

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
16 February 1984

COMMISSION HEARING

IN THE MATTER OF:

The hearing called by the Oil Conservation Division on its own motion to consider: The establishment of a classification of natural gas wells to be known as "hardship wells".
and

CASE 8077

Certain amendments to Rule 902 of the Oil and Gas Rules and Regulations.

⁷⁹⁶²
CASE 8078

BEFORE: Commissioner Joe Ramey, Chairman
Commissioner Ed Kelley

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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I N D E X

RICHARD L. STAMETS

Direct Examination by Mr. Pearce 4

| | |
|-------------------------|----|
| STATEMENT BY MR. NANCE | 15 |
| STATEMENT BY MR. ALLEN | 18 |
| STATEMENT BY MR. NUTTER | 18 |
| STATEMENT BY MR. ALLEN | 23 |
| STATEMENT BY MR. RAMEY | 24 |
| STATEMENT BY MR. NANCE | 24 |
| STATEMENT BY MR. RAMEY | 24 |
| STATEMENT BY MR. JAMES | 24 |

E X H I B I T S

| | |
|--------------------------------------|----|
| Division Exhibit One, Proposed Rules | 7 |
| Division Exhibit Two, Proposed Rules | 13 |

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3 MR. RAMEY: We'll call next
4 Case 8077, which is in the matter of the hearing called by
5 the Oil Conservation on its own motion to consider the es-
6 tablishment of a classification of natural gas wells to be
7 known as "hardship wells", which wells will be entitled to
8 priority access to natural gas pipeline transportation faci-
9 lities.

10 MR. PEARCE: May it please the
11 Chairman, I am W. Perry Pearce, appearing in this case on
12 behalf of the New Mexico Oil Conservation Division.

13 I would once again suggest that
14 it would be more efficient to consolidate the hearing of
15 this case with the next case shown on the docket, which is a
16 re-opening of the previously heard Case Number 7962.

17 I believe the subject matters
18 of these two cases are related to each other and can be more
19 efficiently handled together.

20 MR. RAMEY: All right, without
21 objection we'll consolidate Case 8077 with Case 7962, which
22 is in the matter of the hearing called by the Oil Conserva-
23 tion Commission on its own motion to consider certain amend-
24 ments to Rule 902 of the Oil and Gas Rules and Regulations.

25 MR. PEARCE: Once again, Mr.
Chairman, I have one witness. I would like the record to
reflect that that witness has been previously sworn and

1
2 qualified.

4

3
4 reflect, Mr. Pearce.

MR. RAMEY: The record will so

5
6 in these two cases?

Are there any other appearances

7
8 MR. NANCE: For El Paso Natural
Gas Company, my name is John Nance.

9 I have one individual who is a
10 potential witness in these cases, Mr. Paul Burchell.

11 MR. RAMEY: All right. Any
other appearances?

12
13 If you call Mr. Burchell I'll
swear him at that time.

14
15 MR. NANCE: Thank you.

16 RICHARD L. STAMETS,
17 being called as a witness and having been previously sworn,
18 testified as follows, to-wit:

19 DIRECT EXAMINATION

20 BY MR. PEARCE:

21 Q Mr. Stamets, would you please explain to
22 the Commissioners and those in attendance at this hearing
23 the general outline of our proposed proposal in Case 8077?

24 A Okay. The purpose of today's hearing is
25 pretty well covered in the call and the docket. Let me run
through that one more time just to make sure nothing's been

1 left out.

2 We're here to consider establishing a
3 hardship gas well classification, and these hardship gas
4 wells would receive priority access to the gas market for
5 the purpose of preventing waste, and we would also propose
6 today the establishment of rules for applications for hard-
7 ship gas wells and rules for approval operations, and so on.

8 Now the background of this issue goes
9 back into 1982. Beginning in May of 1982 the gas market in
10 New Mexico became severely depressed. We had declines from
11 9.8 percent to 28.5 percent in gas production on a month to
12 month basis in 1982.

13 The declines continued in 1983 and we
14 wound up the year with something like a 10 or 11 percent de-
15 cline even below 1982 levels.

16 As a result, the pipelines have been
17 forced to curtail production by either periodically shutting
18 in wells that they're connected to or by limiting the vol-
19 umes that can be produced from wells.

20 Now there are wells in New Mexico which
21 may be damaged by this type of shut-in, or by being curtail-
22 ed below the minimum sustainable flow rate. The Morrow
23 wells in southeast New Mexico are a prime example of this.
24 These wells contain water sensitive clays and oftentimes af-
25 ter a period of shut-in the waters build up in the well,
they don't come back as strong as they were before, and
there are indications that reserves of gas have been lost

1 because of this shut-in.
2

3 Also, because of shut-ins, some wells
4 have experienced extraordinarily high operating costs be-
5 cause of extensive swabbing that's had to be done to get the
6 wells back on production, and if the wells are shut in every
7 month, as the pipelines would like to do in this difficult
8 production time that we've got, this may result in premature
9 abandonment because the operating costs may just get too
10 high to continue to produce that well, and if this happens,
11 then those reserves would also be lost in the reservoir, and
12 in both cases what we would have would be underground waste.

13 Now, operators had been asking the Divi-
14 sion for some time for some relief in this area.

15 Now the pipelines were kind of in a tough
16 spot in helping to provide this relief in that if they don't
17 shut in all the wells equally or don't treat them all equal-
18 ly they may be in violation of State ratable take laws and
19 rules. So they were also asking the Division for some sort
20 of relief.

21 In any event, the Division Director did
22 appoint a study committee to look into this problem, and
23 that committee was chaired by Mr. Jim Allen of Amoco, and
24 included Hugh Ingram from Conoco, Dave Bonneau from Yates
25 Petroleum, Hap Weaver from Mobil, Tom Dugan, who represented
an independent operator, himself, and Paul Burchell from El
Paso Natural Gas Company.

Now this committee met for a couple of

1 long days here in Santa Fe and they corresponded extensively
2 and then they made a series of recommendations to the Divi-
3 sion Director, and I believe that I have embodied the recom-
4 mendations in our proposed Rules 408 through 412, which are
5 included in Exhibit One, and then also the proposed form,
6 which is a part of Exhibit One.

7 And the only way that I know to cover
8 these things is just to go through these rules one at a
9 time, so let me start on that.

10 Rule 408, in paragraph A says that a
11 hardship gas well is defined as a gas well wherein under-
12 ground waste will occur if a well should be shut-in or cur-
13 tailed below its minimum sustainable flow rate.

14 No well shall be classified as a hardship
15 gas well except after notice and hearing or upon appropriate
16 administrative action of the Division.

17 Wells approved as hardship gas wells un-
18 der Rule 409 and/or Rule 110 shall be given priority access
19 over other gas wells to the current available gas market to
20 the extent that they might otherwise be restricted below the
21 approved minimum flow rate.

22 Rule 409 is entitled Application for
23 Hardship Gas Well Classification.

24 Paragraph A, or Section A, rather, Appli-
25 cation for hardship gas well classification shall be made in
the form prescribed by the Division and shall include the
following:

(1) A narrative description of the problem, or problems, which leads the applicant to believe that underground waste will occur if the well is shut-in or curtailed below its ability to produce.

(2) Documentation that the applicant has made all reasonable and economic attempts to eliminate or correct the problems or an explanation and justification as to why such attempts were not made.

(3) A wellbore sketch.

(4) Historical data, such as permanent loss of productivity after shut-in, frequency and actual cost of swabbing after shut-in, or curtailment including length of swab time required, actual cost figures showing the inability to continue operations without special relief, or any other data which would show that shut-in or curtailment would cause underground waste.

(5) If failure to obtain a hardship gas well classification would result in premature abandonment of the well, a calculation of the reserves which would be lost thereby.

(6) The minimum sustainable producing rate as determined by minimum flow or "log-off" test, or documentation of well production history.

(7) A plat and/or map showing the proration unit dedicated to the well and the ownership of the offsetting acreage.

(8) The name of the authorized trans-

1
2 porter and purchaser, if different, of gas.

3 And (9), any other data the applicant
4 considers relevant.

5 Section B states, application for hard-
6 ship gas well classification shall be made in duplicate and
7 the original copy -- with the original copy being filed at
8 Santa Fe and a copy being filed with the appropriate Dis-
9 trict office.

10 In addition, the applicant will notify
11 the transporter and purchaser of gas from the well and all
12 offset operators of the application and the requested mini-
13 mum producing rate and shall so certify to the Division in
14 his application.

15 Rule 410. Processing of Applications for
16 Hardship Gas Wells.

17 The Director of the Division may admini-
18 stratively approve any application for hardship gas well
19 classification or he may set such matter for notice and
20 hearing.

21 B. (1) Applications which are to be ap-
22 proved administratively shall be listed in the Dockets of
23 the Division or Commission hearings which are issued from
24 time to time.

25 (2) If no affected party has filed writ-
ten objection to any such proposed administrative action
within twenty days following the date of the hearing for
which the docket is issued, the application may be approved.

1
2 If any such party shall file an objection be-
3 fore or within such twenty day period, the application will
4 be set for hearing unless withdrawn by the applicant.

5 (3) The Director of the Division on his
6 own, or upon the request of an affected party, may require a
7 minimum flow (log-off) test on the well for which the hard-
8 ship classification is being sought. The applicant shall
9 give notice to the Division, the gas transporter and pur-
10 chaser, and the requesting affected party, of any minimum
11 flow test conducted following such request in order that
12 such test may, at the option of the Division, or said
13 parties, be witnessed.

14 Notice of any minimum flow test conducted
15 prior to submitting a hardship gas well application shall be
16 given to the appropriate Division district office, the gas
17 transporter and purchaser, and offset operators, in order
18 that such test may, at the option of said parties, be wit-
19 nessed.

20 Rule 411. Emergency Hardship Gas Well 21 Classifications.

22 The supervisor of the appropriate Divi-
23 sion district office may grant emergency approval of a hard-
24 ship gas well classification upon receipt of a copy of the
25 application form and attachments and a request by the appli-
cant.

Approval of such emergency classification
shall be made in writing to the Director of the Division,

the applicant, and the purchaser. Emergency approval shall be given for 90 days on a one time only, basis.

Rule 412. Limits on Hardship Gas Well Classification.

A. No hardship gas well classification shall be retained for a period in excess of one year, unless the applicant shall annually request an extension thereof and certify that the condition of the well has not substantially changed.

B. The Division on its own motion may require that the applicant show cause why approval of a hardship gas well classification should not be rescinded in cases of suspected abuse, changed market conditions, or for any other reason.

C. Any well classified as a hardship gas well located in a prorated gas pool shall accumulate over or under production. No well which is classified as a hardship gas well shall be shut in for reason of overproduction.

D. Affected parties may petition the Division for a hearing for the purpose of offsetting any ratable take advantage which might be gained by the operator of a hardship gas well.

If you'll back up to C above there, what this would mean in prorated gas pools is that wells would not be shut in if they became six times overproduced. Wells wouldn't be shut in if they did not make up in the next proration period overproduction from the previous proration

1 period.

2
3 But it would mean that we would continue
4 to keep up with overproduction in hardship gas wells so long
5 as they ever had any overproduction and hopefully, when the
6 market condition improves, that overproduction would then be
7 balanced by underproduction.

8 Now the next page of this exhibit is Side
9 One of the proposed application for classification as a
10 hardship gas well, and this is very similar to our Form C-
11 108 in that it would lead the applicant through the filing
12 process. It's just like a cookbook for submitting your ap-
13 plication, and I don't believe I need to go through that
14 form, except to go to the second page, which will be Side
15 Two of the form and read what it says in paragraph 2 there
16 because I think that this paragraph really embodies the
17 feelings of the committee.

18 This states that the only acceptable basis
19 for obtaining a hardship classification is prevention of
20 waste with the burden of proof solely on the applicant.

21 The applicant must not only prove that
22 waste will occur without the hardship classification but al-
23 so that he has acted in a responsible and prudent manner to
24 minimize or eliminate the problem prior to requesting this
25 special consideration.

26 If the subject well is classified as a
27 hardship well, gas well, it will be permitted to produce at
28 a specified minimum sustainable rate without being subject

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2 to shut-in by the purchaser due to low demand.

3 The Division can rescind approval at any
4 time without notice and require the operator to show cause
5 why the classification should not be permanently rescinded
6 if abuse of this special classification becomes apparent.

7 Okay, if we take a look at the last page
8 here, we might as well move on into Case 7962, and I have
9 what's labeled Exhibit Number Two in this case.

10 This case originally was heard on September
11 22, 1983, with the purpose to amend this rule to bring
12 casinghead gas under the common purchaser and ratable take
13 provisions of Rule 902, and this was to bring the rule into
14 conformance with Section 70-2-19 of the Oil and Gas Act,
15 which had been amended by the 36th Legislature.

16 Now we took no action, or no action was
17 taken, at that time because of the hardship gas well prob-
18 lem. El Paso Natural Gas was present at that hearing and
19 they pointed out that they -- they did have a problem with
20 paragraph (a) of this rule right at the end, and they had a
21 proposal, and now what we have done is amended paragraph --
22 the last part of paragraph (a) to read as follows: The pro-
23 visions of this subsection shall not apply to (1) to any
24 well or pools used for storage and withdrawal from storage
25 of natural gas originally produced not in violation of the
rules, regulations, or orders of the Division; (2) to per-
sons purchasing gas principally for the use in the recovery
or production of oil or gas; or (3) to any well which has

been designated as hardship well by the Division.

So now this rule would track the proposed Rules 408 through 13, or whatever the numbers are that we just went through.

Q Do you have anything further on these consolidated cases, sir?

A Just one further comment. If we look back in the last provision of Rule 413, no, I'm sorry, that's Rule 12, Rule 412 (d), that does say that any affected party can petition the Division for the purposes -- for hearing for the purposes of offsetting any ratable take advantage that might be gained.

It looks as though in the prorated pools, as I said, overproduction will accumulate to these wells and eventually that can be made up. We have quite a few pools that are not prorated, though, and it's conceivable that some operator out there might feel that his correlative rights were being violated by his neighbor having a hardship gas well classification, and this will allow him to come before the Division and present his case and it clearly permits him to do that, and give us an opportunity to allow him in some manner to protect his correlative rights.

Q Thank you, sir.

MR. PEARCE: Mr. Chairman, I have nothing further on direct in these consolidated cases.

I would move the admission of the exhibits in these cases and request that the record in

1 the previously consolidated cases also be supplemented by
2 admission of the exhibits used in those cases.

3 MR. RAMEY: All right, Mr.
4 Pearce, Exhibits One and Two will be admitted, plus the pre-
5 vious exhibits, I think One and Two for the first case and
6 One for the other two -- other three cases.

7 MR. PEARCE: I believe that's
8 correct, sir. Thank you.

9 MR. RAMEY: Are there any ques-
10 tions of Mr. Stamets?

11 If not, he may be excused.

12 Mr. Nance, do you wish to put a
13 witness on?

14 MR. NANCE: El Paso obviously
15 is in support of -- of both of the proposed rules changes,
16 the additional rules for hardship wells and the inclusion of
17 hardship wells within Rule 902.

18 We were prepared to put on a
19 witness to answer any questions that any parties might have
20 about our reason for requesting that these rules be -- be
21 proposed and be passed.

22 It appears at this point that
23 there is no such need and we would like simply to put on a
24 closing statement at the time that that becomes appropriate.

25 MR. RAMEY: It appears to be
appropriate right now.

MR. NANCE: All right. As I

1
2 said, El Paso did suggest that Rule 902 be further amended
3 to include the mention of hardship wells, and we feel that
4 the proposal of the Commission appropriately handles that
5 concern of El Paso's, and we therefore fully support the
6 Rule 902 amendment.

7 With regard to the establish-
8 ment of rules for hardship wells themselves, we are, again,
9 in full support of the proposal of the Commission. El
10 Paso's own experience, as Mr. Stamets has mentioned, is a
11 part of the impetus for this hearing. We had been getting
12 requests from a number of producers to keep their wells on
13 production during a period when we were experiencing a ser-
14 ious market decline and it was beginning to appear more and
15 more likely that we would have a serious problem in keeping
16 all wells on line, which had been requested, and taking only
17 the gas that we needed to supply our market demand.

18 We had requested that our pro-
19 ducers write to the Commission and request special classifi-
20 cation of their wells as hardship wells and, again, as Mr.
21 Stamets had mentioned, this hearing -- first of all, the in-
22 dustry committee work and now this hearing, were the re-
23 sults, at least in part, of El Paso's request to producers.

24 El Paso did work with the in-
25 dustry committee. We feel that the proposed rules that were
brought up here are an accurate reflection of what the com-
mittee's consensus was. We feel that the rules are neces-
sary.

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2 We recognize that there is at
3 least some possibility that correlative rights may be sacri-
4 ficed, at least to some extent, in favor of prevention of
5 waste. We think that the final portion of Rule 412 ade-
6 quately addresses itself to that problem and we think that
7 where there is a conflict between prevention of waste and
8 protection of correlative rights, that in this particular
9 instance public policy demands that prevention of waste be
10 given somewhat higher consideration.

11 El Paso believes that the rules
12 do require an appropriately high standard of proof in order
13 to obtain hardship well classification. We think that the
14 standards that are set here will prevent abuse of the hard-
15 ship well classification and will result in the classifica-
16 tion being given only to those wells that legitimately de-
17 serve it.

18 Finally, El Paso's own position
19 as a pipeline taker of gas, we think is appropriately served
20 by the proposed rules and that they will continue to allow
21 us sufficient flexibility in operating our pipeline by ap-
22 propriately limiting the number of wells that will be given
23 this hardship priority and will thus allow us to continue to
24 ratably take in accordance with the existing rules of the
25 Commission and the laws of the state, and at the same time
give some special treatment to -- to those few wells which
would deserve it.

Thank you.

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2 MR. RAMEY: Thank you, Mr.
3 Nance. Mr. Allen.

4 MR. ALLEN: Mr. Commissioner,
5 Amoco Production Company supports the adoption of Rules 408
6 through 412. We do so recognizing that it will probably
7 place a significant additional work load on the Division
8 staff.

9 I'd also like to comment that I
10 think Mr. Stamets did a good job in referring the feelings
11 of the committee when he summed up these rules and I think I
12 can say for the committee that I agree with Mr. Nance it's
13 certainly our intent that the proof be a high degree.

14 MR. RAMEY: Thank you, Mr. Al-
15 len. Mr. Nutter.

16 MR. NUTTER: First of all, Dan
17 Nutter, Consulting Engineer in Santa Fe.

18 First of all, I would like to
19 commend the Commission and its staff for attacking a problem
20 which is obviously a severe problem these days.

21 I have a couple of observations
22 to make, however.

23 In the third line of paragraph
24 A of Rule 408 and in the fourth line of Subsection (1) of
25 Section A of Rule 409 we find that we're talking about cur-
tailing wells below their ability to produce. Now of course
we know that many wells can be curtailed below their ability
to produce and be curtailed efficiently, but if you curtail

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2 Therefore I want a 90-day one-shot deal pending the time
3 that the Division acts? Is this -- is this the extent of
4 it?

5 MR. RAMEY: I'll let Mr. -- let
6 Mr. Stamets answer that.

7 MR. STAMETS: That is the in-
8 tent and if you will look on Side One of the form, up at the
9 top in the heading, operator, address, lease, pool, tran-
10 sporter, and below that is a line that says, "Are you seek-
11 ing emergency hardship classification for this well? Yes.
12 No." And if the applicant put "yes" on there, then when the
13 District received this they would act accordingly.

14 MR. NUTTER: Okay, every well
15 is an emergency, then, and you'll expect for every applica-
16 tion to be approved first for 90 days by the District and
17 then when will it be placed on the docket, prior to the end
18 of the ninety day period, when the public will be given no-
19 tice of this and the opportunity for offset operators to ob-
20 ject would come up, because everybody is going to say I've
21 got an emergency here, they're cutting -- they pinched my
22 well in this morning. I've got an emergency, here's all my
23 material, I need an emergency classification as a hardship.

24 Now, I --

25 MR. STAMETS: Mr. Ramey, I've
given a little bit of thought to this. You know, the time
limits are -- are pretty tight here because we don't issue
dockets all the time. Now I've thought that we're going to

1
2 be in a position where we're going to have to almost put
3 every one of these things on a docket when it comes in ex-
4 cept those which are so poorly put together that they're ob-
5 viously not in an approvable fashion, and so there may be
6 some that will show up on a docket which shouldn't be ap-
7 proved, which may ultimately be not approved administrative-
ly and set for hearing.

8 But with only ninety days to work with
9 we're going to have to move along pretty swiftly, and I just
10 don't see any way, at least at first, you know, if we get
11 200 applications the day after we issue this order, we're
12 going to be put in a position where we're going to have to
13 put them all on the docket and then review them at our lei-
sure.

14 MR. PEARCE: Excuse me, Mr.
15 Stamets, in your opinion if -- if the procedure is adopted
16 so that the Division takes such administrative steps as ne-
17 cessary to assure prompt docketing of each of these applica-
18 tions, is it your opinion that the ninety day period set
19 forth in Rule 411 is sufficient?

20 MR. STAMETS: Just barely.

21 MR. PEARCE: Just barely is
22 good enough. Thank you, sir.

23 MR. NUTTER: I might suggest
24 that in the cases where it could be handled by the Division
25 Director in his approval, that he would go ahead and put the
application on the docket when he receives it and then the

1 approval given, the emergency approval that's given by the
2 District office would be up to ninety days, rather than for
3 the full ninety days, and then the Division Director could
4 act in his own expedient manner and possibly have the thing
5 issued in 45 days.

6 Also, I don't think it's clear
7 in the rule, once a well is classified as a hardship well is
8 it necessary for any review action to ever be made, or does
9 that well continue to have the hardship classification for-
10 ever and ever?

11 MR. RAMEY: I thought there was
12 a year, a one year period before it came up --

13 MR. NUTTER: And then is it re-
14 viewed at the end of one year?

15 Okay, then my last comment
16 would be on the last paragraph of Rule 411, the --

17 MR. STAMETS: I might point out
18 Mr. Nutter has an outdated version of this and in your copy
19 there are two 409's, and starting at the second 409 you need
20 to add one --

21 MR. NUTTER: And 411 is now
22 412, also.

23 MR. STAMETS: Yes.

24 MR. NUTTER: I heard you refer
25 to 412 but I was reading 411.

I believe that Mr. Stamets men-
tioned in his direct testimony that affected parties would

1
2 include other operators in a prorated pool. I'd like to
3 make the observation that I believe that every producer of
4 gas anywhere in the market area, whether he's in that pool
5 or in another pool, is affected during the times of cur-
6 tailed market demand, because every well that is produced
7 affects market demand to some extent.

8 MR. STAMETS: Mr. Ramey, I
9 don't believe that I defined what an affected operator was,
10 and I purposely did not do that; leave that as broad as we
11 could under a new operation that we're not really sure of at
12 this point.

13 MR. NUTTER: I made the obser-
14 vation because during your direct testimony you mentioned
15 other operators in the prorated pool, and I'd like to ob-
16 serve that I believe every operator is affected, whether
17 he's in that prorated pool or any other pool.

18 MR. STAMETS: I would agree
19 with Mr. Nutter.

20 MR. NUTTER: Thank you.

21 MR. RAMEY: Mr. Allen.

22 MR. ALLEN: Mr. Chairman, on
23 behalf of the committee, I feel like there might be a
24 misunderstanding here that I can clear up.

25 It was not our intent that
under the emergency provision that any time anyone files one
it would be approved by that District Supervisor.

I think the rule reads he may

1
2 grant the approval. If he's not convinced of the emergency,
3 the District Supervisor can deny it and then the hearing
4 could grant it.

5 MR. RAMEY: I'm wondering on
6 this time period if we couldn't incorporate in the order
7 that -- something to the effect that all wells which are
8 presently classified as -- or carried as hardship wells
9 could not so be carried for an additional ninety days or so?

10 Mr. Nance?

11 MR. NANCE: Mr. Commissioner,
12 El Paso certainly would be in a position to maintain that
13 classification for wells tied to its system, which we are
14 currently treating as hardship wells. Ninety days sounds
15 like quite a reasonable period.

16 MR. RAMEY: Then an operator
17 could ask for an additional ninety days, perhaps, if it came
18 to the place where we were not able to process all these ap-
19 plications.

20 Any other statements?

21 MR. JAMES: Mr. Commissioner.

22 MR. RAMEY: Yes.

23 MR. JAMES: Steve James on be-
24 half of Mesa Petroleum of Amarillo, Texas, and, of course,
25 Mesa very rarely takes a position in the industry that would
differ from those of our companies like Amoco and ARCO, but
in this case we just have to oppose the entry of these
rules. We feel like what we're going to receive in the

1
2 future is a letter from the EPNG's and the (not understood)
3 that say, well, we had to take all this gas from all these
4 hardship wells, we can't take gas from your wells, we're
5 going to not pay any attention to our contracts.

6 And we feel, of course, that
7 hundreds, when you talk in hundreds of applications, that
8 you're underestimating what's going to happen. We think
9 there are going to be thousands of applications.

10 We'd cite the San Juan Basin as
11 an example. For every -- every well that you grant hardship
12 status out there, there are going to be a hundred wells with
13 similar economic circumstances, and we just -- we feel that
14 right now the Commission has in its broad powers to prevent
15 waste, you know, the ability to deal with the compelling
16 cases, and we feel like these -- we've heard the word
17 "abuse" fifty times this morning already, and we think
18 that's what is going to happen. We think it's going to be
19 abused.

20 And with one well, no one's
21 going to come in here and object if a guy files one
22 application. What's going to happen is when there are
23 hundreds of applications been granted and then the ratable
24 take system is falling apart.

25 MR. RAMEY: Thank you, Mr.
James.

Any other comments?

MR. PEARCE: The Division will

stand on its masterful direct examination of Mr. Stamets.

MR. RAMEY: With that, the
Commission will take these cases under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division was reported by me; that the said
transcript is a full, true, and correct record of the
hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR