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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

EXAMINER HEARING

IN THE MATTER OF:

Application of El Paso Natural Case 9798
Gas Company for amendment
of Division Order R-6175, as
amended, Eddy County, New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

November 15, 1989

ORIGINAL

A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Divison
State Land Office Building
Santa Fe, New Mexico

1 HEARING EXAMINER: We'll call this hearing
2 to order this morning for Docket 33-89. Go ahead and
3 call the continuances and dismissals first.

4 Call case 9798.

5 MR. STOVALL: Application of El Paso
6 Natural Gas Company for an amendment of Division Order
7 No. R-6175 as amended, Eddy County, New Mexico.

8 Applicant requests this case be dismissed
9 at this time.

10 HEARING EXAMINER: Case 9798 is hereby
11 dismissed.

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CERTIFICATE OF REPORTER

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STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I caused my notes to be transcribed under my personal supervision; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL November 25, 1989.

Deborah O'Bine
DEBORAH O'BINE
CSR No. 127

My commission expires: August 10, 1990

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9798, heard by me on November 15, 1989.

David R. Catant, Examiner
Oil Conservation Division

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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

EXAMINER HEARING

IN THE MATTER OF:

Application of El Paso Natural Gas Case 9798
Company for amendment of Division
Order No.4-6175, as amended, Eddy
County, New Mexico.

ORIGINAL

TRANSCRIPT OF PROCEEDINGS

BEFORE: VICTOR T. LYON, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

November 1, 1989

A P P E A R A N C E S

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FOR THE DIVISION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico

FOR THE APPLICANT:

JOHN F. NANCE
Attorney at Law
El Paso Natural Gas Company
P.O. Box 1492
El Paso, Texas 79978

I N D E X

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1 HEARING EXAMINER: We'll call the next
2 case, 9798.

3 Case 9798: Application of El Paso Natural
4 Gas Company for amendment of Division Order
5 No. R-6175, as amended, Eddy, County, New Mexico.

6 Appearances?

7 MR. NANCE: Mr. Hearing Examiner, my name
8 is John Nance. I'm an in-house attorney for El Paso
9 Natural Gas Company. For purposes of this hearing,
10 I'm associated with the Santa Fe firm of
11 Montgomery & Andrews and Perry Pearch of that firm.
12 We will be submitting a letter to you this morning
13 indicating that association for this hearing.

14 HEARING EXAMINER: All right. We would
15 appreciate that. Are there other appearances?

16 You may proceed, Mr. Nance.

17 MR. NANCE: Mr. Hearing Examiner, El Paso
18 has one witness who needs to be sworn in.

19 HAROLD L. KENDRICK

20 The witness herein, after having been first
21 duly sworn upon his oath, was examined and testified
22 as follows:

23 DIRECT EXAMINATION

24 BY MR. NANCE:

25 Q. Will you please state your name and

1 place of residence.

2 A. I'm Harold L. Kendrick from El Paso, Texas.

3 Q. By whom are you employed and in what
4 capacity?

5 A. I'm employed by El Paso Natural Gas Company
6 as a conservation engineer in the state conservation
7 relations department.

8 Q. Are you familiar with El Paso's application
9 in this hearing?

10 A. Yes, I am.

11 Q. Generally, what is it that El Paso is
12 asking for in this hearing?

13 A. El Paso is seeking permission to report all
14 volumes in or out of the Washington Ranch storage area
15 as the volume measured by one meter for the gas going
16 into the reservoir and the volume measured by one
17 meter for the the gas coming out of the reservoir.

18 Q. Mr. Kendrick, were you a witness at the
19 hearing establishing the Washington Ranch storage area
20 in case No. 6703 before the Commission?

21 A. No, sir, I was not.

22 Q. Have you previously testified before the
23 division or the commission and had your qualifications
24 made a matter of record?

25 A. Yes, I have.

1 MR. NANCE: Mr. Examiner, I tender
2 Mr. Kendrick as an expert witness in this case.

3 HEARING EXAMINER: Mr. Kendrick is
4 considered to be qualified.

5 MR. NANCE: Thank you sir.

6 Q. Mr. Kendrick, a moment ago I asked you,
7 generally, what El Paso is seeking in this hearing.
8 Could you please elaborate on your answer.

9 A. Yes, sir. In case 6703, when we first
10 established the Washington Ranch Storage Project, we
11 presented testimony that all gas going into the
12 storage area would be measured by utilizing gas flow
13 meters on each individual well. And in the removal of
14 gas from the storage area, we would measure the gas by
15 use of meters on each individual well. The total
16 volume reported as gas into the storage or removed
17 from storage could be taken as the sum of volume
18 recorded for each meter.

19 Q. Now, are El Paso's plans something
20 different from this?

21 A. Yes. Our present plans call for the
22 measurement by one meter for all gas going into the
23 storage area, and the withdrawal volume being recorded
24 on one meter as a total volume. This volume would
25 then be reported to the NMOCD on Form C-131A

1 Q. Mr. Kendrick, in your opinion, will this
2 measurement on one meter tend to increase the accuracy
3 of the measured volume?

4 A. Yes, sir. It should have the potential of
5 increasing the accuracy of the total measured volume.

6 Q. And how might that accuracy then be
7 increased?

8 A. Instead of having 21 individual meters
9 measuring the volume that would then be totalled, we
10 would measure volume on one meter, and it would be
11 easier to maintain the accuracy of one meter at all
12 times than it would be to maintain accuracy on all 23
13 meters -- 21 meters.

14 Q. How are the volumes reported to the
15 division at the present time?

16 A. El Paso lists each withdrawal injection
17 well and the storage area by number on the NMOCD form
18 C-131A. It shows a total volume in and out for each
19 well, and then shows the total monthly volume for the
20 storage area.

21 Q. Mr. Kendrick, is there a question or a
22 discrepancy as far as the form number is concerned?

23 A. I don't know that it's exactly a
24 discrepancy but in the present order, Order
25 No. R-6175, it is specified that reports be made on

1 NMOCD form number C-131. Since that order was written --
2 since R-6175 was written, statewide Rule 1131 has been
3 rewritten, creating form C-131A and form C-131B.

4 We will be making our report on form
5 C-131A, but we would not be listing wells by number.
6 We will be showing the total volume only.

7 Q. Is El Paso's proposal here consistent with
8 the rules of the NMOCD governing the reporting of
9 volumes of gas injected into and withdrawn from
10 storage, specifically Rules 405 and 1131?

11 A. Yes, sir, I believe it is. Rule 405 states
12 to meter and report monthly in and out volumes from
13 the storage area. That we would continue to do as one
14 total volume in, one total volume out on a per monthly
15 basis.

16 Q. Does Rule 405 specifically require
17 reporting storage volumes by well?

18 A. Rule 405 does not require reporting by
19 individual well, but it refers to Rule 1131. Under
20 Rule 1131 it refers to form C-131A as a storage
21 reporting form. And on that form a place is provided
22 to list well names and numbers, and this is the part
23 that we are asking permission to report only total
24 volume in and total volume out.

25 Q. Mr. Kendrick, at the present time is there

1 gas metering equipment on each of the Washington Ranch
2 storage wells?

3 A. Yes, there is.

4 Q. Are there any plans for removal of this
5 equipment?

6 A. At the present time, there are no plans to
7 remove that equipment. We plan to leave the equipment
8 on each individual well. The equipment that is
9 presently there is not necessarily suitable for use at
10 other normal gas well locations, so it would just be
11 left at that location and, supposedly, mothballed for
12 the time.

13 Q. If the order that El Paso is seeking in
14 this case were granted and that at some time in the
15 future there was determined to be a need for use of
16 individual measurement equipment, could this equipment
17 be returned to service to monitor the flow into or out
18 of any of the wells?

19 A. Yes, sir, it could.

20 Q. Mr. Kendrick, would you tell the Examiner
21 some of the reasons for wanting to change the
22 measurement procedure for the Washington Ranch storage
23 area?

24 A. Under the proposed change, we can change
25 flow from into the reservoir to withdrawal from the

1 reservoir almost immediately, according to demand, by
2 using only one meter measuring in and one meter
3 measuring out.

4 Presently, when we get a notification to
5 change direction of flow, we go to every well, change
6 every chart on every meter; change the manifolding on
7 every meter on every well, so that we can measure that
8 volume on the well. This is sometimes a delay in the
9 prospective changing direction of flow, and this would
10 avoid that delay.

11 There is a certain amount of savings that
12 could be obtained by El Paso Natural Gas by not having
13 to supply charts to all the wells at every change in
14 flow rate -- in flow direction, and by leaving the
15 existing meters on the wells that they would be ready
16 for anytime that we had a partiucular project or
17 wished to desire specific information, we could use
18 the meter on that well to determine the flow rates in
19 or out of the well.

20 Q. In terms of protection of rights of owners
21 of interest in the storage project area, is there any
22 reason why volumes must be determined separately for
23 each well?

24 A. Not that I'm aware of.

25 Q. Why is that, Mr. Kendrick?

1 A. Well, as the storage area was put together,
2 the area was delineated to where each owner had a
3 percentage of that reservoir, according to the acres
4 in his ownership, or the lease that we obtained from
5 him for the acres provided in the reservoir. So, his
6 interest is accounted for as a part of the whole
7 interest of the reservoir, according to the figures of
8 ownership of each individual person or entity as State
9 of New Mexico or federal ownership.

10 Q. With this condition in mind, are you saying
11 that there's no specific interest that has to be
12 protected by separate volume measurement on a per well
13 basis?

14 A. Yes, sir, that is correct.

15 Q. In your opinion, Mr. Kendrick, will what
16 you're proposing prevent waste and protect correlative
17 rights?

18 A. In my opinion, this will protect
19 correlative rights and prevent waste.

20 Q. Do you have anything further you would like
21 to present in this case?

22 A. No, sir.

23 MR. NANCE: Mr. Examiner, I would tender
24 the witness for any cross-examination.

25 HEARING EXAMINER: Do you have any have

1 questions?

2 MR. STOVALL: No.

3 DIRECT EXAMINATION

4 BY HEARING EXAMINER:

5 Q. Mr. Kendrick, could you specify what
6 language in Order R-6175 needs to be changed?

7 A. I don't know of specific language in that --
8 the reason we asked for this to come to hearing was so
9 that we could retrace our steps in stating we would
10 measure individually each well flow when we first set
11 this up. And now we wish to withdraw that statement,
12 saying, "No, we will measure total volume in, total
13 volume out." That's the main part of it.

14 Q. The basic order, as I understand it through
15 some research since receiving your application,
16 indicates that there have been two amendments to the
17 order, but both of those amendments merely added wells
18 or acreage to the storage project and did not impact
19 on the rules under which you're operating and the
20 authority under which you're operating. I'm having a
21 little problem determining just exactly what the order
22 you're requesting should provide.

23 A. That was difficult for us also. As I
24 mentioned, to retrace our steps to say that we wish
25 not to measure on individual wells, giving us this

1 lesser amount of time required to reverse flow or
2 change direction flow in the reservoir and to be sure
3 that we are properly reporting to those people that
4 need it that these are storage wells and not
5 individual wells where the volumes have to be
6 accounted for individually.

7 HEARING EXAMINER: Right.

8 MR. NANCE: Mr. Examiner, I think in the
9 language of ordering Paragraph 7 of Order No. R-6175
10 where it now says "the applicant shall file monthly
11 division form C-131 monthly gas storage report
12 covering operations of the subject gas storage
13 project," if we could simply add to that sentence
14 something to the effect that, provided however, that
15 it is recognized that such report shall include only a
16 statement of total volumes in and out of the reservoir
17 for the month, rather than on a well by well basis as
18 required on that form. And we would also need to
19 mention form C-131A rather than 131, as it currently
20 appears in the order.

21 Q. (BY HEARING EXAMINER) You mentioned that
22 that there was a C-131B?

23 A. Yes, sir.

24 Q. What is the purpose of that form?

25 A. L.P.G. storage.

1 Q. That's L.P.G. storage?

2 A. Yes, sir.

3 Q. So C-131A is the proper form for you to
4 make that report? You say the form provides for space
5 for reporting on a per well basis?

6 A. It has had a column headed "Well Name and
7 No.," I believe.

8 MR. STOVALL: Mr. Kendrick, I think the
9 problem perhaps you're running into is that you are
10 asking to amend an order to provide for something --
11 to change something that that order requires, but it
12 really has to be read together with the general rules
13 which require gas measurement at each facility. And
14 so perhaps you're application isn't broad enough.
15 I've got some real concerns with respect to the scope
16 of your application and the information which you have
17 provided in connection with that application.

18 I think what you've done at this point is
19 lay groundwork as to why you need to do what you're
20 proposing to do. I personally don't have any argument
21 with you at the moment. I'm a little bit concerned in
22 terms of drafting an order whether the division has
23 sufficient information with which to draft an order.
24 I think just simply to loosely say that you can report
25 the withdrawals and injections into the Washington

1 Ranch Storage Project, which takes thousands of acres
2 of land in, without further information, bothers me a
3 little bit.

4 Have you done engineering work with respect
5 to this project as to the operation, the actual
6 operational aspects of how this would work? Do you
7 have schematics? Do you have anything to identify
8 where the meter -- where the gas will be measured and
9 how this system will work?

10 THE WITNESS: Yes. That system is in
11 operation. It has been through most of the 1980s.
12 And the meters that we're specifying now to measure
13 the volume in and out of the project as far as the
14 total volume is located at the plant site, which is a
15 compressor station that is utilized in putting gas
16 into the ground. And as we're taking gas out of the
17 storage area, we have dehydration facilities there,
18 and immediately downstream of that the gas is
19 available for main line conditions, and it is measured
20 as it leaves the plant location.

21 MR. STOVALL: I mean, my immediate reaction --
22 and I don't presume to speak for the Examiner -- but
23 just from the standpoint of writing an order which is
24 comprehensible and has some meaning, I am concerned
25 because we do have a rule, general rule, which

1 requires the measurement of gas at each facility. And
2 you are really, in effect, seeking exception to that.
3 Now, I admit --

4 MR. NANCE: Mr. Stovall, I think we have
5 already established in Mr. Kendrick's testimony that
6 the rule that does apply to measurement of gas in a
7 gas storage situation is Rule 405. We have not in his
8 testimony distinguished that rule from the general
9 rule on measurement which is Rule 403. And if it
10 would be helpful, we could go through the distinction
11 between those two rules and point out why we believe
12 that El Paso's application here is consistent with
13 Rule 405 and that Rule 403 simply doesn't apply. If
14 that would be helpful, I think Mr. Kendrick could go
15 into at least a little bit of detail on that point.

16 HEARING EXAMINER: May I make an
17 observation and then ask a question.

18 Mr. Nance furnished to me a sample copy of
19 form C-131A. I notice that the form was revised
20 7/1/81. Is it possible that that form was revised
21 just to accommodate El Paso's desire to measure and
22 report gas volumes by well?

23 THE WITNESS: Mr. Examiner, somewhere in my
24 notes I have the case number that called for the
25 revision of certain forms, which I got the data that

1 that was done at a time later than our original
2 application establishing the storage area. So I'm not
3 sure where that copy of form C-131A came from, but
4 there may be one with a later date than that even.

5 HEARING EXAMINER: I think this must have
6 come from the Byram report because they used that name
7 in there that they use in most of their forms where it
8 is a fictitious number, and the name is Byram, spelled
9 backwards.

10 MR. NANCE: We did not specifically look
11 into the difference between the form 131 as it was
12 originally described in the Washington Ranch Order
13 6175 and compare that to the revised form 131A. It
14 may simply be a matter of distinguishing the gas
15 storage from the L.P.G. storage, and there is no other
16 difference, then, in the form. But we don't have that
17 answer with us right now.

18 HEARING EXAMINER: Mr. Kendrick, have you
19 looked at the reporting procedures for other gas
20 storage projects to determine whether or not those
21 operators are reporting gas injected and gas withdrawn
22 by well?

23 THE WITNESS: No, sir, I have not.

24 HEARING EXAMINER: I was led to believe --
25 and I'll have to admit that I did not verify this --

1 but I was led to believe, early on, before this
2 application was filed, that all the other operators
3 were reporting just project volumes, and that only
4 El Paso was reporting by well, and that they thought
5 it was a good idea at the time, but they have decided
6 it isn't a good idea anymore.

7 THE WITNESS: We would accept that
8 statement in lieu of any order. That if the Examiner
9 would tell us just to quit reporting the way we are
10 and do it by total volume, we would be extremely
11 happy.

12 HEARING EXAMINER: That might be a better
13 way to do this. But, Mr. Nance, if you wish to have
14 an order come out of this proceeding, could you give
15 me some guidance in proposed language that we could
16 use?

17 MR. NANCE: Yes, sir. I would be happy to
18 submit a proposed order that would specifically amend
19 that particular ordering paragraph to provide what
20 El Paso is asking for.

21 HEARING EXAMINER: In my review of the
22 order I did not see anything in there that required
23 that the volumes be reported by well.

24 MR. NANCE: I think it is only the
25 reference to the form that creates that obligation by

1 implication.

2 HEARING EXAMINER: Why don't you submit
3 your proposed language and we will do further research
4 here in our files in other projects and see whether
5 this is something that we can do just by sending you a
6 letter.

7 MR. STOVALL: Mr. Examiner, I might also
8 suggest that what you might do, Mr. Nance, is -- I
9 grabbed my rule book and read Rule 405 again. And
10 looking at the form, maybe it's the form that needs
11 revision and not the order. I would perhaps recommend
12 that we take this under continuance for two weeks,
13 allow you to review what's necessary in light of
14 today's comments. I'm not sure that a change to the
15 order is going to accomplish what you want to do. It
16 may be, and again I would suggest you look at the form --
17 and we have modified our rules and deleted the
18 requirement that forms be changed by commission order
19 now, so if there is a form change, we can do so
20 administratively.

21 If you would review that, we may find that
22 the most efficient way would be to dismiss the case
23 and simply change the reporting format in some way.

24 MR. NANCE: I don't think El Paso would
25 have any problem with that, if that be would the

1 result.

2 MR. STOVALL: Right now I'm just real
3 confused as to what kind of order we would give you at
4 the moment.

5 HEARING EXAMINER: Are you proposing we
6 continue the case?

7 MR. STOVALL: Well, I'll let Mr. Nance
8 propose that. It's his case. But it's a suggestion
9 on my behalf that that might be the way to approach
10 this, is rather than take it under advisement, leave
11 it open so we can do something with it.

12 How long would it take you to go through
13 that and look at that a little more carefully?

14 MR. NANCE: Could we go off the record just
15 a minute?

16 (Thereupon, a discussion was held
17 off the record.)

18 MR. NANCE: Mr. Examiner and Mr. Stovall, I
19 believe, with your concurrence, El Paso would request
20 that the hearing be continued until the November 15th
21 hearing date, and that we submit at that time our
22 recommendation of either a proposed order or a
23 proposed revision to the form, which could then be
24 adopted by the commission.

25 HEARING EXAMINER: All right. That sound's

1 fine. Then we will continue this case to the November
2 15th Examiner Hearing.

3 MR. NANCE: Thank you, sir.

4 HEARING EXAMINER: The Witness may be
5 excused.

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I do hereby certify that the foregoing is
a complete record of the proceedings at
the Examiner hearing of Case No. 9798,
heard by me on November 1, 1989.

Victor J. Lynn, Examiner
Oil Conservation Division


1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)
4) ss.
5 COUNTY OF SANTA FE)

6 I, Diana Abeyta, Certified Shorthand
7 Reporter and Notary Public, HEREBY CERTIFY that the
8 foregoing transcript of proceedings before the Oil
9 Conservation Division was reported by me; that I
10 caused my notes to be transcribed under my personal
11 supervision; and that the foregoing is a true and
12 accurate record of the proceedings.

13 I FURTHER CERTIFY that I am not a relative
14 or employee of any of the parties or attorneys
15 involved in this matter and that I have no personal
16 interest in the final disposition of this matter.

17
18 WITNESS MY HAND AND SEAL November 20, 1989.

19
20 
21 DIANA ABEYTA
22 CSR No. 267

23 My commission expires: May 7, 1993
24
25