

STATEMENT OF W. V. HOLIK, JR.
ON BEHALF OF EL PASO NATURAL GAS COMPANY
BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION
JUNE 9, 1959

I am authorized by El Paso Natural Gas Company, referred to as "El Paso," to make this statement on its behalf. El Paso had made prior statements at the December, 1958 and March, 1959, hearings. This statement supplements and brings to date the progress made in obtaining authorization to construct and the progress made in construction of facilities for taking casinghead gas from producers in the Bisti-Gallup and Gallegos-Gallup Oil Pools.

Pursuant to an agreement entered with Shell Oil Company construction work has proceeded on the facilities necessary to take ten million cubic feet per day authorized by Federal Power Commission in a temporary certificate order dated November 13, 1958. El Paso's Exhibit No. 1 is a map showing the location of gathering facilities already constructed and gathering facilities now under construction. El Paso estimates the gathering facilities to serve the wells covered by the Shell contract will be completed by June 15 and the compression facilities by July 1 of this year. These facilities will handle ten million cubic feet per day authorized by the temporary certificate.

In addition, British American Oil Company has completed a gathering system to gather casinghead gas which is presently being reinjected by British American and which will be sold to El Paso in the future under an existing contract between British American and

El Paso. Negotiations are substantially completed for transfer of these gathering facilities to El Paso upon FPC approval. A similar arrangement is under discussion with Sunray Mid-Continent.

Engineering studies have been made to estimate the facilities required and the cost of facilities necessary to take gas from the Gallegos-Gallup trend. Preliminary but firm proposals have been submitted within the last week to Skelly Oil Company and others covering the production of Skelly and other operators in the area. No firm agreement has been reached regarding any producer sharing with El Paso the risk incident to construction of facilities under a temporary certificate.

El Paso's application under Docket No. G-15696 was set for hearing July 6 but Federal Power Commission has recently postponed this hearing and has not reset the hearing for a definite date. This application requests, among other things, authority to construct facilities required for gathering and processing the casinghead gas under contract, as estimated.

All except five of the producers with whom El Paso has casinghead gas contracts have filed applications with Federal Power Commission for producers' certificates. These cases have been consolidated and set for hearing on June 12.

If Federal Power Commission issues permanent certificates to the producers in these applications El Paso will seek to obtain approval for construction of the facilities necessary to serve those producers accepting permanent certificates in an entire area. El Paso will meet with any group to discuss sharing the risk of construction under a

temporary certificate. Upon obtaining a certificate, in form acceptable to El Paso, then El Paso will proceed immediately with construction of the additional facilities.

STATEMENT OF BEN R. HOWELL
ON BEHALF OF EL PASO NATURAL GAS COMPANY
BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION
MARCH 18, 1958

MARCH

I am authorized by El Paso Natural Gas Company, referred to as "El Paso," to make this statement on its behalf. At the December, 1958 hearing, El Paso stated that it had negotiated contracts for purchase of casinghead gas from producers in the Bisti-Gallup and Gallegos-Gallup Oil Pools, jointly referred to as "Bisti area," covering the major portion of casinghead gas from the known productive areas in these two pools. Said contracts had been filed by El Paso as a part of its application for a certificate of public convenience and necessity in Docket No. G-15696, wherein El Paso requested, among other things, the authority to construct facilities to gather, compress and process the casinghead gas production from the Bisti area. By order dated November 13, 1958, the Federal Power Commission, in said Docket No. G-15696, granted El Paso temporary authorization to build facilities designed to take and process up to 10,000,000 cubic feet of casinghead gas per day from the Bisti area. A letter from the Federal Power Commission dated November 20, 1958 was filed with the statement. This letter raised the question of Federal Power Commission's authority to grant temporary certificates. In conclusion, El Paso stated that it could not give firm assurance of the date when facilities would be built and it would be able to take casinghead gas from the Bisti area.

At the present time 32 producers have made casinghead gas contracts with El Paso and most of them have filed with Federal Power Commission applications to make sale of casinghead gas pursuant to their contracts with El Paso. The application in Docket G-15696, as it relates to the taking of gas by El Paso from the Bisti area, has been amended slightly by filing of producers' contracts and providing for transfer of compression facilities from El Paso's Chaco Plant into the Bisti field. No permanent certificate has yet been issued.

In the interval since the December meeting El Paso and Shell Oil Company have been engaged in negotiations and have now reached an agreement providing for their sharing of risks inherent in a temporary certificate in a manner satisfactory to each. While this agreement has not been executed, it is expected to be executed within the next few days. With respect to Shell Oil Company, El Paso estimates 120 days to be the time required to construct facilities in order to take up to 10,000,000 cubic feet of casinghead gas per day, which is the volume presently authorized by the Federal Power Commission in the temporary certificate. It is El Paso's understanding that Shell will request a temporary certificate to sell such gas to El Paso, which request is a prerequisite to El Paso's being able to purchase same.

As soon as the agreement with Shell is executed, El Paso will offer to all other producers who have executed

casinghead gas contracts with El Paso an opportunity to enter into the same type of agreement which El Paso has entered into with Shell. As to such other producers, El Paso estimates 120 days from the date of execution of each additional agreement to be the time required to construct the facilities necessary to take casinghead gas from each such other producer. However, as to such other producers, it will be necessary for El Paso to obtain from the Federal Power Commission authorization to allow El Paso to take in excess of 10,000,000 cubic feet of casinghead gas per day from the Bisti area and, in addition thereto, it will be necessary for each producer to obtain a temporary certificate to sell such casinghead gas to El Paso.