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

December 15, 1971

EXAMINER HEARING

IN THE MATTER OF:

Application of El Paso Natural Gas  
Company for the suspension of  
certain provisions of Rules 14(A)  
and 15(A) of the General Rules and  
Regulations for the prorated gas  
pools of Southeastern New Mexico,  
promulgated by Order No. R-1670,  
as amended.

Case No. 4633

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

1 MR. UTZ: Do you want to mark your exhibits?

2 MR. MORRIS: Yes, sir, I only have one exhibit.

3 (Whereupon, Exhibit Number 1  
4 marked for identification.)

5 MR. UTZ: 4633.

6 MR. HATCH: Case 4633, Application of El Paso  
7 Natural Gas Company for the suspension of certain provisions  
8 of Rules 14(A) and 15(A) of the General Rules and Regulations  
9 for the prorated gas pools of Southeastern New Mexico,  
10 promulgated by Order No. R-1670, as amended.

11 MR. MORRIS: Mr. Examiner, I am Dick Morris of  
12 Montgomery, Federici, Andrews, Hannahs, and Morris, Santa Fe.  
13 I am appearing for the Applicants.

14 With me is Mr. Dave Burleson, attorney for El Paso  
15 Natural Gas Company from El Paso, Texas.

16 We have one witness, Mr. Dave H. Rainey.

17 (Witness sworn.)

18 MR. UTZ: Any other appearances?

19 It looks like you are not going to have any contest  
20 today.

21 Would you like to proceed?

22

23

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DAVID H. RAINEY

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

EXAMINATION

BY MR. BURLESON:

Q Mr. Rainey, have you testified previously before this Commission and have your qualifications been accepted by the Commission?

A Yes, sir, they have.

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

A El Paso is asking by its application, Case 4633, to suspend for one year, from January 1st, 1972, until December 31st, 1972, the balancing provisions of Rule 14(A) and Rule 15(A) of Order R-1670, as amended, as applies to certain prorated gas pools in Lea County, New Mexico.

Those pools are the Blinebry, Crosby (Devonian), Eumont, Jalmat, Justis, Tubb, and Monument McKee-Ellenburger.

Q Would you please explain Rule 14(A) and 15(A), which our request would affect, please, sir.

A Rule 14(A) Order R-1670 provides that underproduction which accrues in one proration period may be carried forward and made up in a subsequent proration.

Rule 15(A) provides that any overproduction accrued

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1 in one proration period must be made up in the next  
2 proration period, or be shut in again at the beginning  
3 of the third proration period.

4 We are asking for suspension of those provisions  
5 requiring the completion of balancing within one  
6 proration period.

7 Q And for a period of how long?

8 A For one year, to December 31st, 1972.

9 Q Would you please explain some of the circumstances which  
10 have made it reasonably necessary for El Paso to make  
11 this request.

12 A Yes, sir. In December of 1969 El Paso filed application  
13 with the Federal Power Commission to install 17,000  
14 horsepower of additional compression at its existing  
15 plant on its Lea County gathering system.

16 This application was certificated in the authority  
17 given to El Paso to initiate this construction in June  
18 of 1970.

19 El Paso already had on order certain of the  
20 facilities, the equipment that was necessary to install  
21 this compression.

22 Other portions of the compression had to be placed  
23 on order after the certificate was granted.

24 We had delivery dates promised from manufacturers  
25 running from August -- I mean from October, 1970, on

1 through about the first of 1971.

2 Most of these delivery dates -- and I am not intending  
3 to blame the manufacturers -- but most of these delivery  
4 dates would take anywhere from thirty days to four months.

5 As a consequence, facilities at El Paso had  
6 anticipated being able to be placed in service in early  
7 spring of 1971, and did not even begin to go into service  
8 until about June of 1971 -- excuse me -- July of 1971.

9 Since the initiation of some of the first compression  
10 installations, initiation of use of them we have had  
11 mechanical problems with certain of these compression  
12 installations.

13 As a consequence, much of the allowable that we  
14 anticipated being able to produce by the use of this  
15 compression installation has been unable to be produced,  
16 and it is El Paso's feeling that the operator of these  
17 wells should have the opportunity to produce this  
18 allowable, because it has been through no fault of theirs  
19 and no fault of El Paso's that these compression  
20 installations have not operated satisfactorily.

21 We are requesting here the extension of time in  
22 order to make up underproduction that accrued because  
23 this compression installation was not in service.

24 Additionally, as a result of the underproduction in  
25 certain areas, we have had to overproduce wells in other

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1 areas in order to meet the market demands from the  
2 Southeast New Mexico gas pools, and we are therefore  
3 asking for an extension of time in which to make the  
4 overproduction that was necessary because of the  
5 production that was not capable of being achieved from  
6 the well in which compression was installed.

7 Q Mr. Rainey, a document has been heretofore identified  
8 as Exhibit Number 1, which is entitled "The Status of  
9 Unbalanced Wells Connected to El Paso Natural Gas  
10 Company in the Southeast New Mexico Prorated Pools as of  
11 November 30th, 1971."

12 I would ask you to refer to a copy of that and  
13 explain the significance of the figures contained on that,  
14 give any additional explanation that you feel appropriate  
15 in regard to those figures.

16 A Yes, sir. Exhibit Number 1 is merely a tabulation of the  
17 number of wells in each of the pools for which El Paso  
18 is asking exception for balancing provisions in this  
19 application that are underproduced and overproduced in  
20 each of those pools.

21 If you will note column two of the exhibit, it  
22 indicates that in the Jalmat Pool, the last number before  
23 the total, we have accrued underproduction of some  
24 six hundred and sixty-six million cubic feet of gas that  
25 would be subject to cancellation as of January 1st, 1972,

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1 if this exception is not granted.

2 At the same time, the cumulative status of those  
3 same wells is eight million three hundred and eighty  
4 thousand cubic feet underproduced.

5 I will call your attention also to the fact that in  
6 the Eumont Pool, which is the third pool listed, we have  
7 a hundred and twenty-eight million of underproduction  
8 that will be subject to cancellation of January 1st, 1972.

9 And then I call your attention to the last series  
10 of numbers in the next to the last column, that because  
11 of the underproduction that accrued in the Jalmat and in  
12 certain areas of the Eumont Pool, it was necessary to  
13 overproduce wells in the Blinebry, some other wells in  
14 Eumont Pool, and a substantial number of wells in the  
15 Jalmat, a substantial volume of gas in the Tubb Pools in  
16 order to offset that underproduction.

17 If you will look at the totals, the total under-  
18 production that would be subject to cancellation is very  
19 close to the value of the overproduction that would be  
20 subject to shut-in on January 1st, 1972, the under-  
21 production being 865 million cubic feet and the over-  
22 production being 948 million cubic feet.

23 So, we pretty well had to offset the underproduction.  
24 We couldn't take it by overproduction from other sources.

25 Q Mr. Rainey, was Exhibit marked for identification Exhibit

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1 Number 1 prepared under your direction or by you?

2 A It was prepared under my supervision, yes.

3 Q You previously indicated that there were certain  
4 difficulties with the compression facilities which will  
5 be installed.

6 Are those facilities installed at this point, and  
7 are they operating?

8 A The facilities are all installed.

9 As of the first of last week, they seemed to be  
10 working fine, and I understand that as of the first of  
11 the week, they were having some more problems with them.

12 The manufacturers have been more or less living in  
13 Southeast New Mexico the last few months, and it is my  
14 understanding that, based on analyses they are making  
15 this week, they think hopefully they have got the problem  
16 licked, and we will have them in full operation by the  
17 first of 1972.

18 As of this date, we never yet have been able to put  
19 a full load on certain of the compression installations  
20 that we installed at our station number three in Lea  
21 County.

22 Q Do you feel that the installation and operation of these  
23 compression facilities will materially assist in bringing  
24 the wells in the pools mentioned into balance within the  
25 period of suspension requested here?



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1 A It is our hope that this will do so. Until we get these  
2 compressors in full operation, it is difficult, because  
3 of capacity limitations and the manner in which this  
4 compression will have to work, to be able to ascertain  
5 with any real certainty that we will be able to make up  
6 every bit of this underproduction, but it is our feeling  
7 we will be able to make up a substantial portion of it.

8 MR. BURLESON: I would like to request the  
9 Exhibit marked 1 for identification be received into evidence  
10 at this time.

11 MR. UTZ: Without objection, Exhibit 1 will be  
12 received into the record.

13 (Whereupon, Exhibit Number 1  
14 admitted into evidence.)

15 MR. UTZ: Any questions of Mr. Rainey?  
16 I have a couple.

17 EXAMINATION

18 BY MR. UTZ:

19 Q Mr. Rainey, I think this exhibit, as you stated, just  
20 does consider wells connected to the El Paso system?

21 A Yes, sir.

22 Q I have noticed here -- and you called our attention to it --  
23 that taking all pools as a whole, that the underage and  
24 overage is pretty close to the same.

25 A Yes.

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1 Q But going back to -- and I think I called your attention  
2 to this Jalmat, we have a lot more underproduction than  
3 overproduction.

4 A Yes, sir.

5 Q Can you explain?

6 A Yes, sir, because we couldn't produce the gas.. In Jalmat,  
7 these compressors substantially affect the gathering  
8 system that serves the Jalmat Pool, and portions of the  
9 Eumont Pool, because we could not produce this under-  
10 production or this allowable from the well in the Jalmat  
11 Pool, it was necessary to go elsewhere.

12 We have no underproduction in Blinebry, but we are  
13 a hundred and twenty-two million cubic feet overproduced  
14 because we had to go to Blinebry.

15 To a lesser degree, we have the same situation in  
16 Eumont.

17 We do have a substantial portion of underproduction  
18 in other portions of pools in Eumont.

19 We were able to make up overproduction there, so it  
20 was not a question of balancing wells in a given pool, but  
21 having to balance over the whole Lea County area.

22 Q In other words, Jalmat suffered because they didn't have  
23 the facilities in there?

24 A Yes, sir.

25 Q You don't have any figures at all on the Monument (McKee)?

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1 A Well, at the time we filed the application it looked  
2 like we might be in trouble there.

3 However, we managed to balance all of the wells in  
4 Monument.

5 Q They do have accumulated status, don't they?

6 A They should have. We were trying to reflect the status  
7 of wells currently that are still underbalanced. Since  
8 there are no unbalanced wells -- these are just  
9 unbalanced wells shown here. These are not the total  
10 number of wells in the pools we are showing.

11 Q I understand, but the cumulative status shown on  
12 Exhibit 1, is that the true cumulative status or is that  
13 the balanced status?

14 A No, that is the cumulative status as of November 30, 1971.  
15 It has no unbalanced wells. Therefore, we did not show  
16 anything.

17 Q Okay. Now, by being able to take the underproduction of  
18 these pools, will that also assist you in balancing the  
19 overproduced well?

20 A Yes, sir. If these wells are capable of making up the  
21 underproduction, then we can curtail other wells in order  
22 to make the overproduced wells-- in order to bring them  
23 back into balance.

24 Q Now, I think we should clarify this point in the record  
25 since we seem to have a little problem as to just how

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1 to handle this type of a suspension the last time we  
2 had this type of order.

3 You have asked here for an exception to the Rule 14  
4 and Rule 15, which is under- and overproduction  
5 balancing rules?

6 A Yes, sir.

7 Q From 1-1-72 through 12-31 -- or 1-1-73?

8 A Yes, sir.

9 Q Now, by that do you mean that as of 1-1-72 that  
10 there would be no cancellation, no curtailment?

11 A That is correct.

12 Q Likewise, the proration period beginning July 1,  
13 there would be no curtailment and no cancellation?

14 A That is correct.

15 Q July '72?

16 A Yes, sir.

17 Q And then 1-1-73, on that date the Rule would again go  
18 into effect?

19 A Yes, sir.

20 Q And then the way you understand your request, what would  
21 happen as far as cancellation and curtailment is  
22 concerned?

23 A Any of the numbers shown in column two or column five,  
24 the balance status underproduced and overproduced that  
25 is not made up either underproduction or overproduction

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1 by January, by December 31, 1972, would at that time be  
2 cancelled or shut in.

3 As of January 1st, 1973, a new balanced status would  
4 be established or determined for each of the wells in the  
5 pools, and they would go back into a normal period,  
6 in other words that which had accrued, either under-  
7 production or overproduction from now until January 1st,  
8 1973 must be made up by July 1st, 1973.

9 In effect, what we are saying, ordinarily you have  
10 a six-month balancing period.

11 What we are applying for here is an eighteen-month  
12 balancing period, the six months just elapsed, plus  
13 another year. And at the end of that time, the ordinary  
14 balancing sequence would take place.

15 Q In other words, 1-1-72 you would have an underproduction  
16 status that would be subject to cancellation?

17 A Yes, sir.

18 Q Now, what you want, all of the 1972, in order to make  
19 up this subject to cancellation and subject to curtail-  
20 ment figure?

21 A Yes.

22 Q That portion that is not made up during that one entire  
23 period which should be 1-1-73, that would be cancelled  
24 or curtailed?

25 A Yes.

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1 Q The accrued underage or overage during the one-year  
2 period would then be subject to the same balancing in  
3 July, 1973?

4 A Yes, which could be a portion of that volume that is  
5 shown in column three and column six.

6 Q In other words, I think more simply, you are requesting  
7 here a one-year balancing period rather than a six-month  
8 balancing period?

9 A No. I think, Mr. Utz, we are asking for an eighteen-  
10 month balancing period because the status that is shown in  
11 column two -- and I know column five started on  
12 January 1st -- I mean on July 1st, 1971.

13 Q Yes.

14 A We are asking until January 1st, 1973, to bring that into  
15 balance.

16 The numbers shown as of November 30th, 1971, in  
17 column two and column five of Exhibit 1, that is what is  
18 left of a balanced status that began on July 1st, 1971.

19 We are asking until January 1st, 1973, to make  
20 that up. At that point a new balanced status will be  
21 established based on the cumulative status as of that date  
22 which should be made up by July 1st, 1973.

23 Q Then your statement that you are requesting a one-year  
24 extension --

25 A That is correct.

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1 Q -- is a correct statement?

2 A Yes, sir.

3 MR. UTZ: Are there any other questions of the  
4 witness?

5 Mr. Rainey, I am not sure this is the place to  
6 take this up, but we have this type of situation plaguing us  
7 almost consistently anymore. We seem to have more exceptions  
8 to Rule 14(A) and 15 than we have nonexceptions.

9 In your opinion, is there any way that we could  
10 change the Rules 14 and 15 in order to alleviate this  
11 situation?

12 MR. RAINEY: Mr. Utz, quite candidly, I haven't  
13 given any great deal of thought to that. Each time this has  
14 happened, there have been extenuating circumstances, either  
15 for El Paso or, in one case where Northern Natural Gas  
16 asked for same extension in Lea County area.

17 They have been extenuating circumstances. I don't  
18 think I am prepared at this time to suggest to any commission  
19 in basing proration order.

20 It is possible that some study is -- study should be  
21 given to it, so to speak, if this is going to be a  
22 continuing or continuous thing and possibly amend rules, but  
23 at this time, to say because it has been extenuating circumstances  
24 every time that has caused this, it seems to me like  
25 ordinarily the rules are operating fairly reasonably.

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1 MR. UTZ: Any other question?  
2  
3 Witness may be excused.  
4  
5 Is that all in the case? Case will be taken under  
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I N D E XWITNESSPAGE

DAVID H. RAINEY

Examination by Mr. Burleson

3

Examination by Mr. Utz

9

E X H I B I T SMarkedAdmitted

Exhibit Number 1

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1 STATE OF NEW MEXICO )  
2 ) SS  
3 COUNTY OF BERNALILLO )

4 I, RICHARD STURGES, Court Reporter in and for the  
5 County of Bernalillo, State of New Mexico, do hereby certify  
6 that the foregoing and attached Transcript of Hearing before  
7 the New Mexico Oil Conservation Commission was reported by  
8 me and that the same is a true and correct record of the said  
9 proceedings, to the best of my knowledge, skill, and ability.

10 *Richard Sturges*  
11 Court Reporter

22 Do hereby certify that the foregoing is  
23 a complete record of the proceedings in  
24 the Bernalillo hearing of Case No. 4633  
25 heard by me on 1-15-51, 1951.  
*Richard Sturges*, Examiner  
New Mexico Oil Conservation Commission