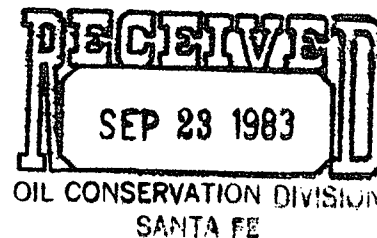


Gulf Oil Exploration and Production Company

L. A. Turner
GENERAL MANAGER — WESTERN DIVISION
U. S. PRODUCTION OPERATIONS

September 20, 1983

P. O. Drawer 1150
Midland, TX 79702



Mr. Joe D. Ramey, Director
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Re: Proposed Ratable Take
Rule Change

In reply to your letter dated August 24, 1983, attached is Gulf Oil Corporation's suggested addition to the proposed rule, which had been submitted to the Industry for comment.

Our suggested addition has been underlined. Otherwise the rule is unchanged.

Yours very truly,

A handwritten signature in cursive script, appearing to read "L. A. Turner".

L. A. TURNER

JRF:csO

Attachment



A DIVISION OF GULF OIL CORPORATION

902. RATABLE TAKE

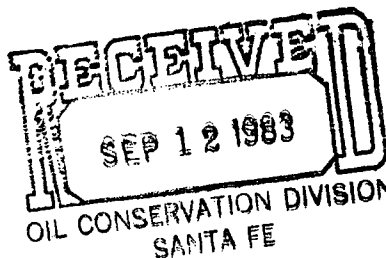
(a) Any person now or hereafter engaged in purchasing from one or more producers, gas produced from gas wells or casinghead gas produced from oil wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells or casinghead gas produced from oil wells with which its gas transportation facilities are connected in the pool and other gas with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells or casinghead gas produced from oil wells in which he has an interest, direct or indirect, as against other production from gas wells or casinghead gas produced from oil wells in the same pool. For the purposes of this rule, reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply (1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of the rules, regulations or orders of the Division; or (2) to persons purchasing gas principally for use in the recovery or production of oil or gas.

(b) Any common purchaser taking gas produced from gas wells or casinghead gas produced from oil wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the Division consistent with this rule. The Division, in promulgating such rules, regulations and orders may consider the quality and deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors; provided that first priority in the purchasing and taking of gas shall at all times be given to casinghead gas produced from oil wells, so that gas produced in association with oil will not be wastefully vented and oil production will not be unnecessarily curtailed.

(c) Nothing in this rule shall be construed or applied to require, directly or indirectly any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

SUNDANCE OIL COMPANY

September 8, 1983



Energy and Minerals Department
Oil Conservation Division
Attn: Mr. Joe D. Ramey, Director
P. O. Box 2088
Santa Fe, NM 87501

RE: Proposed Ratable Take Rule Change

Gentlemen:

Sundance's position on referenced rule change is:

- a. Casinghead gas not sold as a result of a ratable take order will be wasted, whereas shut-in gas well gas will eventually be produced;
- b. Casinghead gas installations often have marginal economics and should not be discouraged by the threat of partial takes. Furthermore, casinghead gas sales are likely to increase oil recovery on marginal wells through additional revenue, more likely electrification, and possible reduced casing pressures;
- c. Selling and processing sour casinghead gas is preferable to flaring;
- d. A two tier ratable take arrangement, where available markets are allocated ratably first to casinghead and then the remainder to gas well gas, would be equitable while preventing waste. This would be implemented only after complaint and hearing.

Thank you for your attention to this letter. Sundance will not be represented at the hearing.

Yours truly,

Al Hermanson
Manager, Engineering

AH:ds

MONTGOMERY & ANDREWS
PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

J. O. Seth (1883-1963)
Frank Andrews (1914-1981)

A. K. Montgomery
Seth D. Montgomery
Frank Andrews III
Victor R. Ortega
John E. Conway
Jeffrey R. Brannen
John B. Pound
Gary R. Kilpatric
Thomas W. Olson
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Walter J. Melendres
Bruce L. Herr
Michael W. Brennan
Robert P. Worcester
John B. Draper
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Wesley B. Howard, Jr.
Thurman W. Moore III
Jack L. Fortner
Michael H. Harbour
Lanny W. Temple, Jr.

Jack M. Morgan
Of Counsel

REPLY TO SANTA FE OFFICE

September 22, 1983

SANTA FE OFFICE
325 Paseo de Peralta
Post Office Box 2307
Santa Fe, New Mexico 87504-2307

Telephone (505) 982-3873
Telecopy (505) 982-4289

ALBUQUERQUE OFFICE
Suite 200
500 Copper Avenue, N.W.
Post Office Box 2048
Albuquerque, New Mexico 87103-2048

Telephone (505) 242-9677

FARMINGTON OFFICE
Suite 325
First National Bank of Farmington
One First Place
Post Office Box 2700
Farmington, New Mexico 87499-2700

Telephone (505) 327-5074

New Mexico Energy and
Minerals Department
Oil Conservation Division
Land Office Building
Santa Fe, New Mexico 87503

Re: In the Matter of the Hearing Called by the New
Mexico Oil Conservation Commission on Its Own
Motion to Consider Certain Amendments to Rule 902
of the Oil and Gas Rules and Regulations
NMOCD Case No. 7962

Gentlemen:

Please be advised that John F. Nance of the office of
General Counsel of El Paso Natural Gas Company, El Paso, Texas,
is associated with our firm for the presentation of evidence and
argument in the above-referenced case.

Very truly yours,


Gary R. Kilpatric

GRK:cs

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