

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 13, 1961

PHONE CH 3-6691

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

IN THE MATTER OF:

Application of El Paso Natural Gas Company for
an amendment of Order No. R-1670. Applicant, in
the above-styled cause, seeks an amendment of the
General Rules and Regulations for the Prorated
Gas Pools of Northwestern New Mexico, as con-
tained in Order No. R-1670, to provide for the
reporting of gas production on a chart-period
basis as an alternative to reporting on a calen-
dar month basis as presently required.

CASE 2373



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CASE 2373

BEFORE:

Mr. A. L. Porter
Mr. E. S. Johnny Walker
Honorable Edwin L. Mechem

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: Before we take up the next case, I will do something I should have done at the outset and introduce a new member of the legal staff, Mr. James Whitfield. Mr. Whitfield, would you stand? You don't have to make a speech.

We will take up next Case 2273.

MR. MORRIS: Application of El Paso Natural Gas Company for an amendment of Order No. R-1670.

MR. HOWELL: May it please the Commission, Ben Howell, representing El Paso Natural Gas Company, associated with Guy Whitworth and with the Santa Fe firm of Seth, Montgomery, Andrews and Federici. If you desire to take appearances, I would like to



make a brief opening statement. If you wish others to enter appearances, I'll wait and make it afterwards.

MR. PORTER: All right, Mr. Howell. We'll call for appearances in this case. Mr. Buell.

MR. BUELL: For Pan American Petroleum Corporation, Guy Buell.

MR. HASELTINE: Frank Haseltine for Southern Union Gas Company.

MR. WHITE: Charles White, appearing on behalf of Sunray Mid-Continent.

MR. BRATTON: Howard Bratton, Humble Oil and Refining Company.

MR. PORTER: Anyone else desire to make an appearance? Mr. Howell.

MR. HOWELL: May it please the Commission, in this case El Paso Natural Gas Company is asking for the adoption of a rule, the addition of a rule which would permit the reporting of gas production and gas taking on a basis that corresponds with the chart-periods.

We ask that the Commission give the necessary latitude to permit a monthly report to cover not less than twenty-four nor more than thirty-two days; that the back up into the preceding month be no more than seven days; that the total monthly reports for the six-month proration period shall include not less than 176 nor more than 184 reported days; and that the total of the

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monthly reports for a year shall include not less than 360 nor more than 368 reported days.

Now our testimony today, and our case today will show what El Paso intends to do within that latitude. It is expected that many other operators -- Southern Union probably will speak for themselves -- will either adopt this system or some other system. The rule is broad enough that it would permit any company to select those means of operations which are best for it.

This rule is an amendment or addition to the Rules which have been adopted by the Commission relating to the Prorated Gas Pools in the San Juan Basin, and would not affect any other area.

The oil and gas industry is faced, as all of us know, with problems that involve economy. This matter of scheduling work so that it is on a cyclical basis and leveling out peaks of work is being done everywhere. I think that all of us are finding that we don't get our bank statement on the month right at the first of the month; that our own individual household bills for gas and electricity and water don't all come in on the first of the month. Even the department store billings and many other instances are not on the first of the month. It is a trend that all business and industry is following in order to cut the expenses.

We have made this application, and I want to be very frank with the Commission, that we think it will be a substantial money saver to us; that we can save a substantial amount by putting

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into operation the system which our testimony will show we plan to operate. We feel that in fairness to the Commission and the operators, where we make a change of this nature, we should come and tell what we are doing and what changes we intend to make in our own system.

We feel that it's quite desirable that this be inaugurated before the peak deliveries of the winter months come upon us, and we are in a hurry to try to get it under way.

We have at least one operator that I know of who, of course, is ably represented here by Mr. Buell, that would like additional time to study these proposals and give a good hard look at them. Rather than continuing the case and having a motion for continuance, I have suggested, and I think Mr. Buell will concur, or Mr. Buell suggested and I concurred, I don't remember which way it was exactly -- that we might go ahead at this hearing and put on our testimony and that the Commission would then permit Pan American or any other interested party that has entered an appearance who desires to have additional time to look at the case, to have a reasonable period of time, say fifteen days or twenty days, in which it may file an application to re-open the case. And on behalf of El Paso, I will state that if such is done, we would join in re-opening the case if anyone wants to have more hearing.

We're following this method because we think that a close look will convince any of the companies who have not had that opportunity that this method is desirable and will, we hope, result



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in making available the records for the month at an earlier date and with less difficulty, and make reporting for all producers easier than it is today. So we feel that, given time, these companies will not wish to make an objection, whereas under the situation that they are today, not having looked over the proposal and understood it thoroughly, they might feel called upon to oppose it if it came before the Commission today; so that I move the Commission that the Commission hear this case today and grant a reasonable period of time to any party that has entered an appearance who desires to ask for that time today in which it may file a request to re-open the case, and permit that party to put on testimony.

MR. PORTER: Mr. Buell.

MR. BUELL: Guy Buell for Pan American Petroleum Corporation. I certainly don't want the record to reflect that Pan American is opposing any justified economy measure. Our position is simply this: We did not receive El Paso's proposal in time to evaluate it, and analyze it, so that we could make a recommendation to our management.

I would like to concur in Mr. Howell's suggestion or motion of leaving the record open for a reasonable period of time, fifteen days would be completely satisfactory to me. I personally feel that Pan American will not ask to re-open the case.

MR. BRATTON: If the Commission please, Howard Bratton for Humble Oil and Refining Company. Mr. Howell's suggestion is



satisfactory. I would like, too, to suggest that if the Commission could grant the longest amount of time consistent with their advertisement for their October hearing, I assume that if the matter were to be re-opened it would have to be advertised for the October hearing. I think the Commission could grant right up to a day or two before that advertisement deadline; that would give the fullest amount of time possible for obtaining a transcript, submittal to various departments for consideration.

MR. PORTER: Mr. Howell, the Commission will hear your testimony and then we'll rule on your motion after we have heard the testimony.

MR. WHITWORTH: We have three witnesses to be sworn.

(Witnesses sworn.)

MR. WHITWORTH: I call Mr. Alsup.

ED E. ALSUP

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

DIRECT EXAMINATION

BY MR. WHITWORTH:

Q Would you please state your full name, by whom and in what capacity you are employed?

A Ed E. Alsup, employed by El Paso Natural Gas Company as Division Superintendent of the San Juan Division.

Q As the Division Superintendent of the San Juan Division, Mr. Alsup, what are your duties and responsibilities,



briefly?

A To supervise the operation of some 4390 dry gas wells in the Division, plus the operation of people, vehicles, and the dispatching of gas to its various market points.

Q You are certainly familiar with the chart changing procedure there, and with the difficulties and problems that are presented with respect to chart changing, are you not?

A Yes, I am.

Q Would you describe the problems that you have experienced there with respect to chart changing?

A We have to gear an operation to chart changing to try to change the entire charts in the Basin to a three-day period, and during inclement weather, it eliminates various work that should be accomplished other than the chart changing, to a point to where it's an overload on the vehicles, the men, trying to get an enormous job done in such a short time that you have a peaking period there that overtakes the entire Division itself.

Q There's 4,390 wells, as you mentioned, El Paso has a duty to change chart on all those wells?

A They do.

Q Approximately how many wells are El Paso wells?

A Approximately 2800 of them.

Q The three days that you mentioned, the three-day period, is that three days out of every eight days that you are engaged only in changing charts on the wells?

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A That is correct; and then you have a short change period, oh, some various times throughout the year, on the first of the month that doesn't coincide with your eight-day period, so conceivably during some parts of the year, you are practically doing nothing but changing charts.

Q What effect does that have on switching and remedial work?

A The people that do the chart changing also do the switching and remedial work, and taking care of the dehydration equipment, and some of the wells, collect distillate from; and they take care of that phase of it, also. It almost eliminates, or at least it hampers the operation of our taking care of our wells properly in conjunction with the other operators' wells over the entire field.

Q The problem is increased during cold weather and in the winter months, is that true?

A During the winter months it increases considerably due to the fact that the transportation problem of getting to and from the wells, it becomes almost an impossibility. We have in these ten districts over the Basin some four-wheel equipment in that District, and by having to change all the charts as rapidly as we can over that three-day period, it so limits your equipment to a point that equipment and personnel, too, that it's become, with the increasing number of wells, almost an impossibility to get them within the three days; and that conceivably could continue on, as we have additional wells to tie in, which we will have from year to year.



An average of late years have been some additions of some 350 wells per year.

Q In order to get all those charts changed during the three-day period, you sometimes have to employ people or use people whose duties are not ordinarily chart changing?

A That is correct. Our truck drivers, our maintainer operators and people that work on the roads out of these areas all have to be changing charts during those periods of rough weather in order to get them all in.

Q Mr. Alsup, do you anticipate that the problem will increase, become more acute as time goes by and more wells are drilled and you have more charts?

A That is true, and conceivably, we could be trying to change charts every day when inclement weather hits over a period of a continued eight days and without being able to take care of the other duties of switching and dehydration, maintenance, and so forth. It ties right back in to the production of the well, in that if your dehydration unit goes off the well, it will freeze up and your proration is affected by all this operation.

Q As far as dehydration of your units, we aren't only concerned with our own wells, are we?

A We dehydrate the wells that are on the high pressure system, which consist of all the Dakota and Mesaverde wells, and in conjunction with that, there is other operators who have as many or more of those wells as does El Paso. In order to take

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care of those wells and give them the proper attention, they actually need more time.

Q Well, the delay in handling those affects other wells, as well as our own, is that true?

A That is correct.

Q How about the transmission of information, getting the charts from the wells and transmitting them? Do you have any particular difficulty because of the three days that you have to spend changing charts, out of each eight-day period? Could that be lessened, the time element be lessened by changing charts on a portion of the wells each day?

A It could be lessened considerably because of the more efficient operation of changing a few charts a day, you could funnel your four-wheel equipment plus any other personnel that you'd need to pick up charts during the inclement operation of bad weather, and leaving all the rest of the personnel to take care of your dehydration and seeing that the production of all these wells were kept on at all times, whereas with all the personnel going in and trying to pick up charts on a given day, there can be no attention, particular attention given to a well, as of blowing it, taking out a freeze in a dehydrator or the wellhead itself. That well has to be, a man in order to pick up all his charts, he has to pick up the chart and go right on down and pick up the next chart at the next well, with no remedial work at any time during that period.

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Q Would you relate to the Commission the particular problem you have when the ground is frozen and you have to go into a well, the particular difficulty that the switcher has?

A During the late fall and early spring, particularly during the chart period, all the personnel working at a given plant or district, will have to get out as early as one or two o'clock in the morning in order to get those charts and pull them in time to get them back in to the office to be processed and sent on in to El Paso for their integration before the freeze, and they'll have to stay in the field just long enough to, time themselves to get back in before the thing thaws, and we have and have had on various occasions all of our equipment left in the field until it freezes again.

Q In other words, all of the difficulties that you have mentioned with respect to chart changing could be greatly aided and lessened by changing charts on a portion of the wells each day?

A That is correct.

Q To keep up with it?

A That is correct.

MR. WHITWORTH: That's all we have from this witness.

MR. PORTER: Does anyone have a question of the witness?

MR. BUELL: In view of Mr. Howell's motion to leave the record open, Pan American will not have any questions of the El Paso witness.

MR. PORTER: Does anyone else have a question? The

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witness may be excused.

(Witness excused.)

H. H. SHELTON

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

DIRECT EXAMINATION

BY MR. WHITWORTH:

Q Would you please state your full name, by whom and in what capacity you are employed?

A I am H. H. Shelton. I'm employed by El Paso Natural Gas Company as Assistant Superintendent of Measurement.

Q As Assistant Superintendent of Measurement, Mr. Shelton, you are certainly familiar with the chart changing procedure that's being followed at the present time in the San Juan, are you not?

A Yes, sir, I am.

Q Does your department experience any difficulties as far as measuring is concerned, from the present chart changing procedure?

A Yes, we do.

Q Would you describe those difficulties to the Commission?

A The difficulty is actually at the beginning of our responsibilities in the measurement, in that we have peaks as a result of our chart changing system. We inspect all of the charts as they are brought in to a central office in the field. They're checked for irregularities, and from those charts we determine what

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meters need servicing, repairs, or any other difficulty that pertains to measurement, in changing orifice plates and a number of things of that nature.

Of course, that peak exists in our transportation of the charts into the main office, and of course, then we still have that peak when we start processing them through the office. The charts are edited by an editing group, the necessary calculating information put onto the charts, the charts are integrated, then sent to the Data Processing Group, and then, of course, that peak extends on to them. In fact, it creates a hurry up and wait situation in the office.

Q By receiving the charts in bulk as you do now?

A Yes, that's correct.

Q You are concerned quite a bit with the time element; in other words, you have a lot of deadlines to meet?

A We do have deadlines, and of course, if we could even out our work load, we could meet those deadlines more easily or in a more systematic order.

Q Would you describe to the Commission the deadlines you are talking about?

A The deadlines for mailing the volume statements is the 10th of the month. Of course, assuming that the last chart change is made on the 1st, sometimes we encounter difficulties in getting the charts to the main office; and then, of course, with the peak that we have to contend with, it takes quite a bit of time to

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process those charts; and then, of course, the data processing problem, and then it's just a work condition under stress until we do get them out, because we're always close to that deadline of the 10th.

Q Mr. Shelton, you are familiar with the rule that El Paso has proposed in this case and the system that El Paso is proposing, are you not?

A Yes, sir.

Q Do you think that measurement problems and difficulties that they have now under the present chart changing procedure would be lessened or greatly aided if this rule is adopted and a system is employed by which a portion of the charts can be changed on a portion of the wells each day?

A Yes. It would greatly aid us in the field and in the office. Beginning in the field, we would have one-eighth of the charts to inspect every day, thereby making our repair list every day from that one-eighth of the charts, and on a continuous basis instead of trying to compile our repair list and maintenance list in greater numbers, and we believe we could perform in a more orderly manner by having one-eighth of them every day.

Q How about shipping and inspecting?

A Shipping, we would lessen that problem, too. There wouldn't be quite the rush to process the charts through the main office. As an example, under this system we would probably have five-eighths of the charts for that billing period processed and



out of the way, in relation to the large number that we would have to contend with at the last of the month. We would have the bulk of them out of the way. We would have less charts for that billing period, eliminating the peaks.

Q If something is not done to relieve the situation, your problems in measurement also are going to increase with the additional charts that will be coming along, is that true?

A That's true.

MR. WHITWORTH: That's all we have from this witness.

MR. PORTER: Any questions of Mr. Shelton? Mr. Nutter.

CROSS EXAMINATION

BY MR. NUTTER:

Q Aside from the billing problem at the end of the month, why can't you stagger the charts so that they can be picked up at different days throughout the month, and then when you integrated the charts, split it at the end of the month or the beginning of the month to come out with the full thirty-one days?

A We definitely considered that, but we run into trouble there with the eight-day chart, assuming now that this chart was placed on the 28th of the month and we make an effort to get a complete calendar month. The chart changed on the 28th would extend over into the next month so far that if we tried to pick up those two days or three days and put it in the previous month's business, we would be so far past the deadline that we couldn't make it.



Q Assuming that the chart was changed on the 28th and it was a 31-day month --

A Right.

Q -- then there would be five days in the following month?

A That's true. On the eight-day chart, we would have to pick off the first three days of that chart, and assuming, of course, that it was changed on the 5th, the time we get it in to the office and calculate it, run it through the various processes that we do, then we would be past the deadline of reporting volumes to the producers and the State regulatory bodies, and everybody concerned.

Q How many days does it generally take from the time the chart is picked up until the time the chart has been processed and integrated, and the calculation made on it?

A We like to have at least five working days to run it through the process, and sometimes it takes six; and if we're faced with a holiday, long weekend, then of course we are right up to our deadline without any time to spare, assuming that the chart was changed on the last day of the month.

MR. NUTTER: Thank you.

MR. PORTER: Anyone else have a question?

MR. MORRIS: Yes, sir.

MR. PORTER: Mr. Morris.

MR. MORRIS: Actually, I would like to address this to Mr. Whitworth. You haven't actually introduced your rule change

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yet, have you?

MR. WHITWORTH: No.

MR. MORRIS: Will Mr. Johnson testify as to the particular problems that will occur during the first month of operation under this change?

MR. WHITWORTH: He will cover that.

MR. MORRIS: I have no questions. Thank you.

MR. WHITWORTH: I have one more question.

REDIRECT EXAMINATION

BY MR. WHITWORTH:

Q The particular information and figures the El Paso will obtain from these charts will be used by everybody on down the line, is that true?

A That's correct.

Q So there will be no different sets of figures?

A No, that's true. All of the volumes emanate from these charts. We calculate the volumes, we send a volume statement to the producer, and we send the volume statement to the Accounting Department and Proration Department. Everybody will use the same figures. They all, that's the source of all the volumes.

MR. WHITWORTH: That's all.

MR. PORTER: Does anyone else have a question? The witness may be excused.

(Witness excused.)

MR. PORTER: Call your next witness, please.

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BURTON G. JOHNSON

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

DIRECT EXAMINATION

BY MR. WHITWORTH:

Q Would you please state your full name, by whom and in what capacity you are employed?

A Burton G. Johnson, employed by El Paso Natural Gas as Assistant Manager of Gas Proration operations.

Q What are your duties as Assistant Manager of Proration?

A I assist the Manager of Gas Proration operations in matters having to do with the nominations of gas before regulatory bodies, and the keeping up with the wells to see that the allowable is produced.

Q Mr. Johnson, you have previously testified before this Commission as an expert witness, have you not?

A Yes, sir.

MR. WHITWORTH: We ask that Mr. Johnson's qualifications be accepted.

MR. PORTER: His qualifications are accepted.

Q (By Mr. Whitworth) You are familiar with El Paso's application in this case, aren't you?

A Yes, I am.

Q What does El Paso seek by this application, generally?

A El Paso seeks to amend or to add to the General Rules



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and Regulations for the Prorated Gas Pools of Northwest New Mexico as covered in Order R-1670. We propose to add under Section F entitled "Reporting of Production", we propose to add Rule 21-E.

Q Do you have a copy of the proposed Rule, El Paso's Exhibit No. 1?

A Yes, I do.

(Whereupon, El Paso's Exhibit No. 1 marked for identification.)

MR. PORTER: It appears that it will take some time for the examination of this witness. We are going to recess the hearing until 1:15.

(Whereupon, the hearing was recessed until 1:15 P.M.)

AFTERNOON SESSION

MR. PORTER: The hearing will come to order, please. Will you resume your examination of the witness, Mr. Whitworth, please?

MR. WHITWORTH: All right.

DIRECT EXAMINATION (Continued)

BY MR. WHITWORTH:

Q Mr. Johnson, do you have an exhibit that we will call El Paso's Exhibit No. 2, which shows the differences between the present system and the proposed system?

A Yes, sir, I do.

Q Do you have another exhibit which we'll call El Paso's Exhibit No. 3, which shows the cycle chart changing for individual



wells?

A Correct.

Q Do you have another exhibit which is El Paso's Exhibit No. 4, which shows the number of charts for particular periods?

A Correct.

(Whereupon, El Paso's Exhibits Nos. 2, 3, and 4 marked for identification.)

Q All these exhibits have been distributed to the Commission and the Staff. Were these Exhibits 1 through 4, El Paso's Exhibits 1 through 4 prepared by you or under your supervision?

A Yes, sir.

MR. WHITWORTH: We offer El Paso's Exhibits 1 through 4 into evidence.

MR. PORTER: Without objection, the exhibits will be admitted.

Q (By Mr. Whitworth) Mr. Johnson, will you just go ahead in your own words now and explain these four exhibits?

A Exhibit 1 is the proposed Rule that El Paso has made up, which reads -- this is Rule 21 (E) to be added to Section F, "Reporting of Production", under the General Rules and Regulations for the Prorated Gas Pools of Northwestern New Mexico.

It reads as follows: "Upon approval by the Secretary Director as to the specific program to be used, any producer or purchaser of gas may be permitted to report metered production of



gas on a chart-period basis; provided the following provisions shall be applicable to each gas well:

- (1) Reports for a month shall include not less than 24 nor more than 32 reported days.
- (2) Reported days may include as many as the last 7 days of the previous month but no days of the succeeding month.
- (3) The total of the monthly reports for a six-month proration period shall include not less than 176 nor more than 184 reported days.
- (4) The total of the monthly reports for a year shall include not less than 360 nor more than 368 reported days.

For purposes of these general rules and regulations, the term 'month' shall mean 'calendar month' for those reporting on a calendar month basis, and shall mean 'reporting month' for those reporting on a chart-period basis in accordance with the exception provided in this rule."

Q By this rule, no one will be compelled to meter and report gas production on a chart-period basis, is that right?

A That's correct.

Q By the rule, no one would be compelled to meter and report gas production on the same chart-period basis employed by El Paso, is that true?

A That's true.



Q Would you go ahead and explain the other exhibits?

A All right. Let's turn to Exhibit 2 to get a little understanding of what El Paso is doing at the present time, and we'll work into the proposed system to be adopted by El Paso.

Looking at the left-hand side of Exhibit 2, we see there are eight groups. We'll assume that all of the wells that we are referring to, approximately 4390 wells, be divided up in these eight groups, one-eighth into each group. Now under the present system, it takes about three days to wind up all of our chart changing business, which places about a third of the wells, beginning with October the 29th, this is an example here of a period that has been picked out just to show how this thing is working. Now for the month of November, for the production which is reported for the month of November as to approximately a third of the wells, starts on about the 29th of October and runs -- well, let's just look at Group One, and we'll see. We have two eight-day charts and then we have a six-day; we have an eight-day chart which is changed in six days time, and then we have another eight-day chart, that gives us thirty days for the month of November.

Another third of the wells are started on about the 30th of October, and the remaining third are changed for the 31st, and you can see that each eight days groups are changed. As we move along through the month of November and December is similar, with the exception of the third chart change, which is seven days because we have a 31-day month in December.

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Now, we come to the proposed system or the system which El Paso proposes to use, and I had just arbitrarily picked the month of January. We would prefer, as has been testified earlier, to have started earlier and beat this cold weather. With Group One we have been changing those wells on the 29th. Look at the 29th of December, and then to start this system we would change one-eighth, approximately one-eighth of the total number of the wells. That would be some figure a little over 500 wells would be changed on the 1st of January. On the 2nd of January we would change another approximately 500 wells, and we would continue on changing a figure a little over 500 wells for the first eight days of January. These are eight-day charts, as said before, so that on the 9th we are back to Group One changing another 500 wells.

Now you can follow this thing down and you'll see that under this system approximately the same number of wells will be changed each and every day of the month.

Now we move over toward the end of the month in January, and we see that the little block indicated with a cross mark in it shows the end of the month for January. Now, in Group One, we would have 27 days represented by any production which occurred on the 29th, 30th, and 31st of December; and any production which occurred in the 1st through the 24th of January.

In looking at these little blocks, these charts, to understand this thing, these little blocks, assume that the chart went on in the morning of the day indicated, so that if this block



shows here on January 25th, it's put on in the morning and it measures gas for January 25th. So Group One would have 27 days of measurable production; Group Two, as you can see, would have 28 days; Group Three, 28; 29 for Group Four; 30 days for Group Five and Six; 31 days, possible reporting days for Group Seven; and 32 days for Group Eight.

The average of those days is as shown, 29.375 days, which compared with the actual number of calendar days for January leaves a difference of approximately 1.6 days. This is the only month, the very first month under this proposed system, in which the average number of days reported will not coincide with the calendar days in the particular month.

Moving over into February, we see that Groups One, Two, Three, and Four will run, will have 32 days possible reporting, and Groups Five, Six, Seven and Eight will have 24 days. The average days then reported will be equal to 28, that's the average of the 32-day Groups and the 24-day Groups.

Moving over into March, we find that we will have seven of the eight Groups will be 32 days, and one Group will have 24 days of possible production. Now I believe you will notice, looking at the end of March, that the charts in this proposed system go back not more than seven days; in other words, for February's production we will go back not more than seven days into January, that being in Group One, January 25th. Any production measured from January 25th through January 31st would appear, in Group One



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in this example, under February's production. In Group Two there would be six days of January that would appear as February's production; and there would be five days in Group Three of January appearing in February's production. As we go down, we see the thing shortens until we get down to Group Eight, we find that Group Eight is up to snuff, that is, for February production for Group Eight will include no production from the month of January.

Now to continue on, let's refer to the next exhibit, Exhibit 3, which shows what will happen to the wells in Group One, Group One being referred to back in Exhibit 2. Now we saw that in Group One in the first month we had 27 days, as indicated by the asterisk and the footnote at the bottom of the exhibit. These months will run another 24 days or 32 days, and this exhibit shows how often you would have a 32-day month, how often you would have a 24-day month. You would have, in 1962, in February, March, April, you would have a 32-day month for wells in Group One. Then you would come into May with a 24-day month, June, July, August, September, October, would be 32-day months; and then November would be a 24-day month, so forth.

Now for the first year, the total possible reported days would be 363 against the calendar year of 365, so you'd be behind two days.

In the second year, you would report 368 days, which would be three days over the calendar year on a cumulative basis, and then for the two years you would be one day long. The next



year is leap year and you are two days long. Notice how the 24-day months, as we go down through the years, do not always fall in the same calendar month. That is very significant and very beneficial.

Now to sum this El Paso's cycle chart changing procedure up, let's turn to Exhibit 4. The proposed El Paso cycle chart changing procedure consists of using only eight-day charts and changing each day charts on one-eighth of the wells connected to the system. As to any individual well, a calendar month will contain either three or four charts, 24 or 32 days. A well which has 360 reportable days in a calendar year will have 45 charts. That will be nine months at four charts per month, and three months at three charts per month. That will give us a total of 45 charts for the year, as against the present system, of course, of four charts a month or 48 charts a year.

A well which has 368 reportable days in a calendar year will have 46 charts, ten months at four charts per month and two months containing three charts per month.

In a 365-day calendar year, five of the Groups of wells will contain 46 charts per well and three Groups, three out of the eight Groups will contain 45 charts per well. However, in a 366 day leap year, we'll find that six Groups of wells will contain 46 charts per well and two Groups will contain 45 charts per well. On a 28-day month as we've seen, four Groups will contain four charts for the month; four Groups will contain three charts for

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the month, and that will be an average reported -- this is once we get past the first month again -- an average reported of exactly 28 days.

On page 2 we show what will happen in a 29-day month. We show that five Groups will contain four charts for the month; three Groups will contain three charts for the month; and that the average number of days reported will be 29. This would be in the case of a February leap year.

On a 30-day month, you'll have six Groups containing four charts for the month and you'll have two Groups containing three charts for the month. There again the average number reported will be 30 days.

On a 31-day month, seven Groups will contain four charts for the month and one Group will contain three charts, thereby giving an average number of days reported for the total of the eight Groups of 31 days.

I think we can see, since the average number of days reported for any month are exactly equal to the days in each month, and I'm speaking of the average of the eight Groups, then it follows for any period greater than one month, the average number of days reported will be exactly equal to the number of days in the period under consideration.

As I said before, all of the above discussion on the proposed El Paso procedure disregards the effect of the first month that the system is put into operation.

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Q What you have done by Exhibits 2, 3, and 4 is give us an example of a workable plan that could fit into our proposed rule, is that correct?

A That's correct.

Q Do you have anything further to add to your testimony, Mr. Johnson?

A One point I would like to bring out is that we have studied this thing from all of the various facets involved, and we believe and are firmly convinced not only will our efficiency be increased but that we will be able to benefit the producer by better balancing of the wells, the taking of production under the allowable system by being able to more timely take care of the problems that arise in the field on a day to day basis; and we are convinced that this system in no way impairs our ability to produce the allowable or to prevent cancellation of allowables on the wells connected to our system.

Q From what you have said, in your opinion the adoption of the Rule would have the effect of preventing waste?

A In my opinion, it would.

MR. WHITWORTH: That's all we have.

MR. PORTER: Does anyone have any questions of Mr. Johnson concerning his testimony or his exhibits? Mr. Nutter.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Johnson, I presume that you are talking about



dividing the 4390 wells which Mr. Alsup mentioned were connected to El Paso's system into eight Groups, regardless of the pools that they're in?

A That's correct.

Q What would be the effect of a pool that had one-eighth of the wells in the Basin coming in on a 24-day month, for example? Wouldn't that result in the production for that month being short maybe seven days for the month's total production?

A The reported production could be short, assuming that you are making a pull on the well for a full 31 days or more.

Q Have you given any thought to dividing the wells in a pool into eight groups and changing charts in groups within a pool so that you have an average number of days equal to 30 days in a 30-day month, but half of the wells in that 30-day month would be on a 32-day basis, and half would be on a 24-day basis, perhaps, but the average of the pool would still be 30 days?

A Well, in the Mesaverde, that pool is so large, for instance, that you are going to find that it will be pretty well divided, those wells will be divided pretty evenly into the eight Groups.

Q What would be the basis for dividing your 4390 wells into the three Groups, would it be by areas or what?

A Oh, yes.

Q So the Mesaverde being large would be able to absorb the difference?

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A That's correct.

Q Whereas a small pool in one area by itself, if it were all put on in a single group by virtue of its location, might end up with a 24 or 32-day month?

A What you are saying, that the wells might all be in one group, might be in Group One or Group Two?

Q Yes.

A That's a possibility.

Q Could it be worked out where a percentage of the wells in each pool were tested in each of the groups?

A I think that might tend to defeat the purpose of the thing. Certainly a study will be made of that; however, I don't see that it would be detrimental to the wells in that particular pool.

Q I was thinking, Mr. Johnson, of the fact that nominations are made for a 30 or 31-day month, whereas production may be recorded on a 24-day month. There would be a conflict, perhaps, between reported production and nominations for a given period.

A Of course, we are shooting for a balancing of the wells under the allowable that's granted, and the allowable, of course, is not necessarily equal to the nominations that are made, after the adjustments that the Commission makes.

Q Well, I realize that, but in comparing nominations and production, there might be some non-comparative figures, so to speak.



A We looked at it, and we don't consider that would give us any problem on the thing.

Q I agree with you, it probably wouldn't on a large pool like Blanco-Mesaverde. I am thinking of the small pools that might be in a pool by themselves, Group Five or Eight, and fall in a 24-day month, but you haven't actually considered dividing the pools into groups?

A No. It's based on the location of the manpower of these various distributing offices and a small pool could perhaps be in several of these groups.

Q Or it could be in one group?

A Right.

MR. NUTTER: Thank you.

MR. PORTER: Does anyone else have a question? Mr. Utz.

BY MR. UTZ:

Q Will any of the chart groups be, for the reported month, be pulled any later than the first day of the following month?

A No, sir. They couldn't be and get all the reports in on time. In other words, as shown in this example, the last chart to be pulled would be on the morning of the 1st.

Q However, the way you do it now, they're all pulled on the last day of the month, the last chart group is pulled?

A There may be a little overlap for a few wells, not more than the last ten percent of the wells would be changed on the 1st.

Q Even though you are one day later with one or two groups



every month, it would still enable you to get your 114 in by the 15th?

A Yes.

MR. UTZ: That's all I have.

MR. PORTER: Mr. Morris.

BY MR. MORRIS:

Q Mr. Johnson, has this proposal been submitted to the New Mexico Oil and Gas Accounting Commission for their consideration?

A Yes, we have reviewed it with them.

Q Did any special problems come to your consideration in working this procedure into their operation?

A They didn't seem to indicate it, after they understood the proposal, they didn't indicate any problems.

Q Do you see any difficulty involved in the Oil and Gas Accounting Commission making the purchasers' reports jibe with the producers' reports, which, of course, they have to do?

A There would be only one set of figures, as has been brought out before, all of the wells connected to our system, the 4390 that we've been talking about, only 2800 of those are our wells. The others belong to a number of different producers, but all of the charts and all of the measuring and all of the computing and the reporting of the volumes is done by El Paso as to the wells connected to our system, so there is only one reported volume for each month. There is now only one, and under this



proposal, well, there will only be one volume reported for each month.

Q So the producer is going to be submitting information that actually you have supplied them under your --

A That we have supplied them, correct.

Q It can't help but jibe?

A That's correct.

MR. MORRIS: That's all I have.

MR. PORTER: Does anyone else have a question of Mr. Johnson? The witness may be excused.

(Witness excused.)

MR. WHITWORTH: That concludes our case.

MR. PORTER: I believe you made a motion that the Commission should hear the testimony of El Paso and then allow fifteen days for requests, or fifteen to twenty, I believe you said, for requests to re-open the case.

MR. HOWELL: I made a motion -- if I didn't make it as clear as I should, I meant to limit those requests to the parties who participate and state here they would like to have that period of time. I do not intend that the opportunity would be available to anybody that didn't come to the hearing today to write in and say, "Well, I would like to put in some testimony and re-open the case," but any of those who have entered an appearance and desire to have the privilege, I move it be extended to them. Let's be definite, let's give a fifteen-day period. Would that

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give time for publishing the case for the October hearing?

MR. PORTER: If a request should be received by the Commission by the 28th of September, I believe there would be enough time for it to be re-advertised for the October 18 hearing.

MR. HOWELL: If it please the Commission, our thought is, we feel that the matter is one that will be approved, because obviously you cannot change the charts on that many wells at seven o'clock A.M. on the morning of the 1st of the month. It's just a physical impossibility and it is merely attempting to level out the work load and operate more efficiently; and, we hope, enable us to speed up a little our method of reporting.

We feel that the producers will not have any objection and in that way the Commission, if there's no request for re-opening filed, the Commission can go ahead and act on this without waiting for the October hearing; and if some company, some producer who's here and requests the privilege does file, then we can go ahead and take more testimony in October.

MR. PORTER: Mr. Howell, as I understand you now, you didn't anticipate or don't anticipate that the Commission would enter an order prior to September 28th?

MR. HOWELL: Correct.

MR. PORTER: The Commission will not enter an order in the case until after September 28th, and if the Commission receives a request for the case to be advertised at the October hearing by the 28th of this month, then it will be advertised. Is that decision



clear?

MR. HOWELL: Is the request to be limited to those who today requested that opportunity?

MR. PORTER: The request, I should have said that if a request by one of the parties, either of the parties who has made an appearance today, is received by the Commission, that the case will be advertised for October 18th. The Commission will enter an order as soon as we possibly can after that date.

MR. HOWELL: That's entirely satisfactory.

MR. PORTER: There being no further cases to come before the Commission, the hearing --

MR. HOWELL: If the Commission please, there might be some statements.

MR. PORTER: I am sorry.

MR. HASSETT: Southern Union Gas Company wishes to concur whole-heartedly and support El Paso in this application. We have experienced, of course, the same type of problems they have pointed out here, and we would point out that although the plan that we might submit, the plan we might operate under perhaps would vary from this one that they have submitted, it would still be enclosed in the Rule as they have applied for it. So we respectfully request that the Commission rule favorably on this application.

MR. PORTER: In other words, you would operate within the limits recommended here by El Paso?

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MR. HASELTINE: That's correct.

MR. PORTER: Anyone else desire to make a statement?

Mr. Anderson.

MR. ANDERSON: John Anderson, Geological Survey.

Probably the majority of the wells that might be affected by this proposed Order are on Federal lands. We have examined the proposed procedure carefully, and from the standpoint of royalty accounting and our production statistics, we find it acceptable. We also feel that it might give some opportunity of speeding up the reporting of volumes sold and payment to the producer, which would enable the producer to report to the Survey on Federal leases and make more prompt payment of royalty.

The General Accounting Office auditors have just finished up three months of going over our accounts and procedures. One of the things they have told us is that we must take all reasonable measures to make sure that our lessees report production promptly and pay the royalty promptly. This might aid in that coming about, and accordingly, we recommend the adoption of the proposed Rule.

MR. PORTER: Anyone else have a statement? Then the ruling will stand as made, and the hearing is adjourned.

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STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

DATED this 21st day of September, 1961, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley

 NOTARY PUBLIC

My Commission Expires:

June 19, 1963.

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