is it your opinion that the application of El Paso in the instant case can be granted without the impairment of correlative rights or the causing of waste?

A I do considering that it can be granted without the violation of correlative rights or causing waste.

Q Were exhibits offered by El Paso numbered one through four prepared by you or under your supervision and direction?

A They were.

Q And would you care to remark with respect to Exhibits Five through Seven if it was prepared- -

A Exhibits Five through Seven were copies of

the official dockets filed with the Federal Power Commission, and are furnished to the Commission for their information to relate the continuing -- to reflect the continuing efforts on the part of El Paso to take all reasonable action in trying to relieve the San Juan Basin conditions which are creating the problems which have caused us to come before you asking for an exception today.

MR. MEYER: If it please the Commission, I move the admission of El Paso's Exhibits One through Seven.

MR. NUTTER: El Paso's Exhibits One; Two A; Two B; Two C; Three; Four; Five; Six A, B, and C, and Exhibit Seven will be admitted in evidence.

(Whereupon, El Paso's Exhibits One, Two A, Two B, Two C, Three, Four, Five, Six A, Six B, Six C, and Seven were admitted in evidence.)

MR. MEYER: If it please the Commission, this completes the direct testimony of El Paso.

MR. NUTTER: Does anyone have any questions of Mr. Woodruff?

Mr. Woodruff, in requesting this suspension for a period of one year, we are right at a balancing

period right now, it being practically February the first, when would the next cancellation of under-production and the next balancing period be; one year from now?

THE WITNESS: The next balancing period would be February 1, 1971 and the volume to be balanced by that date would be the volume accumulated to the wells in the San Juan Basin pools as of August 1, 1969.

MR. NUTTER: Which would be subject to cancellation at this time?

THE WITNESS: Yes, if the exception were not granted.

MR. NUTTER: So that, in effect, we are suspending the balancing at that time -- at February 1, 1970 and at August 1, 1970; and the rules would resume then on February 1, 1971, correct?

THE WITNESS: That is correct.

MR. NUTTER: Now, the 310 facilities that were mentioned in the previous hearings and also today; are they one hundred percent completed?

THE WITNESS: Yes, they are.

MR. NUTTER: And gas is flowing from the

Val Verde Basin and Delaware Basin and using those facilities at the maximum rate?

THE WITNESS: That's correct.

MR. NUTTER: When is it anticipated, Mr. Woodruff, that phase two of your compression project will be completed?

THE WITNESS: We hope that it will be completed and installed before this coming winter, the winter '70 - '71.

As I say, the application is before the Federal Power Commission, a certification has not yet been granted; following certification we will have to obtain the equipment and install it in order for it to be available for next winter. Operationally, we hope that it will be, because we are sure that it can be most beneficial to us.

MR. NUTTER: Well, now, looking at Exhibit Number Five over, it appears that the two points where you mentioned installation is not complete would be the twelve thousand horsepower facility being installed at Bronco and Choco and all of the others are smaller installations. All of these smaller installations have been completed, is that correct?

THE WITNESS: That is my understanding; my advice as of this week.

MR. NUTTER: Now, are these facilities at the Bronco Plant and the Choco Plant; are part of the horsepower installed and in operation at those points or is all of it in the process of being installed?

THE WITNESS: It's all in the process of being installed but none is yet operational.

MR. NUTTER: I see. None of it is operational.

Phase two, will it involve large compression facilities like the facilities at Bronco and Choco; or will it be a whole series of smaller facilities like the other installations on phase one?

THE WITNESS: I cannot answer positively relative to that in that we have again asked for approval of a gross amount, seventeen thousand, to be located in the various areas of the San Juan Basin to give us the maximum beneficial results.

MR. NUTTER: So these locations and the amount of horsepower to be installed at a given location may not have determined as of this time?

THE WITNESS: That is correct.

MR. NUTTER: And it would be subject to further engineering studies?

THE WITNESS: That is correct.

MR. NUTTER: And it would be subject --
Is there any estimate by El Paso upon the time that
you might receive certification from the FPC for the
installation of phase two?

THE WITNESS: We, at this time, have no
indication of when the certificate will be granted.

MR. NUTTER: How long did it take to
receive approval for phase one, Mr. Woodruff?

THE WITNESS: Our application of phase
one was --

MR. MEYER: February 19, 1969.

THE WITNESS: -- February 19, 1969, was
the application date. And certification in that was
June 10, 1969, as I recall.

MR. MEYER: No, it was later than that.

THE WITNESS: I'm sure that June 10 is
the correct date.

MR. NUTTER: So, if it takes another five
or six months to get those facilities installed, it would
be a period of approximately a year and a half from
date of application to completion of the facilities.
Would that be correct?

THE WITNESS: Not necessarily; it depends on the type of facilities that you are going to install.

MR. NUTTER: Well, I mean the phase one.

THE WITNESS: Yes. Phase one, since the application was made in February of '69 and will not be in operation for maybe another sixty to ninety days would make fourteen or fifteen months from the time we applied. Of course December 4, as I testified, December 4 of '69 was our application date for phase two. Hopefully, there will not be as many delays as we experienced in phase one.

Our delays in phase one were not only slow delivery of some of our machinery, components, but rather several labor problems and -- for the people who were contracting to install this.

MR. NUTTER: So you really can't give any estimate as to when phase two facilities will be installed?

THE WITNESS: No, we are hoping that they will be before this coming winter because we think that they will be a very important asset to us in meeting

this coming winter's needs, and also in the overall objective of trying to make proration work.

MR. NUTTER: Do you think there is a possibility that both phase one and phase two will be complete by the coming winter?

THE WITNESS: I think that it's entirely possible that phase one and phase two will be in for the coming winter. But I can't assure that phase two will be in.

MR. NUTTER: Are there any other questions? Mr. Utz?

MR. UTZ: Woodruff, I came in late and you might have covered these two or three items which I intend to ask you about; but I think if you didn't they should be in the record.

You are asking for a suspension of the rule during this one-year period; is that correct?

THE WITNESS: That's right.

MR. UTZ: And you are asking for no suspension of the classification rules for this one-year period?

THE WITNESS: That is correct.

MR. UTZ: And- -

THE WITNESS: May I elaborate to be sure that you and I both understand what we mean by classification rules.

That would be the rules which under the normal procedure followed by the Commission would result in prorated wells becoming marginal wells.

MR. UTZ: That's correct; the classification of marginal and non-marginal wells.

THE WITNESS: We would propose that the Commission continue to evaluate the wells and to put them into their proper category without consideration of any exception.

MR. UTZ: All right, sir.

Now, the volumes that you are requesting a suspension of the balancing rules for are the volumes that are subject to cancellation and subject to curtailment as of 2-1-70; is that correct?

THE WITNESS: That is correct.

MR. UTZ: Now, in order to accomplish this, and I ask you this because there has been some confusion as to the mechanics of accomplishing this; would it be your suggestion that in order to accomplish this one-year suspension and rules for this volume, that the cumulative

over or under status as of 8-1-69 be used in order to determine the curtailment or cancellation as of 2-1-71?

THE WITNESS: And the answer to that is affirmative; and we have covered it, I believe, in my testimony heretofore.

MR. UTZ: That's all I have.

MR. NUTTER: Are there further questions of the witness?

He may be excused.

Do you have anything further, Mr. Meyer?

MR. MEYER: No, sir. That concludes the testimony of El Paso Natural Gas.

MR. NUTTER: Does anyone have anything they wish to offer in Case 4302? Mr. Cooley?

MR. COOLEY: Yes, Mr. Examiner, Southern Union Gas Company has one witness that we would like to be sworn, Mr. Haseltine.

(Witness sworn.)

ORAN HASELTINE

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

DIRECT EXAMINATION

BY MR. COOLEY:

Q My name is William J. Cooley, Farrington,
New Mexico. I have previously entered our appearance
on behalf of Southern Union Gas Company and Southern
Union Gas Gathering Company.

Mr. Haseltine, would you state your full
name for the record, please?

A Oran Haseltine.

Q And where do you reside, Mr. Haseltine?

A I am from Dallas, Texas.

Q And by whom are you employed?

A Southern Union Gas Company as manager of
the gas supply.

Q Are you familiar with the situation with
respect to the eight prorated gas pools in Northwestern
New Mexico?

A Yes.

Q And do you from day to day deal with these

pools?

A Yes, I do.

Q And how long have you so dealt with them?

A I have been employed by Southern Union for a little over ten years and all of that time I have either worked in the San Juan Basin or been directly concerned with it.

MR. COOLEY: Will the Examiner accept this witness' qualifications with respect to the eight prorated pools in Northwestern New Mexico?

MR. NUTTER: Mr. Haseltine is qualified.

Q (By Mr. Cooley) Mr. Haseltine, are you aware of the under-produced, over-produced status of all of the wells connected to the Southern Union Gas Gathering systems in Northwest New Mexico. By that I mean the overall cumulative over-produced, under-produced status?

A Yes. The latest figures we have are December 31 figures, but at that time, Southern Union Gas Company was carrying about twelve point seven billion feet of underage.

Q And are you aware of what portion of that

would have been subject to cancellation as of February 1, 1970?

A No, our numbers don't show how much would be subject to cancellation, but probably at least half of it, or close to that.

Q A very substantial portion of it?

A Very substantial.

Q Now, is that with respect to all of the eight pools?

A That's all of the eight pools, but most of that is in the Basin Dakota. There -- we have, in the gas company's connection in the Basin Dakota approximately eleven billion under-production as of December 31, 1969.

Q Has Southern Union Gas Company and its sister company, Southern Union Gas Gathering made any arrangements which would make it possible for Southern Union Gas Company to produce the wells to which it is connected and make up this under-production during the one year suspension that's been requested by El Paso Natural Gas Company?

A We have reached an agreement with El Paso Natural, and of course this will be subject to approval

by the Federal Power Commission, but our agreement provides that Southern Union Gathering Company will increase its sales by some fifty million a day to El Paso Natural.

Now, that increase in sales by Gathering Company will be carved out of the wells presently producing the Gas Company. to the end that Gas Company's intrastate market will be served by a fewer number of wells and Gathering Company will have a larger total number of wells under its gathering system; and these wells will sell direct to El Paso.

Q And in this fashion the Gas Company will not be subject to Federal Power Commission regulations, is that correct?

A That is correct.

Q And the Gas -- Gathering Company is already subject to that regulation, is it not?

A The Gathering Company is already subject as an independent producer as a gathering company not as a natural gas pipeline, but as a gathering company; and it will continue to remain so under this new arrangement.

Q And is this arrangement that is proposed

with El Paso Natural Gas Company and the Gathering Company a temporary arrangement?

A Yes. One of the essential parts of this is that the Federal Power Commission approve this thing for a three year term with the thing to terminate in -- at the end of three years.

We think that within three years Gas Company's own market will have grown and the availability of gas will have declined to the point that the gas company will no longer need to sell excess volumes to El Paso to maintain a rateable status in the San Juan Basin.

Q So essentially at the end of this time, the gas company will continue to have sufficient reserves to service intrastate market.

A That is correct.

Q And that is the overall objective of the proposal?

A Yes, sir. Right.

Q Now does the gas company and the gas gathering company have the pipeline capacity to effect these additional deliveries to El Paso Natural Gas Company?

A As near as we can determine, we do have.

Q What data do you have to indicate this?

A Well, the essential part to look at is the Dakota pool, and we compared a test period which ran from August 1 of '68 through July 31, 1969; and during that time if Gas Company had produced, had purchased an additional eight billion feet of gas from its connected Dakota wells, it would have been entirely rateable at the end of that period.

Now, we know from the operating data that we had at least seven point three billion excess capacity in that facility.

Q How are you aware of this seven point something figure?

A We know what our peak month was and we know what our total for the twelve months was. By taking the peak month and multiplying it by twelve and subtracting out what we actually delivered leaves us a difference of seven point three billion that represents capacity that was unused to serve Dakota connections.

Now, that seven point three billion compares

with this approximately eight point one million that it would have taken to have gotten completely rateable in the Dakota pool during that twelve month period.

Q This is not necessarily a maximum figure, but is one that you are sure is a least amount; is that correct?

A That is correct.

Q So, in view of these data, are you of the opinion that if this application is granted and the Federal Power Commission approves a reasonable contract between you and El Paso Natural Gas Company, that it is within the power of the El Paso Natural Gas Company, the Gathering Company and the Gas Company of Southern Union Gas Company to bring your wells -- the ones that you are connected to -- in balance or substantially so within this one-year period?

A Yes; it is. We believe that if the Federal Power Commission will look favorably on the agreement that we have reached with El Paso, that Gas Company and Gathering Company can be made, if not rateable, at least nearly so within twelve months and prorationing as it exists now will continue to work in the San Juan Basin.

Q Is there any question in your mind but what the vast majority of the under-production that is accumulated to the wells that are connected to the Southern Union system is producible under production?

A I think by far the vast -- the greater part of that underage can be produced by the wells that have accrued that underage. There may be a few -- and I am sure there are a few wells -- that have some unproducable underage, but I am sure it's not significant. We think these wells can make it and will within the next twelve months if we accomplish what we are trying to do.

Q This under-production has accrued by virtue of the fact that allowables have been assigned to the wells connected to the Southern Union system in excess of Southern Union's demand on those wells?

A That is correct.

Q And by working out these cross sales contracts with El Paso you can bring them into balance?

A We believe so, right.

MR. COOLEY: I have no further questions.

MR. NUTTER: Are there any questions of

Mr. Haseltine?

Mr. Haseltine, when was this application filed with the FPC?

THE WITNESS: It has not been filed yet. We have been working it and the time wheel hasn't been allowed to drag, but it just hasn't been presented formally to the Federal Power Commission yet. And, in fact, we want to cover some ground informally with them before we do.

MR. NUTTER: The arrangements haven't been consummated as far as El Paso and Southern Union are concerned?

THE WITNESS: Yes; we have an agreement between ourselves that we are both ready to go forward with.

MR. NUTTER: Now, you indicated that you thought that the capacity was there to deliver the gas; does that mean the deliverability in the wells as well as the pipeline capacity?

THE WITNESS: We think the deliverability is in the wells as well as in the pipeline.

MR. NUTTER: I see. So you don't anticipate that you would have to have any mechanical installations

or any sizeable mechanical installations?

THE WITNESS: None of any real major consequence. We will continue to add a little bit of compressor horsepower, a little bit of line facilities this year as we have always in the past, but it won't take major installations to accomplish this.

MR. NUTTER: Now, as far as FPC approval is concerned, if Southern Union makes their application to the FPC and the FPC approves it, does that mean the producer can make the sale indirectly to interstate -- indirectly to El Paso for interstate movement or will the producer have to obtain approval from the FPC also?

THE WITNESS: Well, I believe the producer will necessarily have to apply for a certificate to sell this gas in interstate commerce, but this December two certificates have been granted before between producer and gathering company.

MR. NUTTER: Once that big first FPC approval comes through, that would be for your sale?

THE WITNESS: Right.

MR. NUTTER: The rest would follow rather

simply, then?

THE WITNESS: We think so.

MR. NUTTER: Are there any further questions of Mr. Haseltine? Mr. Utz?

MR. UTZ: Mr. Haseltine, do you think that this agreement will be approved by the Federal Power Commission in time to do any good in the next year?

THE WITNESS: We would guess that if they are going to look favorably on it at all, we can have this gas moving well ahead of a year, 1970. Now if they don't receive this thing favorably, and if it looks like it is going to get into a long drawn out contested hearing with no end in sight, then I'm not at all sure that we will even pursue it further.

It's the kind of thing that first of all, we've got to be in a position to protect the reserve for the New Mexico market. And this is the big factor that we see as a potential problem with the Commission. If they would want a certificate and ways that would cause us to be limited in being able to serve the New Mexico market a few years in a row, then naturally we won't want to go forward with it. But if they do look favorably on it, I think we will be moving gas before

the end of a year -- midyear.

MR. NUTTER: The New Mexico Public Service Commission doesn't have to rule on that, do they?

THE WITNESS: No, sir.

MR. UTZ: In other words, you think if they do look favorably on it, well you will have probably seven months to a year to produce?

THE WITNESS: Yes. Actually, I would say this as to the best guess on a timetable, that if -- if their informal first look at it is favorable, the filing would probably be made within a month from today and then on short procedure they ought to be able to handle the thing in three months from that time. So that makes four months from today.

MR. UTZ: Did you state what volume you are requesting?

THE WITNESS: Now the volume in the agreement between ourselves and El Paso obligates them to take up to fifty a day, fifty million feet per day if we have it available, and it leaves it mutually to be agreed upon as to anything in excess of fifty million feet per day.

MR. UTZ: How much is the Gathering Company selling to El Paso now?

THE WITNESS: Probably averaged in 1969 about a hundred and forty million per day.

MR. NUTTER: Would -- what period of time would that be for?

THE WITNESS: What is that?

MR. NUTTER: The contract or the agreement you have with El Paso.

THE WITNESS: Three years.

MR. NUTTER: So in all it would total around sixty billion cubic feet, is that correct?

THE WITNESS: I haven't multiplied it out. It would be whatever it would need to keep it rateable.

MR. NUTTER: Let's see. It would be three times fifty times three sixty-five; is that right.

THE WITNESS: That would be a good figure to work with.

MR. NUTTER: Any further questions?

The witness may be excused.

Does anyone have anything further they wish to offer in Case 4302? Mr. Simmons?

MR. SIMMONS: I would like to read a statement into the record if it would be advisable at this time.

Mobil Oil Corporation has reviewed El Paso Natural Gas Company's request to the Commission seeking suspension for a one-year period starting February 1, 1970 of the Rules concerning the balancing provisions of Rule 14(A), 15(A) and 15(B) of the General Rules and Regulations for the prorated gas pools of the Northwestern New Mexico contained in Order R-1670, as amended.

Mobil supports and recommends the Commission's approval of El Paso's request as set forth in this hearing.

MR. NUTTER: All right.

Mr. Kellahin.

MR. KELLAHIN: If the Examiner please, Jason Kellahin, Santa Fe, appearing on behalf of Consolidated Oil and Gas Company.

Consolidated Oil and Gas Company is opposed to any suspension of the balancing period as proposed by El Paso in this application in the Northwest, particularly with reference to the Basin Dakota gas pools.

If we look at the history of this, while they say this is a temporary suspension for a period of one year, we have had a long experience with the gas prorationing in the Northwest. There was a suspension applied for and granted in August 1, 1968; and no balancing until August 1, 1969.

As I understand this present application would affect the over-production and under-production for the period February 1, 1968 through August 1, 1969.

They have had, in other words, approximately three years to work this matter out, perhaps a little bit longer and have not been able to do so; and now they have come up with a solution which perhaps is a good one but should have been arrived at a long time ago.

In effect, we view this application as advocating deliverability as the sole factor to affect prorationing in the Northwest. Now, in a hard-fought case before this Commission, the results of which were tested in the New Mexico Supreme Court, this concept was rejected. The Commission established the proration formula for the Basin Dakota pool which it found met the requirements of the New Mexico statutes, that it would prevent waste and protect correlative rights. The New Mexico Supreme Court upheld this finding and the formula that was adopted.

Now you are being asked without any evidence as to gas reserves, correlative rights or waste -- the only testimony on correlative rights or waste that I heard was the unsupported conclusion of the witness for El Paso that it would not affect correlative rights or cause waste. But without any evidence on any of these factors which are specified in the statute you are asked to suspend these rules and in effect, put into operation for a temporary period a one hundred percent deliverability as a sole measure of the right of an owner to produce his gas. This clearly defeats the purpose of the statute and is a clear violation in the letter and

the spirit of our New Mexico laws.

In making any changes so sweeping as is proposed here, the Commission should, we feel, look to these laws which have been quoted to the Commission so frequently they need no repetition here; and the Commission should look to the clear mandate of the New Mexico Supreme Court in the Continental Oil Case and in the Basin Dakota Gas Case which was appealed without success by the applicant in this case.

For that reason, Consolidated Oil and Gas Company respectfully requests that the application be denied.

MR. NUTTER: Thank you. Any further statements? Mr. Eaton?

MR. EATON: George Eaton for Pan American Petroleum Corporation.

Pan American supports the application of El Paso Natural Gas Company in Case 4302 for the temporary suspension of Rules 14(A), 15(A) and 15(B) of Order R-1670 based on the stated need of El Paso for this relief in order to meet their market.

MR. NUTTER: Thank you. Any further statements?

Mr. Hatch, do you have any correspondence?

MR. HATCH: We have a correspondence from Inter American Petroleum Corporation and Getty Oil Company concurring with the application.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 4302? Mr. Meyer?

MR. MEYER: El Paso would like to call its witness again with respect to the statement of Mr. Kellahin.

F. NORMAN WOODRUFF

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

FURTHER DIRECT EXAMINATION

BY MR. MEYER:

Q Mr. Woodruff, Mr. Kellahin, representing Consolidated Oil and Gas stated that our evidence and statements in connection with correlative rights and waste are insufficient.

Would you care to remark on this matter, please?

A Yes. I would like to make some remarks and to assure both Consolidated and the Commission and the others present that our request for an exception in no way is a request for a termination of the proration rules applicable to the Basin Dakota pools. Those rules are the ones that I understand, Consolidated desires to protect.

And we are not suggesting here that those rules will not be complied with. We are suggesting that this exception be given but that the rules at their full face value be complied with. The exception will give us only more time to do so without penalizing either

El Paso or the purchaser or the producers who have under-production accumulated which might benefit from this extension.

So to reiterate, we are not requesting a change in the rule that was established in the Basin Dakota Case and which was supported through the Courts.

MR. NUTTER: Any questions, Mr. Kellahin?

MR. KELLAHIN: No questions.

MR. NUTTER: Does anyone have any questions of Mr. Woodruff?

He may be excused.

Do you have anything further, Mr. Meyer?

MR. MEYER: No, sir. That concludes El Paso's case.

MR. NUTTER: Does anyone have anything they wish to offer.

We will take the case under advisement; and a fifteen minute recess.

(WHEPEUPON, a fifteen minute recess was taken.)

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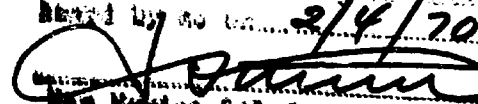
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STATE OF NEW MEXICO)
)
 COUNTY OF BERNALILLO) ss

I, CA FENLEY, 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.


 CA FENLEY - COURT REPORTER

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the hearing held on 2/4/70, 4202
 held by me on 2/4/70, 1970

 Examiner
 New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
P. O. BOX 2086 - SANTA FE
87501

GOVERNOR
DAVID F. CARGO
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMijo
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

February 20, 1970

Mr. Robert A. Meyer
Office of General Counsel
El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas 79999

Re: Case No. 4302
Order No. R-3923
Applicant:
El Paso Natural Gas Company

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X

Artesia OCC

Aztec OCC X

Other Mr. Jack Cooley and Mr. Jason Kellanin

**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

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

**CASE No. 4302
Order No. R-3923**

**APPLICATION OF EL PASO NATURAL GAS COMPANY
FOR SUSPENSION AND AMENDMENT OF CERTAIN
PROVISIONS OF RULES 14(A), 15(A), AND 15(B)
OF THE GENERAL RULES AND REGULATIONS FOR
THE PRORATED GAS POOLS OF NORTHWESTERN
NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 4, 1970, at Santa Fe, New Mexico, before Examiner Daniel S. Mutter.

NOW, on this 20th day of February, 1970, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, El Paso Natural Gas Company, seeks suspension for a period of one year from February 1, 1970, of those provisions of Rules 14(A), 15(A), and 15(B) of the General Rules and Regulations for the prorated gas pools of Northwestern New Mexico promulgated by Order No. R-1670, as amended, that provide for the cancellation of unproduced allowable and the shutting-in of overproduced wells.

(3) That El Paso Natural Gas Company is the owner and operator of one of the pipelines connected to gas wells in the aforesaid prorated gas pools.

(4) That there are numerous non-marginal wells in said prorated gas pools that have accumulated underproduction which is subject to cancellation as of February 1, 1970.

(5) That there are numerous non-marginal wells in said prorated gas pools which are currently overproduced and were not brought in balance during the proration period beginning August 1, 1969, and that such wells are subject to being shut in and their current monthly allowable credited against said overproduction until they are in balance.

(6) That there are numerous non-marginal wells in said prorated gas pools which are overproduced an amount equalling six times their current monthly allowable and that such wells are subject to being shut in until the wells are overproduced less than six times their current monthly allowable.

(7) That there has been and will continue to be, for a period of time, an extremely heavy demand for gas from said prorated gas pools.

(8) That there is a present and continued need for gas which cannot be satisfactorily met if the aforesaid overproduced wells referred to in Findings Nos. 5 and 6 are not allowed to continue producing.

(9) That there is such a present and continued need for gas that the wells that have accrued the aforesaid underproduction should be able to produce the aforesaid underproduction in addition to the normal allowables by February 1, 1971.

(10) That completed and planned installation of compression facilities should lessen the heavy demand on the overproduced wells referred to in Findings Nos. 5 and 6 and enable said wells to be brought into balance by February 1, 1971.

(11) That in order to protect correlative rights, prevent waste, promote conservation, and allow each producer in the prorated gas pools of Northwest New Mexico the opportunity to produce his just and equitable share of the reserves underlying said gas pools, the aforesaid Rules 14(A), 15(A), and 15(B) should be suspended for a period of one year from February 1, 1970.

-3-

CASE No. 4302

Order No. R-3923

IT IS THEREFORE ORDERED:

(1) That Rules 14(A), 15(A), and 15(B) of the General Rules and Regulations for the Prorated Gas Pools of Northwest New Mexico, promulgated by Order No. R-1670, as amended, are hereby suspended for a period of one year beginning February 1, 1970.

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

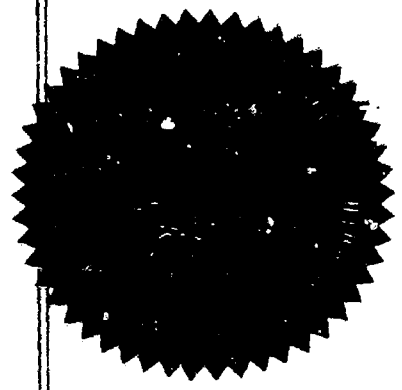
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


ALEX J. ARMIJO, Member


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



esr/

MONTGOMERY, FEDERICI, ANDREWS, HANNAHS & MORRIS

J. O. SETH (1883-1963)

ATTORNEYS AND COUNSELORS AT LAW

350 EAST PALACE AVENUE

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February 4, 1970

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FRANK ANDREWS
FRED C. HANNAHS
RICHARD S. MORRIS
SUMNER G. BUELL
SETH D. MONTGOMERY
FRANK ANDREWS III

New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Gentlemen:

This letter is our entry of appearance in Cases *4302 and 4303*
on behalf of El Paso Natural Gas Company.

Mr. Robert A. Meyer, Attorney for the Company and
a member of the Texas Bar, will present the case.

Very truly yours,

Richard S. Morris

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 4, 1970

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

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

CASE 4302: Application of El Paso Natural Gas Company for suspension and amendment of certain provisions of Rules 14(A), 15(A), and 15(B), of the General Rules and Regulations for the prorated gas pools of Northwestern New Mexico. Applicant, in the above-styled cause, seeks suspension for a period of one year from February 1, 1970, of those provisions of Rules 14(A), 15(A), and 15(B) of the General Rules and Regulations for the prorated gas pools of Northwestern New Mexico promulgated by Order No. R-1670, as amended, that provide for the cancellation of unproduced allowable and the shutting-in of over-produced wells.

CASE 4303: Application of El Paso Natural Gas Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-described cause, seeks authority to institute a waterflood project in the Rhodes (Yates-Seven Rivers) Pool by the injection of water into the Yates-Seven Rivers formation through its Moberly "C" Wells Nos. 6, 9, and 10, located respectively, in Units K and M of Section 21 and Unit I of Section 20, Township 25 South, Range 37 East, Lea County, New Mexico. Applicant further seeks a procedure whereby said project may be expanded administratively without a showing of well response.

CASE 2925: (Reopened)

In the matter of Case 2925 being reopened pursuant to the provisions of Order No. R-2598, which order established 640-acre spacing units for the South Hope-Strawn Gas Pool, now designated the South Hope-Pennsylvanian Gas Pool, Eddy County, New Mexico, for a period of one year after first pipeline connection in the pool. All interested persons may appear and show cause why said pool should not be developed on 160-acre spacing units.

CASE 4263: (Continued from the December 17, 1969 Examiner Hearing)

Application of Wynn & Brooks for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Federal "E" Well No. 3, to be located 590 feet from the South line and 1590 feet from the West line of Section 13, Township 27 North, Range 8 West, Blanco-Mesaverde and Basin-Dakota Pools, San Juan County, New Mexico.

CASE 4264: (Continued from the December 17, 1969, Examiner Hearing)

Application of Wynn & Brooks for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Federal "I" Well No. 1, to be located 2390 feet from the South line and 2410 feet from the East line of Section 11, Township 27 North, Range 8 West, Blanco-Mesaverde and Basin-Dakota Pools, San Juan County, New Mexico.

CASE 4297: (Continued from the January 21, 1970 Examiner Hearing)

Application of Anadarko Production Company for lease commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Langlie-Mattix production from the Langlie-Mattix Penrose Sand Unit Tracts 2, 16 and 28, comprising, respectively, the W/2 NW/4 of Section 23, the SW/4 SW/4 of Section 23, and the S/2 NW/4 and SW/4 of Section 28, Township 22 South, Range 37 East, Lea County, New Mexico, with Langlie-Mattix production from other tracts in said unit, allocating the production to each of said Tracts 2, 16 and 28 on the basis of monthly well tests.

CASE 4304: Application of Continental Oil Company for an unorthodox oil well location and amendment of Order No. R-2403, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its MCA Unit Well No. 251 as a producing oil well at an unorthodox location 1100 feet from the South line and 2600 feet from the West line of Section 21, Township 17 South, Range 32 East, as an infill well in the MCA Unit Project Area, Maljamar Grayburg-San Andres Pool, Lea County, New Mexico. Applicant further seeks the amendment of Order No. R-2403 to permit the adoption of a procedure whereby additional producing wells and injection wells at unorthodox locations in said project may be approved administratively.

-3-

Examiner Hearing
February 4, 1970

Docket No. 4-70

CASE 4301: (Continued from the January 21, 1970 Examiner Hearing)
In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Robert T. Smith and all other interested persons to appear and show cause why the following Robert T. Smith wells located in Section 32, Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned with a Commission-approved plugging program:

State Well No. 1 located 487 feet from the North line and 990 feet from the East line;

State "A" Well No. 1 located 400 feet from the North line and 990 feet from the East line;

State Well No. 3 located 330 feet from the North line and 330 feet from the West line;

State Well No. 6 located 220 feet from the North line and 1485 feet from the East line;

State Well No. 6-Y located approximately 5 feet West of the above-described Well No. 6;

State Well No. 8 located 1155 feet from the North line and 2475 feet from the East line.



Telegram

KA050 LB101 NSB040

NS MDA074 RS PD=MIDLAND TEX. 2 114A CST
NEW MEX OIL CONS COMM=

1970 FEB 2 AM 11:40

ATTN A L PORTER JR SANTA FE NMEX=

ATTN A L PORTER JR RE SUSPENSION OF BALANCING PROVISIONS
OF RULE 14(A)-(UNDERPRODUCTION) RULE 15(A) -
(OVERPRODUCTION) AND RULE 14(B) - (OVERPRODUCED SIX
TIMES CURRENT MONTHS ALLOWABLE) OF ORDER R-1670. DEAR
SIR; PLEASE BE ADVISED THAT GETTING OIL CO CONCURS WITH
EL PASO NATURAL GAS CO ABOVE PROPOSAL WHICH WILL BE
CONSIDERED IN THE HEARING ON FEBRUARY 4TH 1970=

J E PIERCE DIST PROD MGR GETTY OIL CO=



INTER-AMERICAN PETROLEUM CORPORATION

PAUL D. HOLLEMAN, PRESIDENT

MAIN OFFICE

70 JAN 26 AM 3

January 23, 1970

file case
4302

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

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

Gentlemen:

Inter-American Petroleum Corporation concurs with El Paso Natural Gas Company's application for suspension of balancing provisions of Rule 14 (A) - (Underproduction), Rule 15 (A) - (Overproduction), and Rule 15 (B) - (Overproduced Six Times Current Month's Allowable) of Order P-1670 [see El Paso Natural Gas Company's letter of January 13, 1970 to New Mexico Oil Conservation Commission].

Very truly yours,

Paul D. Holleman
Paul D. Holleman

PDH/gh

NAME

CO

LOCATION

NAME	CO	LOCATION
W. H. Loring	El Paso Natural Gas	El Paso
E. R. Manning	El Paso Natural Gas	El Paso
Donald E. Burton	Synco Ray drill & Haul Co.	Denver Colo.
Benjamin S. Lebovitz	Independent	Denver, Colo
ROGER W. HALL	See	MIDLAND, Texas
James E. Guitler	O. L. P. Products	Midland
Phil Thompson	" "	Midland
Robert H. Baker	" "	Midland
Frank G. Taylor	" "	Midland
A. L. Porter	N. M. O. C. C.	Santa Fe
Ralph Trujillo	"	Santa Fe
Dan Ketter	NMOC	Santa Fe
Ernest Arnold	NMOC	Albuquerque
DONALD C. WALKER	Pueblo	Albuquerque
Charles Ramsey	Pueblo	"
C. M. Tarr	Conoco	Casper Wyo
J. C. Simmons	TENNECO	DENVER
W. B. Simmons, Jr.	Mobil	Midland
George Hatch	OCC	Santa Fe
Paul Mares	OCC	Santa Fe
William S. Jannson	SUG	Farmington
William S. Jannson	SUG	Dallas
Charles H. Hestline	SUG	Dallas
Prentice Watts	Aztec	Dallas
C. D. Crump	Depco	Denver
R. A. Meyer	El Paso Nat Gas	El Paso
A. B. Kendrick	OCC	Aztec
R. C. Wynn	Wynn & Break	Dallas
L. W. Catow	Pan American	Farmington
Joe Jack	Dugan Prod Corp	Farmington
Herman Ranges	OCC	Santa Fe
Norman Woodruff	E. P. H. G.	El Paso

EL PASO NATURAL GAS COMPANY
GAS REQUIREMENTS FROM PRORATED POOLS
IN THE SAN JUAN BASIN

	1967 Actual	1968 Actual	1969 Actual	1970 Estimated
January	1,284	1,346	1,253	1,162
February	1,286	1,226	1,286	1,138
March	1,150	1,220	1,245	1,070
April	1,270	1,223	1,048	1,086
May	991	1,210	823	1,014
June	902	1,132	961	964
July	848	1,088	957	854
August	932	1,116	1,000	962
September	931	1,059	932	964
October	998	1,181	1,111	1,078
November	1,121	1,298	1,119	1,071
December	1,283	1,336	1,132	1,083
Daily Average for Year	1,082	1,203	1,071	1,037

*nos. are in millions of cubic feet/day
or 1967 ave daily vol = 1,082,000,000
cubic feet/day*

BEFORE EXAMINER NUTTER

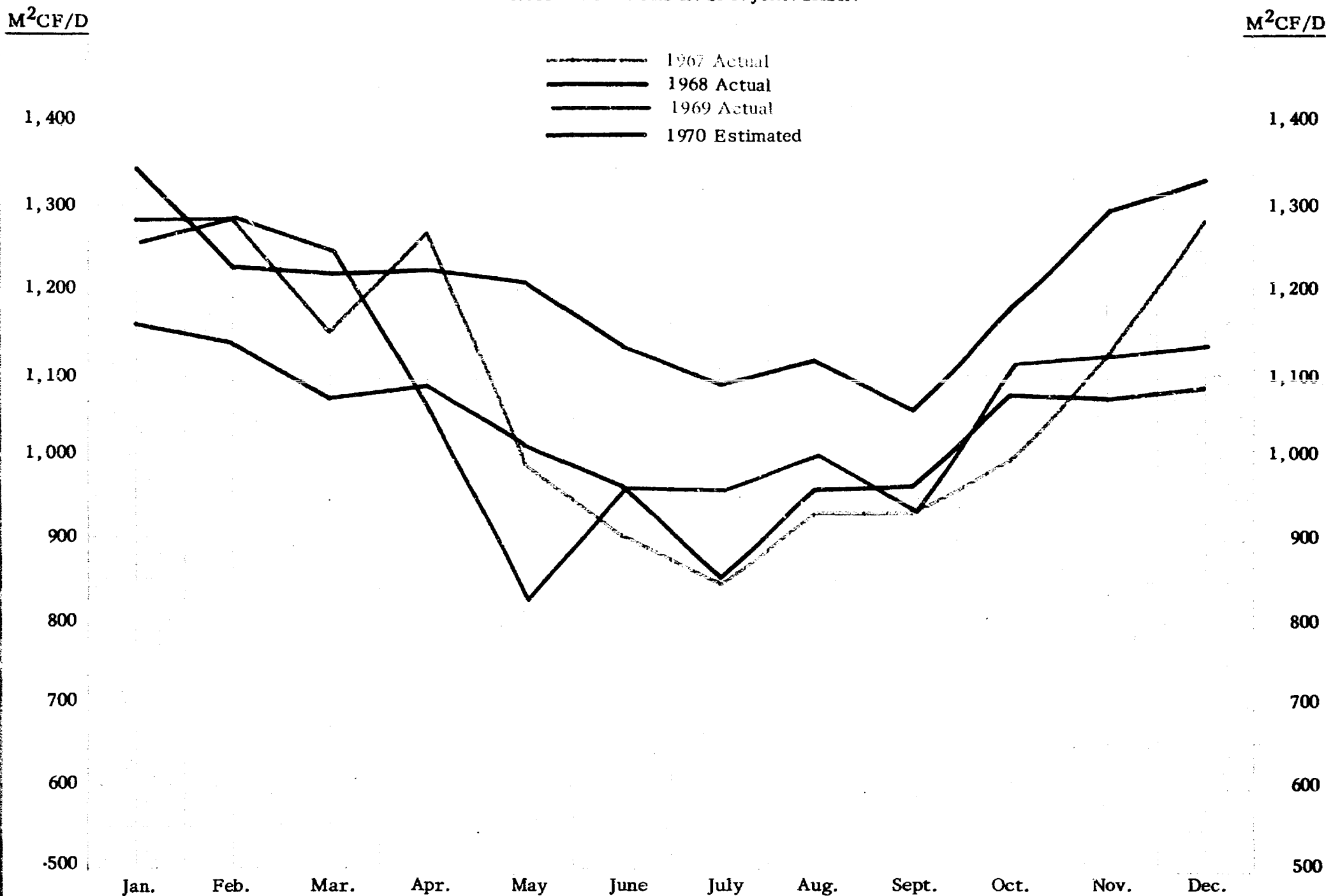
OIL CONSERVATION COMMISSION

E.P. EXHIBIT NO. *1 through 4*
CASE NO. *4302*

CASE NO. _____
EXHIBIT NO. _____
OIL CONSERVATION COMMISSION
BEFORE EXAMINER NUTTER

EL PASO NATURAL GAS COMPANY
 COMPARISON OF 1967, 1968, 1969, AND 1970 GAS REQUIREMENTS
 FROM PRORATED POOLS IN SAN JUAN BASIN

Case No. 4302
 Exhibit No. 2-A



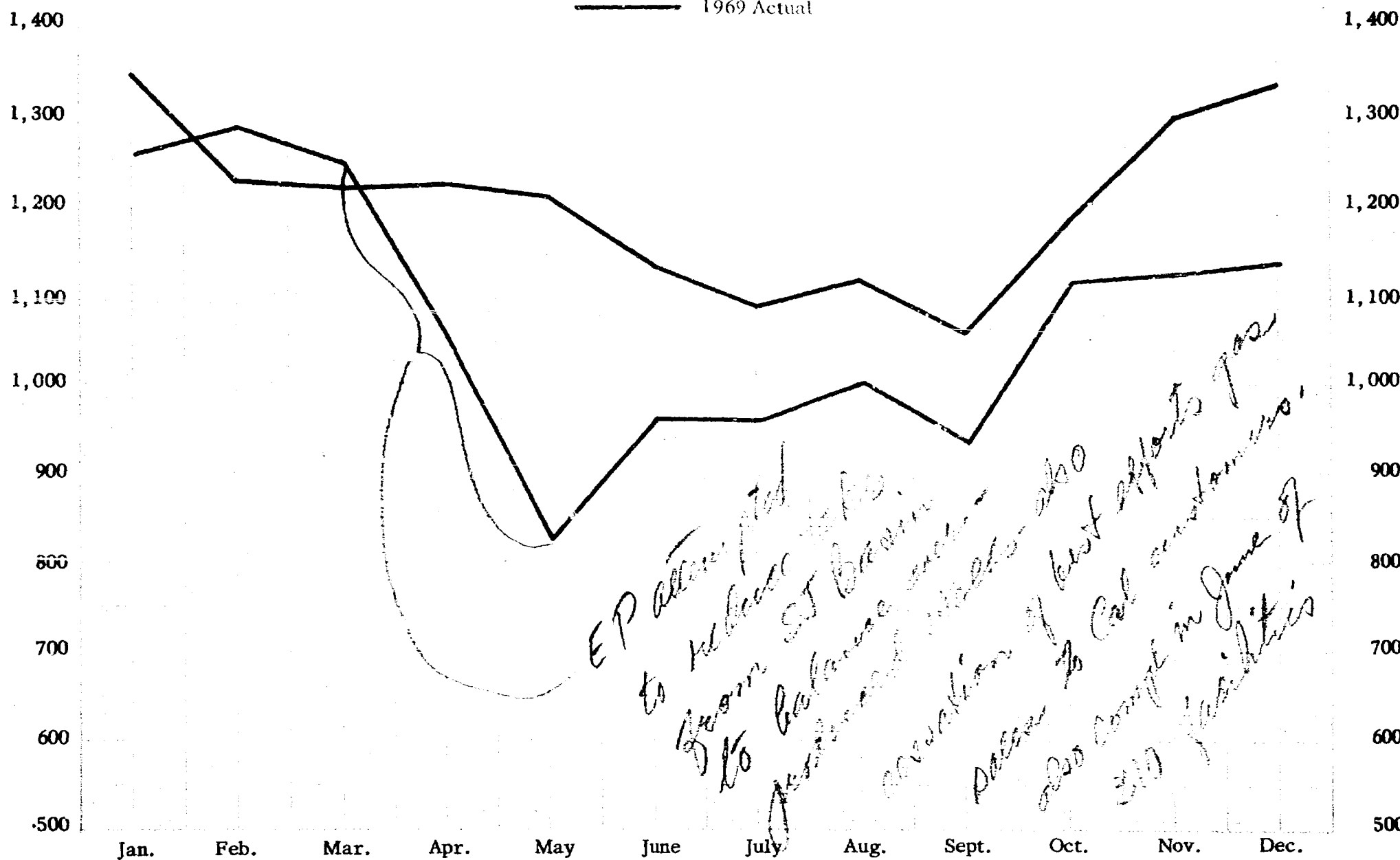
EL PASO NATURAL GAS COMPANY
COMPARISON OF 1967, 1968, 1969, AND 1970 GAS REQUIREMENTS
FROM PRORATED POOLS IN SAN JUAN BASIN

Case No. 4302
Exhibit No. 2-B

M²CF/D

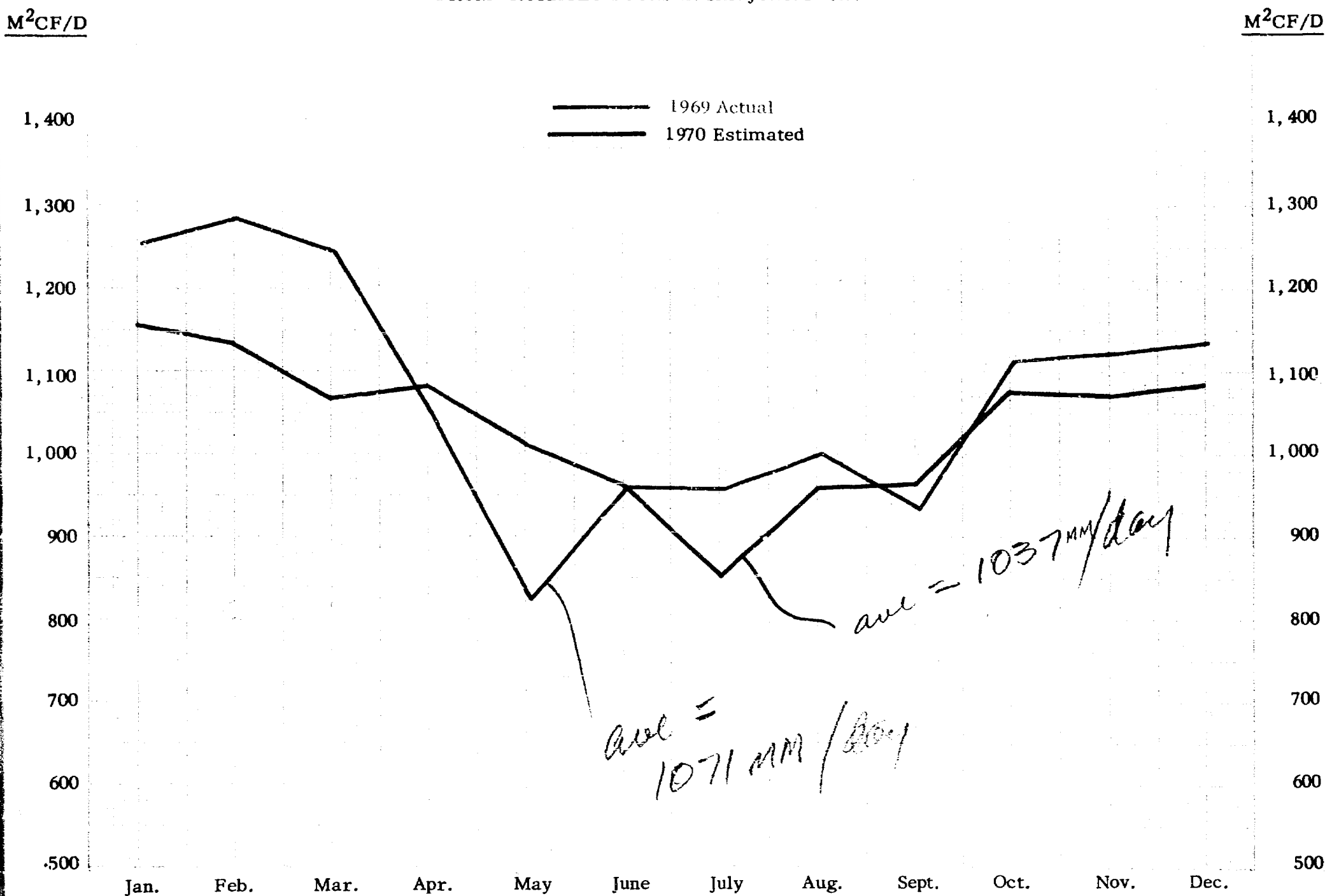
M²CF/D

— 1968 Actual
— 1969 Actual



EL PASO NATURAL GAS COMPANY
COMPARISON OF 1967, 1968, 1969, AND 1970 GAS REQUIREMENTS
FROM PRORATED POOLS IN SAN JUAN BASIN

Case No. 4302
Exhibit No. 2-C



G-X-2 BEST EFFORTS DELIVERIES TO CALIFORNIA

(Volumes in MCF at 14.73# p.b.)

February through July, 1967 (181 days)

	<u>Total Volume</u>	<u>M²CF/D</u>
So. California	11,424,608	63.1
P G & E	7,106,742	39.3
Total	18,531,350	102.4

August, 1967 through January, 1968 (184 days)

So. California	10,754,761	58.4
P G & E	10,866,455	59.1
Total	21,621,216	117.5

February through July, 1968 (182 days)

So. California	18,972,589	104.2
P G & E	12,587,423	69.2
Total	31,560,012	173.4

August, 1968 through January, 1969 (184 days)

So. California	11,137,227	60.5
P G & E	10,944,329	59.5
Total	22,081,556	120.0

February, 1969 through July 1969, (181 days) ⁽¹⁾

So. California	3,373,031	18.6
P G & E	2,035,988	11.3
Total	5,409,019	29.9

(1) G-X-2 Gas Deliveries ended on May 31, 1969 except 42,399 MCF delivered on June 15, 1969 to So. California.

STUDY OF OVERPRODUCED WELLS IN PRORATED POOLS
IN THE SAN JUAN BASIN FOR BALANCING PERIOD ENDING JANUARY 31, 1970
BEFORE AND AFTER CANCELLATION AND REDISTRIBUTION

(All Volumes in MCF at 15.025# p.b.)

Pool	Average Monthly Allowable	Estimated Balancing Status January 31, 1970 Before Cancellation and Redistribution				Estimated Balancing Status January 31, 1970 After Reclassification, Cancellation and Redistribution			
		Wells	Volume	Average Volume	Number of Days Overproduced	Wells	Volume	Average Volume	Number of Days Overproduced
Aztec	3,914	63	241,985	3,841	29	25	73,182	2,927	22
Ballard	3,194	48	396,595	8,262	78	7	140,173	20,025	188
South Blanco	2,665	194	659,406	3,399	38	64	240,673	3,761	42
Fulcher Kutz	2,811	23	83,465	3,629	39	19	46,135	2,428	26
Tapacito	2,469	32	202,147	6,317	77	18	64,127	3,563	43
West Kutz	3,149	29	164,522	5,673	54	9	52,794	5,866	56
Blanco MV	20,047	183	1,502,795	8,212	12	34	373,114	10,974	16
Basin Dakota	19,490	138	4,942,523	35,815	55	52	1,031,466	19,836	31
Total	13,655	710	8,193,438	11,540	39	228	2,021,664	8,867	37

Aug 69: Bl 12,667,000

Feb 69 25,000,000

370 2,000,000
7,000,000

These 228
wells have
approximately
150,000,000
cuyt day delay
in prod.

plak demand 1,267,000,000 cuft
Jan 70

UNITED STATES OF AMERICA

Before the

FEDERAL POWER COMMISSION

BEFORE EXAMINER NUTTER

INTERVENTION COMMISSION

EXHIBIT NO. 6A

Case No. 4302

Docket No. CP69-225

El Paso Natural Gas Company)

Application for a Certificate
of Public Convenience and Necessity

Comes now EL PASO NATURAL GAS COMPANY, hereinafter referred to as "Applicant," pursuant to § 7(c) of the Natural Gas Act and § 157.5, et seq., of the Commission's Regulations Under the Natural Gas Act, and files this application, in abbreviated form in accordance with § 157.7(a) of said Regulations, for a certificate of public convenience and necessity, all as hereinafter more fully set forth.

In support hereof, Applicant respectfully represents:

I.

The exact legal name of Applicant is El Paso Natural Gas Company. It is a corporation duly organized and existing under the laws of the State of Delaware, having its principal place of business located in El Paso, Texas. Applicant is authorized to conduct business as a foreign corporation in the States of Alaska, Arizona, Arkansas, Colorado, Idaho, Kansas, Louisiana, Montana, Nevada, New Mexico, New York, Oklahoma, Oregon, Texas, Utah, Washington and Wyoming.

The names, titles and mailing addresses of those persons to whom correspondence and communications concerning this application are to be addressed are as follows:

*purpose into replace 100 MM
if 55 supply with 100 MM
from PNM to the state of Texas
the 20 from PNM to the state of Texas*

*180" case
Court issued by FPC
Oct 7, 1969*

Mr. Travis Petty, Controller
El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas, 79999

G. Scott Cuming, Esquire, General Counsel
Walter G. Henderson, Esquire
El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas, 79999

Mr. Edward A. Walsh
El Paso Natural Gas Company
700 Farragut Building
900 17th Street, N. W.
Washington, D. C., 20006

II.

Applicant is a natural-gas company engaged in the business of producing, purchasing, transporting and selling natural gas to distribution companies and other pipeline companies for resale and to industries and others for direct consumption. The pipeline system of Applicant extends from the Permian Basin area of west Texas and southeast New Mexico, the Texas-Oklahoma Panhandle area, the San Juan Basin of northwest New Mexico and southwest Colorado and the Four Corners area of the States of Arizona, New Mexico, Utah and Colorado, through one or more of the States of Texas, New Mexico, Utah, Colorado and Arizona, to points of termination at the boundary between the States of California and Arizona near Blythe, California, and Topock, Arizona, and to a point of termination at the boundary between the States of Arizona and Nevada near Big Bend, Arizona; the pipeline system of Applicant also extends from the San Juan Basin area, through the States of Colorado, Utah, Wyoming, Idaho, Oregon and Washington, to a point of termination at the International Boundary near Sumas, Washington.

III.

Applicant hereby seeks a certificate of public convenience and necessity under § 7(c) of the Act authorizing the construction and operation of mainline facility additions to its Southern Division System.

Such additions, which consist of both compressor horsepower and pipeline loop, are designed to enable: (i) the transportation and sale of up to an additional 80,000,000 cubic feet of natural gas daily to Applicant's east-of-California customers situated in existing market areas in Texas, New Mexico, Arizona and southern Nevada; and (ii) the transportation of an additional 100,000,000 cubic feet of natural gas daily (at 14.9 psia and 101,150,000 at 14.73 psia) from Delaware Basin supply sources in replacement of Applicant's Canadian-Sumas supply presently available, through displacement, in the San Juan Basin but which will be lost under arrangements prescribed for divestiture of Applicant's Northwest Division System.

The authorized daily design mainline delivery capacity of Applicant's Southern Division System is presently 3,540,000,000 cubic feet.^{1/} Of this amount, and upon completion of the facilities authorized by the order accompanying Opinion No. 549, Applicant will utilize 1,140,000,000 cubic feet daily in satisfaction of its firm delivery obligation to Pacific Gas and Electric Company and 1,550,000,000 cubic feet daily in satisfaction of its firm delivery obligation to, jointly, Southern California Gas Company and Southern Counties Gas Company of California; the remainder of such authorized capacity, 850,000,000 cubic feet

^{1/} Such capacity is inclusive of that to be afforded through installation of the facilities authorized by the order accompanying Opinion No. 549 issued October 30, 1968, at Docket No. CP67-137, et al. It is presently anticipated that such facilities will be in operation by June 1, 1969.

daily, will be utilized to satisfy the requirements of Applicant's distributor and direct sale customers situated east of California.

The proposed capacity increment of 80,000,000 cubic feet daily is dictated by increasing natural gas demands of the east-of-California market. The last capacity addition for this market, of some 53,000,000 cubic feet daily, was that approved by the order accompanying Opinion No. 549. It was designed to accommodate the needs of that market only through 1968. As evidenced by Exhibit I hereto, the market continues to experience constant growth and, as projected therein, peak day requirements for the 1969-70 and 1970-71 heating seasons will, on a coincidental basis, aggregate 1,084,304,000 and 1,103,588,000 cubic feet, respectively.

The proposed capacity increment of 80,000,000 cubic feet daily is designed to accommodate the increasing requirements of the east-of-California market through the 1970-71 heating season. Upon installation of the facilities required to provide that increment, Applicant's Southern Division mainline daily design capacity for such market will be increased to 930,000,000 cubic feet. By use of such design capacity, Applicant will satisfy the firm distributor requirements, which are estimated to aggregate 776,283,000 cubic feet daily during the 1970-71 heating season. By use of the remainder of such capacity and by use of the best efforts capacity of the System of some 68,870,000 daily, Applicant will be enabled to provide service to its direct sale customers with a minimum of curtailment except during periods of extreme cold weather.

The proposed capacity increment of 100,000,000 cubic feet daily is required to replace the Canadian-Sumas increment of 100,000,000 cubic

feet daily which, as a result of the judicial decree requiring divestiture of Applicant's Northwest Division System, will be terminated.^{2/} The Canadian-Sumas supply has, through displacement, been available to Applicant in the San Juan Basin in daily quantities up to 100,000,000 cubic feet since January 1, 1958. Applicant has continually relied upon this source of supply in rendering natural gas service to its Southern Division customers. The divestiture decree requires that the displacement arrangement terminate on June 30, 1969, irrespective of the precise date on which divestiture is consummated. As a consequence, Applicant must replace the Canadian-Sumas supply in order to insure continuity of service to its Southern Division customers. The facilities proposed herein which will provide the replacement capacity increment of 100,000,000 cubic feet daily are designed to make that quantity available to Applicant's Southern Division customers.

The replacement quantity of 100,000,000 cubic feet daily and, as well, the quantity of 80,000,000 cubic feet daily necessitated by increased east-of-California requirements, will be obtained from Delaware Basin supply sources. The facility design necessary to accomplish this objective represents extension, through the addition of pipeline loop and compressor horsepower, of the new high-pressure, direct route

^{2/} The decree, of the United States District Court for the District of Utah, Central Division, was entered on August 29, 1968, and modified in minor respects on November 7, 1968, in United States of America v. El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation, Civil Action No. 143-57, pursuant to the mandate of the Supreme Court in United States v. El Paso Natural Gas Company, 376 U.S. 651 (1964), and Cascade Natural Gas Corporation v. El Paso Natural Gas Company, 386 U.S. 129 (1967).

36"-30" facility authorized by the order accompanying Opinion No. 549.

As such, the design incorporates, to the extent possible, compressor facilities temporarily idled by installation of the 36" O.D. and 30" O.D. direct route, hypotenuse pipelines authorized by that order.

Upon installation of the pipeline loops proposed herein, the new high-pressure, direct route facility commenced under authority of that order will be complete between the Delaware Basin area and Casa Grande Station near Phoenix, as depicted on Exhibit F hereto. This design represents the most desirable and economical means of providing the additional capacity and supply required by the market.

Moreover, in providing the replacement quantity of 100,000,000 cubic feet daily, the facility design set forth herein utilizes the capacity and flexibility to be afforded upon installation of the proposed 30" O.D. Phoenix lateral presently pending certification at Docket No. CP69-150. This feature of the proposed design will enable the transportation of the entire replacement quantity of 100,000,000 cubic feet daily from the Delaware Basin to the Phoenix area. This will permit a comparable reduction in the transportation of quantities from the San Juan area, via the San Juan mainline and the 20" O.D. San Juan-Maricopa crossover line, to the Phoenix area as necessitated by termination of the Canadian-Sumas arrangement. Further, through this design feature, an additional 100,000,000 cubic feet of Delaware Basin gas daily will be made available to the San Juan mainline at the point of takeoff of the San Juan-Maricopa crossover line. In this manner, the replacement

of Canadian-Sumas supply with Delaware Basin gas can be accomplished while continuing design operation of the San Juan mainline from that point to the Topock delivery point.

Construction and operation of the facilities and the transportation, sale and delivery of additional quantities of natural gas, as proposed herein, will provide Applicant's east-of-California customers with gas supplies necessary to meet increased requirements. Construction and operation of the proposed facilities necessary to provide replacement of the Canadian-Sumas supply will insure continuity of service to existing Southern Division customers. Applicant therefore represents that grant of the requested authorization is required by and will serve the present and future public convenience and necessity.

IV.

The facilities for which Applicant hereby seeks authorization to construct and operate are specifically described as follows:

A. COMPRESSOR STATIONS

1. El Paso Compressor Station

One (1) 8,500 horsepower gas turbine-driven centrifugal compressor unit, and necessary appurtenances, at El Paso Compressor Station located in Survey 18, Block 80, T&PRR Co. Survey, El Paso County, Texas. This horsepower addition, together with presently installed horsepower, will make a total of 36,500 horsepower at this location.

2. Pecos River Compressor Station

Uprate by 500 horsepower each through increased firing temperature, the three (3) existing 5,700 horsepower gas turbine driven centrifugal compressor units at Pecos River Compressor Station located in Section 7, T-26-S, R-29-E, Eddy County, New Mexico. The uprating of the existing units will make a total of 18,600 horsepower at this station. The uprating of the existing units through increased firing temperature will be made possible as a result of the installation of uprating kits authorized at Docket No. CP62-294.

B. PIPELINES

1. Approximately 20.9 miles of 30" O.D., 0.375" and 0.450" w.t. pipeline, with necessary appurtenances, commencing at a point in the SE/4 of Section 27, Township 26 South, Range 4 East, Dona Ana County, New Mexico, and terminating at a point in the SW/4 of Section 21, Township 25 South, Range 1 East, Dona Ana County, New Mexico, such pipeline looping a segment of the Southern Mainline from Milepost 215.9 to Afton Compressor Station.
2. Approximately 6.6 miles of 30" O.D., 0.450" w.t. pipeline, with necessary appurtenances, commencing at a point in the SW/4 of Section 24, Township 24 South, Range 5 West, Luna County, New Mexico, and terminating at a point in the SE/4 of Section 14, Township 24 South, Range 6 West, Luna County, New Mexico, such pipeline looping a segment of the Southern Mainline from Milepost 264.4 to Florida Compressor Station.
3. Approximately 8.0 miles of 30" O.D., 0.375" and 0.450" w.t. pipeline, with necessary appurtenances, commencing at a point in the SE/4 of Section 3, Township 24 South, Range 10 West, Luna County, New Mexico, and terminating at a point in the SE/4 of Section 32, Township 23 South, Range 11 West, Luna County, New Mexico, looping a segment of the Southern Mainline from Milepost 297.1 to Deming Compressor Station.

C. METERING

Check metering facilities on the inlet side of Casa Grande Compressor Station in Section 5, Township 6 South, Range 3 East, Pinal County, Arizona.

In addition to those facilities specifically described in paragraphs A, B and C above, Applicant proposes as a part of the instant project to construct and operate, under authority of § 2.55(a) of the Commission's General Policy and Interpretations, those facilities specifically described as follows:

D. AUXILIARY INSTALLATIONS

1. El Paso Compressor Station

An additional gas scrubber and additional gas cooling facilities at El Paso Compressor Station located in Survey 18, Block 80, T&PRR Co. Survey, El Paso County, Texas.

2. Keystone Mainline Compressor Station

Piping modifications, an additional gas scrubber and additional gas cooling facilities at Keystone Mainline Compressor Station located in Section 15, P.S.L. Block 77, Winkler County, Texas.

3. Guadalupe Compressor Station

An additional gas scrubber and additional gas cooling facilities at Guadalupe Compressor Station located in Section 25, P.S.L. Block 119, Culberson County, Texas.

4. Cornudas Compressor Station

A compressor impeller on one (1) 9,300 horsepower gas turbine-driven centrifugal compressor unit and additional gas cooling facilities at Cornudas Compressor Station located in Section 17, University Lands, Block J, Hudspeth County, Texas. This proposed impeller change-out will not increase the horsepower rating of the unit in which it is proposed to be installed.

5. Hueco Compressor Station

Compressor impellers on three (3) 6,200 horsepower gas turbine-driven centrifugal compressor units and additional gas cooling facilities at Hueco Compressor Station located in Section 10, P.S.L. Block 10, Hudspeth County, Texas. These proposed impellers change-out will not increase the horsepower rating of the units in which they are proposed to be installed.

6. Afton Compressor Station

Compressor impellers on three (3) 5,700 horsepower gas turbine-driven centrifugal compressor units and piping modifications at Afton Compressor Station located in Sections 20 and 21, Township 25 South, Range 1 East, Dona Ana County, New Mexico. These proposed impellers change-out will not increase the horsepower rating of the units in which they are proposed to be installed.

7. Florida Compressor Station

Piping modifications and additional gas cooling facilities at Florida Compressor Station located in Section 14, Township 24 South, Range 6 West, Luna County, New Mexico.

8. Deming Compressor Station

Piping modifications at Deming Compressor Station located in Section 32, Township 23 South, Range 11 West, Luna County, New Mexico.

9. San Simon Compressor Station

Additional gas cooling facilities at San Simon Compressor Station located in Section 16, Township 14 South, Range 32 East, Cochise County, Arizona.

10. Vail Compressor Station

Additional gas cooling facilities at Vail Compressor Station located in Section 4, Township 16 South, Range 15 East, Pima County, Arizona.

11. Casa Grande Compressor Station

Piping Modifications and additional gas cooling facilities at Casa Grande Compressor Station located in Section 5, Township 6 South, Range 3 East, Pinal County, Arizona.

12. Gila Compressor Station

Additional gas cooling facilities at Gila Compressor Station located in Section 18, Township 2 South, Range 5 West, Maricopa County, Arizona.

The total estimated cost of the facilities described in paragraphs A, B, C and D above, including overhead, contingency and required filing fees, is \$13,751,647. Details of such cost are set forth in Exhibit K hereto.

Applicant proposes to commence construction of the above described facilities immediately upon receipt of requisite Commission authorization therefor and to complete the construction of such facilities and place same in operation as soon thereafter as practicable.

V.

No application, to supplement or effectuate the instant application, must be or is to be filed by Applicant, or by any other person, with any Federal, state or local regulatory body.

VI.

This application is being filed in abbreviated form in accordance with § 157.7(a) of the Commission's Regulations. Reference is made below to all exhibits required under § 157.14 of said Regulations which are attached, incorporated by reference or omitted for the reasons indicated.

EXHIBIT A - ARTICLES OF INCORPORATION AND BYLAWS

Applicant requests the incorporation by reference of Exhibit A to its application at Docket No. CP68-261.

EXHIBIT B - STATE AUTHORIZATION

Applicant requests the incorporation by reference of Exhibit B to its application at Docket No. CP67-45.

EXHIBIT C - COMPANY OFFICIALS

Applicant requests the incorporation by reference of Exhibit C to its application at Docket No. CP69-43.

EXHIBIT D - SUBSIDIARIES AND AFFILIATIONS

Applicant requests the incorporation by reference of Exhibit D to its application at Docket No. CP69-161.

EXHIBIT E - OTHER PENDING APPLICATIONS AND FILINGS

Attached as Exhibit E is a statement respecting the applications or filings made by Applicant with and now pending before the Commission which directly and significantly affect the instant application.

EXHIBIT F - LOCATION OF FACILITIES

Attached as Exhibit F are geographical maps reflecting the location of Applicant's proposed facilities and their relationship to Applicant's overall system.

EXHIBIT G - FLOW DIAGRAMS SHOWING DAILY DESIGN CAPACITY AND REFLECTING OPERATION WITH AND WITHOUT PROPOSED FACILITIES ADDED

Attached as Exhibit G are flow diagrams reflecting the maximum capacity of Applicant's Southern Division System and reflecting operating conditions with and without Applicant's proposed facilities.

EXHIBIT G-I - FLOW DIAGRAMS REFLECTING MAXIMUM CAPABILITIES

This exhibit is omitted since Exhibit G reflects the maximum capacity of Applicant's Southern Division System.

EXHIBIT G-II - FLOW DIAGRAM DATA

Attached as Exhibit G-II is a statement of engineering design data in explanation and support of the flow diagrams submitted herewith as Exhibit G.

EXHIBIT H - TOTAL GAS SUPPLY DATA

Inasmuch as the instant application does not involve service to major new markets or major existing markets from new sources of gas supply over new routes, the information and data required by this exhibit are omitted. Should information respecting Applicant's total system gas supply be deemed applicable herein, Applicant requests the incorporation by reference of its 1967 FPC Form No. 15.

EXHIBIT I - MARKET DATA

Attached as Exhibit I are market data respecting Applicant's east-of-California mainline customers served by the Southern Division System.

EXHIBIT J - CONVERSION TO NATURAL GAS

This exhibit is inapplicable and is omitted.

EXHIBIT K - COST OF FACILITIES

Attached as Exhibit K is an estimate of the cost of constructing the proposed facilities.

EXHIBIT L - FINANCING

Applicant proposes to initially finance the cost of the proposed facilities from working funds, supplemented, as necessary, by short-term loans.

Applicant requests the incorporation by reference of the income statement and balance sheet and to the statement relating to financing submitted as Exhibit L to its application at Docket No. CP69-161.

EXHIBIT M - CONSTRUCTION, OPERATION AND MANAGEMENT

Applicant expects to have its proposed pipeline facilities constructed by independent contractors under contracts awarded on the basis of competitive bidding if sufficient contractors are available; otherwise, such facilities will be constructed under negotiated contracts. The proposed metering and regulating facilities will be constructed by Applicant's personnel. Other than construction contracts, there are no service, management or other contracts existing or contemplated in connection with the construction or operation of the proposed facilities.

EXHIBIT N - REVENUES-EXPENSES-INCOME

The estimated revenues and expenses related to the proposed facilities will not significantly affect the Southern Division System

operating revenues or operating expenses of Applicant. Submitted herewith as a part of Exhibit N is an estimate of the incremental revenues to be derived by Applicant from the sale and delivery of additional gas by means of the proposed facilities. Also submitted herewith as a part of Exhibit N is the estimated incremental cost of service and rate base attributable to the proposed facilities.

EXHIBIT O - DEPRECIATION AND DEPLETION

The proposed facilities will be depreciated at an annual rate of 3.05%, which rate is currently applied by Applicant to similar facilities.

EXHIBIT P - TARIFF

No changes will be required in Applicant's FPC Gas Tariff to implement the instant proposal and no material change in Applicant's average cost of service will result upon effectuation thereof. Accordingly, this exhibit is omitted.

VII.

Appended hereto is a statement, in conformity with § 157.6(b)(7) of the Commission's Regulations, submitted in the form contemplated by § 157.9 of said Regulations, suitable for publication in the Federal Register.

VIII.

WHEREFORE, El Paso Natural Gas Company, the Applicant herein, respectfully prays that the Commission issue to it a certificate of public convenience and necessity under § 7(c) of the Natural Gas Act, as amended, authorizing the construction and operation of facilities as proposed herein, all as hereinabove set forth. Applicant is able and willing to perform the proposal set forth in this application and, for the reasons stated, believes that issuance of the requested authorization will serve and is required by the present and future public convenience and necessity.

Applicant requests that this application be heard and disposed of under the procedure provided for by § 1.32 of the Commission's Rules of Practice and Procedure and, accordingly, requests that the intermediate decision procedure be omitted and waives oral hearing and opportunity for filing exceptions to the decision of the Commission.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By s/ Travis Petty
Travis Petty
Controller

G. Scott Cuming, General Counsel
Walter G. Henderson
Harris S. Wood
of EL PASO NATURAL GAS COMPANY

By s/ Walter G. Henderson
Walter G. Henderson

Attorneys for EL PASO NATURAL GAS COMPANY

Dated: February 13, 1967

STATE OF TEXAS)
)
COUNTY OF EL PASO)

TRAVIS PETTY, being first duly sworn, on oath, says that he is Controller of El Paso Natural Gas Company; that he has read the within and foregoing Application for a Certificate of Public Convenience and Necessity and that he is familiar with the contents thereof; that, as such officer, he has executed the same for and on behalf of said Company with full power and authority to do so; and that the matters and facts set forth therein are true to the best of his information, knowledge and belief.

s/ Travis Petty
Travis Petty

SUBSCRIBED AND SWORN TO before me, the undersigned authority,
on this 19th day of February, 1969.

s/ Norma Jean Adkins
Norma Jean Adkins
Notary Public in and for
El Paso County, Texas
My Commission Expires June 1, 1969

(SEAL)

UNITED STATES OF AMERICA

Before the

FEDERAL POWER COMMISSION

BEFORE EXAMINER NUTTER

EXHIBIT NO. 6B

Docket No. CP69-225

El Paso Natural Gas Company)

First Supplement to Application

Comes now EL PASO NATURAL GAS COMPANY, hereinafter referred to as "Applicant," pursuant to § 1.11 of the Commission's Rules of Practice and Procedure, and files this first supplement to its application pending hearing and final disposition in the above styled and docketed proceeding.

In support hereof, Applicant respectfully represents:

I.

On February 24, 1969, Applicant filed an application for a certificate of public convenience and necessity at Docket No. CP69-225, requesting authorization to construct and operate mainline facility additions to its Southern Division System. Such additions were designed to enable: (i) the transportation and sale of up to an additional 80,000,000 cubic feet of natural gas daily to Applicant's customers situated in existing market areas served by such system east-of-California in Texas, New Mexico, Arizona and southern Nevada and (ii) the transportation of an additional 100,000,000 cubic feet of natural gas daily (at 14.9 psia) from Applicant's Delaware Basin supply sources in replacement of Applicant's Canadian-Sumas supply presently available in like quantities, through displacement, in

the San Juan Basin and to be lost under arrangements prescribed by the order of the United States District Court for the District of Utah (Central Division) prescribing a plan of divestiture of Applicant's Northwest Division System.^{1/} The application was noticed March 3, 1969, and certain notices and petitions of intervention were timely filed.^{2/}

II.

On June 16, 1969, the United States Supreme Court vacated and remanded the said District Court order of August 29, 1968, to the District Court for further proceedings.^{3/} Accordingly, this first supplement is being filed to reaffirm Applicant's need for the facilities proposed at Docket No. CP69-225 and to present facts which demonstrate that the recent Supreme Court opinion does not mitigate Applicant's requirement for the additional facilities proposed. The reasons which Applicant relies upon in support of this position are set forth below:

^{1/} Such order was entered on August 29, 1968, and modified in minor respects on November 7, 1968, in United States of America v. El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation, Civil Action No. 143-57, pursuant to the mandate of the Supreme Court in United States v. El Paso Natural Gas Company, 376 U.S. 651 (1964), and Cascade Natural Gas Corporation v. El Paso Natural Gas Company, 386 U.S. 129 (1967).

^{2/} People of the State of California and the PUC of California; Independent Oil and Gas Producers of California and the California Gas Producers Association; San Diego Gas and Electric Company; Southern California Gas Company and Southern Counties Gas Company of California, jointly, and Pacific Gas and Electric Company.

^{3/} Utah Public Service Commission v. El Paso Natural Gas Company, ___ U.S. ___, No. 776, October Term 1968, issued June 16, 1969.

Item 1 - The Portion of the Total Additional Capacity Proposed for the Transportation and Sale of an Additional 80,000,000 cubic feet per day for Applicant's east-of-California Customers is not Affected by the Supreme Court Opinion.

As set forth in the application, construction and operation of facilities necessary for the sale and delivery of 80,000,000 cubic feet daily of the proposed total 180,000,000 cubic feet daily is required to serve the increasing natural gas demands of Applicant's customers served in east-of-California market areas. The projected requirements of these customers for the 1969-70 and 1970-71 heating seasons reflected in the application dictate the immediate need for this portion of the added capacity proposed. Neither the need for this additional gas by Applicant's customers nor the manner in which El Paso proposes to serve this need is affected by the said Supreme Court opinion. Therefore, the construction and operation of the facilities necessary for satisfying these increased demands must be considered immediately.

Item 2 - The Supreme Court Opinion Amplifies the Need for Applicant to Provide the Proposed 100,000,000 cubic feet per day Replacement in Supply Proposed at Docket No. CP69-225.

The Supreme Court opinion raises a question as to the possible need for an allocation of reserves in the San Juan Basin area between El Paso and its successor to the Northwest Division System properties different from that reflected in the District Court's order. The results of any such different allocation cannot be determined at this time but it seems apparent that, upon divestiture, El Paso will not retain more reserves in the San Juan Basin area than it would have retained pursuant to the District Court's order vacated by the Supreme Court. Thus, even though the District Court's order has been vacated, the need continues to exist for Applicant

to make available sufficient replacement supply in order to assure continuity of the present level of service to its Southern Division customers.

Item 3 - The Proposed Design Operation of El Paso's Southern Division System as Contemplated in Docket No. CP69-225 is Predicated Upon Replacement of San Juan Supply Heretofore Relied Upon but by Reason of Divestiture and Pressure Decline Will Not be Available.

Figure 1 under Tab 1 hereto is a schematic flow diagram which shows the daily design capacity and maximum capacity operation of Applicant's Southern Division System and a portion of the San Juan leg of the Northwest Division System, as designed under certificates issued at Docket Nos. CP67-217 and CP66-315, respectively.

Figure 1 shows that as of the time of filing of the application at Docket No. CP67-217, the design capacity for gas takes from the San Juan Basin into Applicant's Southern Division System aggregated 1,350,870,000 cubic feet daily, inclusive of 101,150,000 cubic daily from the Northwest Division under the Sumas exchange arrangement. This 1,350,870,000 cubic feet daily from San Juan together with 653,450,000 cubic feet daily design capacity from the Permian-San Juan crossover, equalled the 2,004,320,000 cubic feet daily design capacity requirement of the San Juan mainline. Figure 1 also shows that the maximum capacity for gas takes from the San Juan Basin into the Southern Division System aggregated 1,500,000,000 cubic feet daily and the maximum capacity from the Permian-San Juan crossover was 670,000,000 cubic feet daily, which combined, exceeded the San Juan mainline maximum capacity of 2,059,040,000 cubic feet daily by 110,960,000 cubic feet daily. It is this excess

availability at valve city junction that Applicant has relied upon in providing flexibility of takes from its major supply sources in the San Juan and Permian areas. Thus, at the time of filing its application at Docket No. CP67-217 Applicant had at the valve city pipeline junction of its San Juan and Permian-San Juan mainlines sufficient supply to provide a high degree of flexibility and reliability in meeting the pipeline requirements downstream of that point. Such supply flexibility has been found to be in the public interest^{4/} and has historically been essentially maintained for that purpose.

Figure 2 under Tab 1 hereto is a schematic flow diagram which shows the daily design capacity and maximum capacity operation of the systems under the designs reflected in the applications at Docket Nos. CP69-203 (San Juan pressure decline compression project) and CP69-140 (50,000,000 cubic feet daily increase to Northwest Division from San Juan). The maximum daily volume available to the Southern Division System from the San Juan Basin under these conditions is 1,355,430,000 cubic feet daily. This availability from San Juan when combined with the maximum capacity of the Permian-San Juan crossover exceeds the design capacity of the San Juan mainline by 21,100,000 cubic feet daily; however, such maximum availability results in a deficiency of 33,610,000 cubic feet daily in meeting the maximum capacity of the San Juan Mainline downstream of the valve city junction. Therefore, irrespective of the final outcome of the divestiture proceeding and the associated disposition of the Sumas exchange supply, the available supply at valve city has been

^{4/} Docket No. CP61-296, 27 FPC 85 (1962).

reduced from the 110,960,000 cubic feet daily excess referred to above to a deficiency of 33,610,000 cubic feet daily, or a net loss of 144,570,000 cubic feet daily in supply to the mainline deliverable from the San Juan Basin. This results primarily from the reduced availability of the Sumas supply from the Ignacio Plant and from the reduced deliverability of the San Juan Basin wells due to pressure decline. Thus, absent the facilities and operations proposed at Docket No. CP69-225 Applicant will have lost 144,570,000 cubic feet daily of its maximum capacity utilized in rendering service to its Southern Division customers. Moreover, with regard to the 1,355,430,000 cubic feet daily maximum availability from the San Juan Basin shown on Figure 2, 38,730,000 cubic feet daily is shown as being delivered at the outlet of Ignacio under the Sumas exchange transaction. This is the remaining volume available after the Northwest Division System mainline design requirements as certificated at Docket No. CP69-140 are satisfied.

Figure 3 under Tab 1 hereto is a schematic flow diagram which shows the daily design capacity and maximum capacity operation of the systems after installation of those facilities reflected in Docket Nos. CP69-203, CP69-225 and CP69-140. With the 100,000,000 cubic feet daily additional delivery from Applicant's Delaware Basin sources of supply proposed at Docket No. CP69-225, Applicant will have an excess of 65,420,000 daily in supply availability at the valve city junction for design capacity operations, and will have an excess of 27,320,000 daily in supply availability for maximum capacity operation. Thus, through installation and operation of the facilities proposed at Docket No. CP69-225, Applicant will have restored some degree of flexibility and

reliability of supply required for prudent operation in meeting its pipeline requirements downstream of the valve city junction. Such supply flexibility can only be considered as minimal. Further, regardless of the ultimate outcome of the Supreme Court's action, it is clear that Applicant cannot look forward to retaining a greater quantity of San Juan reserves than were to be retained under the District Court's order which has been overturned. And the possibility exists that Applicant will sustain loss of even greater reserves and deliverability when divestiture occurs.

For all of the foregoing reasons, Applicant respectfully represents that the public convenience and necessity requires prompt construction and operation of all of the facilities proposed herein.

III.

WHEREFORE, El Paso Natural Gas Company, the Applicant herein, respectfully requests that its application at Docket No. CP69-225 be supplemented to the extent of including as a part thereof the information submitted herewith and that the requested authorization issue at the earliest practicable date.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By s/ Travis Petty
Travis Petty
Vice President

G. Scott Cuming, Esquire, Vice President
and General Counsel
Walter G. Henderson, Esquire
Harris S. Wood, Esquire
of EL PASO NATURAL GAS COMPANY

By s/ Walter G. Henderson
Walter G. Henderson

Attorneys for EL PASO NATURAL GAS COMPANY

Dated: June 22, 1969

STATE OF TEXAS)
)
COUNTY OF EL PASO)

TRAVIS PETTY, being first duly sworn, on oath, says that he is a Vice President of El Paso Natural Gas Company; that he has read the within and foregoing First Supplement to Application and that he is familiar with the contents thereof; that, as such officer, he has executed the same for and on behalf of said Company with full power and authority to do so; and that the matters and facts set forth therein are true to the best of his information, knowledge and belief.

s/ Travis Petty
Travis Petty

SUBSCRIBED AND SWORN TO before me, the undersigned authority,
on this 22nd day of June, 1969.

s/ Sharon L. Rogers
Sharon L. Rogers
Notary Public in and for
El Paso County, Texas
My Commission Expires June 1, 1971

(SEAL)

Certificate of Service

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding in accordance with the requirements of § 1.17 of the Rules of Practice and Procedure.

Dated at Washington, D. C. this day of June, 1969.

s/ Walter G. Henderson
Walter G. Henderson

Of Counsel for
EL PASO NATURAL GAS COMPANY

EL PASO NATURAL GAS COMPANY

Memorandum

Interested Parties

From: C. H. Browne

Date: August 11, 1969

Place: Regulatory Affairs

Attached for your information is a copy of Order Issuing Certificate of Public Convenience and Necessity issued August 7, 1969, at Docket No. CP69-225 (180 M² of Project), which authorizes the construction and operation of certain facilities on the California mainline.

CHB:sr

Attachment

BEFORE EXAMINER MUTTER

RESERVATION CO.

EXHIBIT NO. 6C
CASE NO. 4302

Call no. 4302

UNITED STATES OF AMERICA
FEDERAL POWER COMMISSION

Before Commissioners: Lee C. White, Chairman; L. J. O'Connor, Jr.,
Carl E. Bagge, John A. Cerver, Jr., and
Albert B. Brooke, Jr.

El Paso Natural Gas
Company

} Docket No. CP69-225

FINDINGS AND ORDER AFTER STATUTORY HEARING
ISSUING CERTIFICATE OF PUBLIC CONVENIENCE
AND NECESSITY

(Issued August 7, 1969)

On February 24, 1969, El Paso Natural Gas Company (Applicant) filed in Docket No. CP69-225 an application pursuant to Section 7(c) of the Natural Gas Act for a certificate of public convenience and necessity authorizing the construction and operation of facilities on the California Mainline of its Southern Division System, all as more fully set forth in the application in this proceeding.

Applicant proposes to add 8,500 horsepower to its El Paso Compressor Station, and 1,500 horsepower at its Pecos River Station; a loop of approximately 20.9 miles of 30-inch O.D. pipeline before its Afton Compressor Station; a loop of approximately 6.6 miles of 30-inch O.D. pipeline before its Florida Compressor Station; a loop of approximately 8.0 miles of 30-inch O.D. pipeline before its Deming Compressor Station; and metering facilities at the Casa Grande Compressor Station.

The total cost of the proposed facilities is estimated at \$13,751,000, which will be financed initially with current funds supplemented, as necessary by short-term loans.

Notice of the filing of this application was published in the Federal Register on March 12, 1969 (34 FR 5131). On March 24, 1969, The People of the State of California and the Public Utilities Commission of the State of California filed a notice of intervention. Petitions to intervene were filed on April 7, 1969, by the Pacific Gas and Electric Company; on April 1, 1969, by the Independent Oil and Gas Producers of

California and California Gas Producers Association; on April 1, 1969, by the San Diego Gas and Electric Company; and on April 1, 1969, by the Southern California Gas Company and Southern Counties Gas Company of California, jointly. No protests or interventions are in opposition to the granting of the application.

At a hearing held on July 31, 1969, the Commission on its own motion received and made a part of the record in the proceeding all evidence, including the application and exhibits thereto submitted in support of the authorization sought, and upon consideration of the record,

The Commission finds:

(1) Applicant, El Paso Natural Gas Company, is a "natural-gas company" within the meaning of the Natural Gas Act as heretofore found by the Commission in its order issued on October 29, 1942, in Docket Nos. G-242 and G-257 (3 FPC 851).

(2) The proposed facilities hereinbefore described, as more fully described in the application in this proceeding, will be used in the transportation of natural gas in interstate commerce subject to the jurisdiction of the Commission and the construction and operation thereof is subject to the requirements of Subsections (c) and (e) of Section 7 of the Natural Gas Act.

(3) Applicant is able and willing properly to do the acts and to perform the service proposed and to conform to the provisions of the Natural Gas Act and the requirements, rules, and regulations of the Commission thereunder.

(4) The construction and operation of the proposed facilities by Applicant are required by the public convenience and necessity and a certificate therefor should be issued as hereinafter ordered and conditioned.

(5) The public convenience and necessity require that the certificate hereinafter issued and the rights granted thereunder be conditioned upon Applicant's compliance with all applicable Commission Regulations, and particularly the general terms and conditions set forth in paragraphs (a), (c)(3), (c)(4), (e), (f) and (g) of Section 157.20 of the Regulations.

The Commission orders:

(A) Upon the terms and conditions of this order, a certificate of public convenience and necessity is issued authorizing Applicant, El Paso Natural Gas Company, to construct and operate the natural gas facilities hereinbefore described and as more fully described in the application in this proceeding.

(B) The certificate issued by paragraph (A) above and the rights granted thereunder are conditioned upon Applicant's compliance with all applicable Commission Regulations, and particularly the general terms and conditions set forth in paragraphs (a), (c)(3), (c)(4), (e), (f) and (g) of Section 157.20 of the Regulations.

(C) The facilities authorized shall be constructed and placed in operation within one year from the date of this order.

By the Commission.

(S E A L)

Kenneth F. Plumb,
Acting Secretary.

This order was adopted before Chairman White left the Commission.

*Phase II
Completion
P. 1*

BEFORE EXAMINER NUTTER

UNITED STATES OF AMERICA

RESERVATION

Before the

C.P. EXHIBIT NO. *7*

FEDERAL POWER COMMISSION

CA. NO. *4302*

El Paso Natural Gas Company)

Docket No. CP70-*147*

Application of El Paso Natural Gas Company
for a Certificate of Public Convenience and Necessity

Comes now EL PASO NATURAL GAS COMPANY, hereinafter referred to as "Applicant," pursuant to § 7(c) of the Natural Gas Act and § 157.5, et seq., of the Commission's Regulations Under the Natural Gas Act, and files this application, in abbreviated form in accordance with § 157.7(a) of said Regulations, for a certificate of public convenience and necessity, all as hereinafter more fully set forth.

In support hereof, Applicant respectfully represents:

I.

The exact legal name of Applicant is El Paso Natural Gas Company. It is a corporation duly organized and existing under the laws of the State of Delaware, having its principal place of business located in El Paso, Texas. Applicant is authorized to conduct business as a foreign corporation in the States of Alaska, Arizona, Arkansas, Colorado, Idaho, Kansas, Louisiana, Montana, Nevada, New Mexico, New York, Oklahoma, Oregon, Texas, Utah, Washington and Wyoming.

The names, titles and mailing addresses of those persons to whom correspondence and communications concerning this application are to be addressed are as follows:

*Line pressure will have
50-70 psi decrease upon completion of Phase II*

Mr. Travis Petty, Vice President
El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas 79999

G. Scott Cuming, Esquire
Vice President and General Counsel
Walter G. Henderson, Esquire
El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas 79999

Mr. Edward A. Walsh
El Paso Natural Gas Company
700 Farragut Building
900 17th Street, N. W.
Washington, D. C. 20006

II.

Applicant is a natural-gas company engaged in the business of producing, purchasing, transporting and selling natural gas to distribution companies and other pipeline companies for resale and to industries and others for direct consumption. The pipeline system of Applicant extends from the Permian Basin of west Texas and southeast New Mexico, the Texas-Oklahoma Panhandle area, the San Juan Basin of northwest New Mexico and southwest Colorado and the Four Corners area of the States of Arizona, New Mexico, Utah and Colorado, through one or more of the States of Texas, New Mexico, Colorado, Utah and Arizona, to points of termination at the boundary between the States of California and Arizona near Blythe, California, and Topock, Arizona, and to a point of termination at the boundary between the States of Arizona and Nevada near Big Bend, Arizona; the pipeline system of Applicant also extends from the San Juan Basin area, through the States of Colorado, Utah, Wyoming, Idaho, Oregon and Washington, to a point of termination at the International Boundary near Sumas, Washington.

III.

Applicant hereby seeks a certificate of public convenience and necessity under § 7(c) of the Act authorizing the construction, during the calendar year 1970, and operation of up to a maximum total of an additional 17,000 compressor brake horsepower on Applicant's San Juan Basin gathering systems. Such horsepower is to be installed and utilized for the specific purpose of offsetting declining reservoir pressures in gas producing formations of the San Juan Basin.

Applicant received authorization issued June 10, 1969, at Docket No. CP69-203 for the installation, as required, during the calendar year 1969, and operation of up to a total of 33,000 compressor brake horsepower, at a maximum aggregate cost not to exceed \$10,000,000, in its San Juan Basin gathering systems designed to provide a general reduction in the operating pressure of those systems to offset declining reservoir pressures.^{1/} This general reduction in operating pressures was necessary to enable Applicant to load its mainline systems extending from the San Juan Basin, as required, to meet anticipated requirements served by such mainline systems during the 1969-70 heating season.

Applicant has determined, through continuing engineering studies, that in order to maintain the present delivery capability out of the San Juan Basin for the 1970-71 heating season requirements, it is necessary to install an additional maximum total of 17,000 compressor brake horsepower for which authorization is sought herein. In addition, Applicant proposes to construct, install, modify and operate under authority of § 2.55(a) of

^{1/} By petition to amend order filed November 12, 1969, at Docket No. CP69-203, Applicant seeks authorization to extend the construction period of such facilities through March 31, 1970, and to increase the maximum authorized expenditure to \$12,000,000.

the Commission's General Policy and Interpretations, certain other facilities as more fully described in Article IV hereof. The total estimated project cost for all facilities will not exceed \$10,500,000. The installation of facilities proposed herein is to be made at existing and new stations as required in the San Juan Basin and will permit a further general reduction in operating pressures of some 60 to 70 psi throughout the gathering systems for purposes of offsetting anticipated further decline in reservoir pressures. The exact unit sizes and types, as well as the location of such additional compression facilities, cannot be finalized until well performance and gathering system operating data, resulting from additional production of the 1969-70 heating season and the general pressure reduction permitted by the facilities authorized at Docket No. CP69-203, are available and have been analyzed. However, the instant application is being filed at this time in order to provide the necessary lead time to obtain requisite authorization and procurement of materials so that Applicant can install additional compressor brake horsepower immediately upon requirement therefor as dictated by such actual well performance and gathering system operating data, and to assure availability for the forthcoming 1970-71 heating season.

Applicant is agreeable to reporting to the Commission data similar to that required by § 157.7(b)(3) of the Commission's Regulations, respecting the exact amount, size, type, location and cost of all facilities installed during 1970 under the authorization requested herein.^{2/}

The installation of the additional compressor horsepower proposed herein, together with those facilities authorized at Docket No. CP69-203, will enable Applicant to maintain its present daily design delivery capability from the San Juan Basin, thus permitting the loading of its mainline

^{2/} A similar condition was imposed in the Commission's order authorizing construction of the 1969-70 facilities at Docket No. CP69-203.

systems extending therefrom as required to meet anticipated requirements during the 1970-71 heating season. Consistent with Applicant's responsibility of prudent operation and management of its Northwest Division System pending divestiture thereof, the proposed facilities will provide the compression requirements contemplated for the overall operations of the San Juan Basin gathering systems for Applicant's Southern and Northwest Division Systems.

Grant of the authorizations requested herein will enable Applicant to install facilities in the San Juan Basin area during 1970 to permit the necessary reduction in the gathering system pressures as required to offset the declining reservoir pressures of the gas producing formations in that area. Applicant therefore believes that issuance of the authorization requested herein will serve and is required by the present and future public convenience and necessity.

IV.

As stated, the facilities for which Applicant hereby seeks authorization to construct, as required during 1970, and operate will consist of up to a total addition of 17,000 compressor brake horsepower and appurtenances. The compressor units will be of varying unit sizes and types and installed at various existing and new locations in Applicant's San Juan Basin gathering systems. In addition to the proposed 17,000 compressor brake horsepower to be installed, Applicant intends to construct, install, modify and operate in conjunction with such facilities under authority of § 2.55(a) of the Commission's General Policy and Interpretations other related facilities providing dehydration, two-staging

and cylinder modification of existing compressor units and station piping modifications as may be determined necessary for the overall gathering system operations; the total cost of such facilities is estimated not to exceed \$1,400,000 of the total project estimated cost of \$10,500,000.

Applicant intends to construct the proposed horsepower during the calendar year 1970 as required, after receipt of requisite Commission authorization therefor and to complete such construction and place the facilities in operation as soon thereafter as practicable.

V.

No application to supplement or effectuate the instant application must be or is to be filed by Applicant, or by any other persons, with any Federal, state or other regulatory body.

VI.

This application is being filed in abbreviated form in accordance with § 157.7(a) of the Commission's Regulations. Reference is made below to all exhibits required under § 157.14 of said Regulations which are attached, incorporated by reference or omitted for the reasons indicated.

EXHIBIT A - ARTICLES OF INCORPORATION AND BYLAWS

Applicant requests the incorporation by reference of Exhibit A to its application at Docket No. CP69-348.

EXHIBIT B - STATE AUTHORIZATION

Applicant requests the incorporation by reference of Exhibit B to its application at Docket No. CP69-348.

EXHIBIT C - COMPANY OFFICIALS

Applicant requests the incorporation by reference of Exhibit C to its application at Docket No. CP70-112.

EXHIBIT D - SUBSIDIARIES AND AFFILIATIONS

Applicant requests the incorporation by reference of Exhibit D to its application at Docket No. CP69-161.

EXHIBIT E - OTHER PENDING APPLICATIONS AND FILINGS

If the instant application is approved prior to divestiture of Applicant's Northwest Division System, the proposed facilities which are installed in that portion of the San Juan gathering system to be divested will be divested by Applicant as a part of its Northwest Division System properties; Otherwise, the successor company to the Northwest Division System properties will be substituted as a party applicant under the instant application.

EXHIBIT F - LOCATION OF FACILITIES

Attached as Exhibit F are maps reflecting the location of Applicant's present San Juan Basin gathering systems facilities, including the facilities installed or being installed under Docket No. CP69-203 and their relationship to Applicant's overall system. The proposed facilities will be installed on Applicant's existing gathering system shown on Exhibit F.

EXHIBIT G - FLOW DIAGRAMS SHOWING DAILY DESIGN CAPACITY AND REFLECTING OPERATION WITH AND WITHOUT PROPOSED FACILITIES ADDED

Inasmuch as the precise location, amount and type and operation of the facilities proposed herein and their respective capacities are not now known, this exhibit is omitted.

EXHIBIT G-I - FLOW DIAGRAMS REFLECTING MAXIMUM CAPABILITIES

This exhibit is omitted for the reasons stated in support of the omission of Exhibit G.

EXHIBIT G-II - FLOW DIAGRAM DATA

This exhibit is omitted for the reasons stated in support of the omission of Exhibit G.

EXHIBIT H - TOTAL GAS SUPPLY DATA

Inasmuch as the instant application does not involve service to major new markets or major existing markets from new sources of gas supply over new routes, the information and data required by this exhibit are omitted. Should information respecting Applicant's total system gas supply be deemed applicable herein, Applicant requests the incorporation by reference of its 1968 FPC Form No. 15.

EXHIBIT I - MARKET DATA

Since no new or additional sales are involved with the project for which authorization is requested herein, this exhibit is inapplicable and is omitted.

EXHIBIT J - CONVERSION TO NATURAL GAS

This exhibit is inapplicable and is omitted.

EXHIBIT K - COST OF FACILITIES

Since the amount, size and type of compressor horsepower and appurtenances to be constructed hereunder are not known at this time, cost data related thereto cannot be submitted; however, as stated above, such costs are estimated not to exceed \$10,500,000. Applicant, if required,

will report, among other things, actual construction costs of all facilities installed under the authorization requested herein.

EXHIBIT L - FINANCING

Applicant proposes to initially finance the cost of the proposed facilities through use of working funds, supplemented, as necessary, by short-term borrowings.

Applicant requests the incorporation by reference of the income statement and balance sheet filed by Applicant on October 13, 1969, as Statements M and L, respectively, in Volume II of Applicant's notice of change in Docket No. RP70-11, and of the statement relating to financing submitted as Exhibit L to its application at Docket No. CP70-112.

EXHIBIT M - CONSTRUCTION, OPERATION AND MANAGEMENT

Applicant expects to have its proposed facilities constructed by independent contractors under contracts awarded on the basis of competitive bidding if sufficient contractors are available; otherwise, such facilities will be constructed under negotiated contracts. Other than construction contracts, there are no service, management or other contracts existing or contemplated in connection with the construction or operation of the proposed facilities.

EXHIBIT N - REVENUES-EXPENSES-INCOME

The expenses related to the proposed additional facilities which are the subject hereof will not significantly affect the operating expenses of Applicant, therefore, this exhibit is omitted.

EXHIBIT O - DEPRECIATION AND DEPLETION

The proposed facilities will be depreciated at an annual rate of 3.92%, the rate which is currently applied to similar facilities of Applicant.

EXHIBIT P - TARIFF

No changes will be required in Applicant's FPC Gas Tariff to implement the instant proposal and no material change in Applicant's average cost of service will result upon effectuation thereof; accordingly, this exhibit is omitted.

VII.

Appended hereto is a statement, in conformity with § 157.6(b)(7) of the Commission's Regulations, submitted in the form contemplated by § 157.9 of said Regulations, suitable for publication in the Federal Register.

VIII.

WHEREFORE, El Paso Natural Gas Company, the Applicant herein, respectfully prays that the Commission issue to it a certificate of public convenience and necessity under § 7(c) of the Natural Gas Act authorizing the construction and operation of facilities, all as hereinabove set forth. Applicant is able and willing to perform the proposal set forth in this application and, for the reasons stated, believes that issuance of the requested authorization will serve and is required by the present and future public convenience and necessity.

Applicant requests that this application be heard and disposed of under the procedure provided for by § 1.32 of the Commission's Rules of Practice and Procedure and, accordingly, requests that the intermediate decision procedure be omitted and waives oral hearing and opportunity for filing exceptions to the decision of the Commission.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY

By s/ Travis Petty
Travis Petty
Vice President

G. Scott Cuming, Esquire
Vice President and General Counsel
Walter G. Henderson, Esquire
Harris S. Wood, Esquire
of EL PASO NATURAL GAS COMPANY

By s/ Walter G. Henderson
Walter G. Henderson

Attorneys for EL PASO NATURAL GAS COMPANY

Dated: December 1, 1969

STATE OF TEXAS)
)
COUNTY OF EL PASO)

TRAVIS PETTY, being first duly sworn, on oath, says that he is a Vice President of El Paso Natural Gas Company; that he has read the within and foregoing Application for a Certificate of Public Convenience and Necessity and that he is familiar with the contents thereof; that, as such officer, he has executed the same for and on behalf of said Company with full power and authority to do so; and that the matters and facts set forth therein are true to the best of his information, knowledge and belief.

s/ Travis Petty
Travis Petty

SUBSCRIBED AND SWORN TO before me, the undersigned authority,
on this 1st day of December, 1969

s/ Norma Jean Adkins
Norma Jean Adkins
Notary Public in and for
El Paso County, Texas
My Commission Expires June 1, 1971

(SEAL)

El Paso Natural Gas Company

El Paso, Texas 79999

January 13, 1970

JAN 14 1970

Mr. A. L. Porter, Jr.,
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Porter:

El Paso has requested by separate letter that a hearing be held to consider suspension of Rules 14 (A), 15 (A) and 15 (B) of Order R-1670.

We have also requested an amendment of Rule 9 (B) and the addition of Rule 9 (C) 3 to the General Rules and Regulations for Northwest New Mexico. Attached hereto is a draft of a memorandum explaining how the intent of our recommended Rules 9 (B) and 9 (C) 3 would be carried out. We propose that the Commission furnish such a memorandum to San Juan Basin Operators if our application is granted. We believe that it would be best to set this out in a memorandum rather than in the rules so that adjustments found to be necessary could be made administratively by you.

We are sending copies of our application and this memorandum to all operators in the San Juan Basin Area asking for their suggestions. Should any be forthcoming which we believe merit the revision of this memorandum, we will make you aware to this and offer any changes at the time of the hearing.

We appreciate your making your Conference Room available for the prehearing meeting beginning at 1:00 P.M. on February 3, 1970. Should you or your staff desire to be present at this meeting, we will be happy to have you.

If you desire a meeting with us at any other time prior to the hearing, please let us know.

Yours very truly,


F. Norman Woodruff, Manager
Gas Proration Operations

FNW:mgs
attch.

El Paso Natural Gas Company

JAN 14 1970

El Paso, Texas 79999

January 13, 1970

New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

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

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

Gentlemen:

El Paso Natural Gas Company hereby requests a hearing to consider suspension for a period of one year from February 1, 1970 of the balancing provisions of Rule 14 (A) - (Underproduction), Rule 15 (A) - (Overproduction), and Rule 15 (B) - (Overproduced Six Times Current Month's Allowable) of Order No. R-1670, as amended. Because of the past high market demand from this area and the assignment of the allowables in some months to wells that were incapable of producing it, El Paso has had to overproduce capable wells to the extent that a number of wells representing substantial deliverability may be shut-in for unbalanced overproduction effective February 1, 1970. It appears that sufficient deliverability will be shut-in to create a hardship on El Paso in meeting its market demand for gas from the San Juan Basin area during certain periods of the year 1970.

El Paso further requests that ^{producing ability} Rule 9 (B) of the General Rules and Regulations for Northwestern New Mexico be amended to provide: "The allowable to be assigned to each marginal well shall be equal to the number of days in the month times the average daily production of the preceding three months as determined in Rule 9 (C) 3 below, except as provided in the Special Pool Rules." (The Tapacito Special Pool Rules should be amended to comply with this change.)

El Paso further requests that an additional paragraph numbered Rule 9 (C) 3 be added to the General Rules and Regulations of Northwestern New Mexico as follows: "No well shall be assigned an allowable in excess of its actual producing ability as determined from its average daily producing ability for the latest preceding three months available to the Commission.

Such information concerning the average daily producing ability for the preceding

New Mexico Oil Conservation Commission
Attention: Mr. A. L. Porter, Jr.
January 13, 1970
Page Two

three months shall be furnished to the Commission monthly by pipeline gatherer or first taker of gas for each individual well. In case of a new or reworked well not having the three months production history, state deliverability tests will be used until the three months production is available."

As these rules and this order pertain to wells in the prorated gas pools of Northwest New Mexico in San Juan, Rio Arriba and Sandoval Counties, we, therefore, request a February, 1970 hearing date so that this matter can be heard prior to the time normal cancellation and redistribution of prorated pools in the San Juan Basin takes place in order to avoid the burden of reinstating underages and releasing for production wells that have been ordered shut-in for overproduction.

Very truly yours,

Robert A. Meyer

Robert A. Meyer
Office of General Counsel

RAM:rps

MEMORANDUM PERTAINING TO CALCULATIONS OF ALLOWABLES
SAN JUAN BASIN
SAN JUAN, RIO ARriba & SANDOVAL COUNTIES, NEW MEXICO
(Subject to Administrative change by Secretary-Director)

1. A non-marginal well is a well which is capable of producing its calculated allowable as determined by the field allocation formula.
2. A marginal well is a well which is incapable of producing its calculated allowable as determined by the field allocation formula.

Evidence of capability in 1 and 2 above is to be determined in accordance with Rule 9 (C) 3 of Order R-1670, as amended.

- a. A well incapable of producing its calculated allowable shall be assigned allowable at the rate the well is capable of producing as determined from its average daily producing ability for the latest preceding three months available to the Commission as determined by Rule 9 (C) 3.
- b. A marginal well shall not be allowed to accumulate underproduction and shall be charged with overproduction only if it produces in excess of its non-marginal calculated allowable.
- c. If a marginal well's current monthly production plus its latest cumulative overproduction is less than its calculated formula allowable, it will be assigned its production plus its latest cumulative overproduction. A well will never receive an allowable greater than the formula allowable. Therefore; if a marginal well's current monthly production plus its latest cumulative overproduction is more than its calculated formula allowable, it will be assigned its calculated formula allowable.
- d. If any underage is accrued prior to its marginal classification, such underage will be carried forward during the balancing period and is subject to the balancing provisions of underproduction, provided, however, this underage will not be included when determining pool status for allowable calculations. If any overage that was accrued while the well was classified non-marginal still remains after adjustments are made under Provision C above, it will be carried forward during the balancing period and is subject to the balancing rules for overproduction.

DRAFT

GMH/esr

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

RECORDS CENTER

CASE No. 4302

Order No. R-3923

APPLICATION OF EL PASO NATURAL GAS COMPANY
FOR SUSPENSION AND AMENDMENT OF CERTAIN
PROVISIONS OF RULES 14(A), 15(A), AND 15(B)
OF THE GENERAL RULES AND REGULATIONS FOR
THE PRORATED GAS POOLS OF NORTHWESTERN
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 4, 19670,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of February, 19670, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, El Paso Natural Gas Company, seeks
suspension for a period of one year from February 1, 1970, of
those provisions of Rules 14(A), 15(A), and 15(B) of the General
Rules and Regulations for the prorated gas pools of Northwestern
New Mexico promulgated by Order No. R-1670, as amended, that
provide for the cancellation of unproduced allowable and the
shutting-in of overproduced wells.

(3) That El Paso Natural Gas Company is the owner and opera-
tor of ^{one of the} ~~a~~ pipelines connected to ~~many~~ gas wells in the aforesaid
prorated gas pools.

(4) That ^{there are} ~~the aforesaid company is connected to many~~ ^{numerous} non-marginal wells in said prorated gas pools that have accumulated underproduction which is subject to cancellation as of February 1, 1970.

(5) That ^{there are} ~~the aforesaid company is connected to many~~ ^{numerous non-marginal} wells in said prorated gas pools which are currently overproduced and were not brought in balance during the proration period beginning August 1, 1969, and that such wells are subject to being shut in ~~February 1, 1970~~, and their current monthly allowable credited against said overproduction until they are in balance.

(6) That ^{there are} ~~the aforesaid company is connected to many~~ ^{numerous non-marginal} wells in said prorated gas pools which are overproduced an amount equalling six times their current monthly allowable and that such wells are subject to being shut in until the wells are overproduced less than six times their current monthly allowable.

(7) That there has been and will continue to be, for a period of time, an extremely heavy demand for gas from said prorated gas pools.

(8) That ^{there is} ~~the applicant has~~ a present and continued need for gas which cannot be satisfactorily met if the aforesaid overproduced wells referred to in Findings 5 and 6 are not allowed to continue producing.

(9) That ^{there is such} ~~the applicant has~~ a present and continued need for ^{that the wells that have received the aforesaid underproduction} gas, ~~which should enable the applicant to produce the aforesaid~~ underproduction in addition to the normal allowables by February 1, 1971.

(10) That completed and planned installation of compression facilities should lessen the heavy demand on the overproduced wells referred to in Findings 5 and 6 and enable ~~the applicant~~ ^{to be brought} ~~to bring~~ said wells into balance by February 1, 1971.

(11) That in order to protect correlative rights, prevent waste, promote conservation, and allow each producer in the prorate gas pools of Northwest New Mexico the opportunity to produce his just and equitable share of the reserves underlying said gas pools, Rules 14(A), 15(A), and 15(B) should be suspended for a period of one year from February 1, 1970.

IT IS THEREFORE ORDERED:

(1) That Rules 14(A), 15(A), and 15(B) of the General Rules and Regulations for the Prorate Gas Pools of Northwest New Mexico, promulgated by Order No. R-1670, as amended, are hereby suspended for a period of one year beginning February 1, 1970.

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

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

CASE 4303: Application of EL PASO
FOR A WATERFLOOD PROJECT, LEA
COUNTY, NEW MEXICO.