

NORTHWEST PIPELINE CORPORATION

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December 3, 1982

VIA FEDERAL EXPRESS

Mr. Joe D. Ramey
Division Director
New Mexico Oil Conservation Commission
State Land Office Building
Old Santa Fe Trail
Santa Fe, New Mexico 87501

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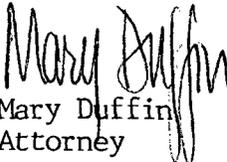
Re: Tight Sands Pricing Application of Four Corners Gas Producers
Association, N.M. Case No. 7746

Dear Mr. Ramey:

Transmitted herewith for filing are an original and three (3) copies of the comments of Northwest Pipeline Corporation ("Northwest") in the above-captioned proceeding. On November 23, 1982 I sent a telex message to you indicating that these comments would be forthcoming and that Northwest is late in filing them due to its untimely receipt of notice of the hearing in this matter. The Commission's consideration of these comments at this time is appreciated.

You will note that a certificate of mailing which indicates that a copy of the filing was mailed to the Four Corners Gas Producers Association is included in the filing. If you have questions with respect to our filing, please feel free to direct them to me at (801) 584-7051. Thank you.

Respectfully submitted,


Mary Duffin
Attorney

MD/gc

enclosures

bc: F. J. Becraft 10344
W. O. Curtis 10346
R. L. Glenn 10350
B. W. Hale 10346
D. C. Shepler 10450
J. Wayman 10466

STATE OF NEW MEXICO
BEFORE THE
OIL CONSERVATION COMMISSION

In the Matter of:)	Application of Four Corners
High Cost Gas Produced from)	Gas Producers Association,
Tight Formations)	Case No. 7746

COMMENTS OF NORTHWEST PIPELINE CORPORATION

Northwest Pipeline Corporation ("Northwest") hereby submits its comments in the captioned case. Northwest states as follows:

I.

Northwest Pipeline Corporation is a corporation organized and existing under the laws of the State of Delaware and has its principal place of business at 295 Chipeta Way, Salt Lake City, Utah, 84108. All correspondence and communications concerning these comments should be addressed to:

Mary Duffin, Esquire
Northwest Pipeline Corporation
P.O. Box 1526
Salt Lake City, Utah 84110
Telephone: (801) 584-7051

II.

Northwest is engaged in the business of producing, purchasing, importing, transporting and selling natural gas in interstate commerce. Northwest's gas transmission system extends from the gas producing areas of the San Juan Basin in New Mexico and Colorado through the states of Colorado, Utah, Wyoming, Idaho, Oregon and the state of Washington where it interconnects with the facilities of Westcoast Transmission Company Limited at the International Boundary near Sumas, Washington. The major portion of Northwest's gas is sold for resale to certain municipalities, distribution and pipeline companies in the states of Colorado, Wyoming, Nevada, Idaho, Utah, Oregon and Washington. Northwest is a purchaser of natural gas produced from the Pictured Cliffs formation located in those portions of Rio Arriba and Sandoval Counties, New Mexico, which is the subject of this case, and which is being considered by the Commission for designation as a tight formation pursuant to Section 107 of the Natural Gas Policy Act.

Northwest's comments in this case are limited to that acreage which is part of the South Blanco Pictured Cliffs and Ballard Pictured Cliffs Pools as those Pools were established by the Commission in Order Nos. R156 and R577.

Pursuant to Commission spacing order number R1670, the spacing in these Pools has been established at four (4) wells per section. Records available to Northwest indicate that of the sixty-five (65) sections or partial sections included in the South Blanco Pictured Cliffs Pool, twenty-nine percent (29%) of the sections contain the maximum number of wells drillable in the section or partial section under current spacing rules. Fifteen percent (15%) of the sections or partial sections are seventy-five percent (75%) developed under current spacing rules. Thirty-seven percent (37%) of the sections or partial sections are fifty percent (50%) developed.

Records available to Northwest indicate that of the one hundred three (103) sections or partial sections in the Ballard Pictured Cliffs Pool, forty-six percent (46%) of the wells contain the maximum number of wells drillable in the section or partial section under current spacing rules. Nine percent (9%) of the sections or partial sections are seventy-five percent (75%) developed, and four percent (4%) of the sections or partial sections are sixty-six percent (66%) developed under current spacing rules. Twenty-two percent (22%) of the sections or partial sections are fifty percent (50%) developed. In both the Ballard Pictured Cliffs and South Blanco Pictured Cliffs Pools, eighty-one percent (81%) of the sections are at least fifty percent (50%) developed.

Because of this significant degree of development within the boundaries of the South Blanco Pictured Cliffs and Ballard Pictured Cliffs Pools, Northwest submits that the Commission should carefully consider the need for an incentive price with respect to acreage located within the boundaries of the Pools. The acreage within the Pools may properly be deleted from the application and not given approval for tight sands incentive pricing, based on the significant degree of existing development of the acreage, and the fact that where the developed acreage is not yet fully developed, it may be expected to be developed in the future without incentive pricing.

Additionally, Northwest has reviewed records available to it which relate to the South Blanco Pictured Cliffs and Ballard Pictured Cliffs Pools with respect to the permeability of certain acreage contained therein. Northwest reviewed complete production histories on twenty-five (25) wells, nineteen (19) of which are located in the South Blanco Pictured Cliffs Pool, and six (6) of which are located in the Ballard Pictured Cliffs Pool. Northwest has either connected these wells to its system, or has a contract purchase interest in them. All of the wells reviewed had an initial delivery date of January, 1975 or later. Northwest discovered that of the twenty-five (25) wells reviewed, ten (10) of them, or forty percent (40%) do not meet the permeability standard of 0.1 millidarcy (md.) set down in FERC Order 99, issued in Docket No. RM79-76 (August 15, 1980). The twenty-five (25) well group had permeabilities ranging from 0.005 md. to 0.45 md., with an overall average permeability rate of 0.113 md. In view of this permeability data, Northwest submits that the acreage contained within the boundaries of the South Blanco Pictured Cliffs and Ballard Pictured Cliffs Pools may not qualify for incentive pricing pursuant to F.E.R.C. Order 99.

Northwest recognizes that the Commission stated in Order 99 that even if a formation does not meet the 0.1 permeability standard, the jurisdictional agency may still recommend the formation for tight sands pricing pursuant to N.G.P.A. Reg. section 271.703(c)(2)(ii). This regulation states that "if the jurisdictional agency makes an adequate showing that the formation exhibits

low permeability characteristics and the price established in paragraph (a) of this section is necessary to provide reasonable incentives for production of the natural gas from the recommended formation due to the extraordinary costs associated with such production" that the incentive price may still be granted even if the 0.1 permeability standard is not met. In this case, however, because of the significant degree of development in the South Blanco Pictured Cliffs and Ballard Pictured Cliffs Pools, production of gas from acreage in these Pools manifestly does not entail the incurrence of "extraordinary costs", or, presumably, the development of the Pool areas would be much more limited than it is.

III.

In view of the fact that permeability in numerous wells within the Pools on which Northwest was able to obtain information significantly exceeds the permeability standard laid down in Order 99 and because the incentive price may not be necessary in order to compensate producers for "extraordinary" costs associated with drilling in the Pool areas, Northwest urges the Commission to give careful consideration to exclusion of the South Blanco Pictured Cliffs and Ballard Pictured Cliffs Pools from tight sands incentive pricing.

Further, because of the degree of development of the Pool areas, Northwest urges the Commission to consider the underlying rationale for promulgation of the regulations which set forth the criteria applicable to receipt of tight sands incentive pricing as it considers the acreage contained in the South Blanco Pictured Cliffs and Ballard Pictured Cliffs Pools which is part of this application. In Order 99 the Commission stated that, "consumers should not be required to pay a price higher than the otherwise applicable NGPA price unless there is a reasonable basis for assuming that a higher price is necessary and will result in an increased supply of gas". Northwest submits that the existence of the large number of wells within the South Blanco Pictured Cliffs and Ballard Pictured Cliffs Pools indicates that no incentive price is necessary with respect to said acreage. Further, Northwest submits that the probability is slight that the granting of an incentive price applicable to the acreage contained in these Pools will result in an increase in gas supplies for the consuming public.

Northwest urges the Commission to carefully examine the existing degree of development and the permeability level of the acreage contained in the South Blanco Pictured Cliffs and Ballard Pictured Cliffs Pool areas of the application acreage to establish whether reliable evidence exists upon which a finding of the necessity of an incentive price with respect to said acreage can be based.

Respectfully submitted,

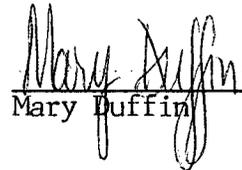
NORTHWEST PIPELINE CORPORATION



Mary Duffin, Attorney
Northwest Pipeline Corporation
Post Office Box 1526
Salt Lake City, Utah 84110
Telephone: (801) 584-7051

STATE OF UTAH)
 :
COUNTY OF SALT LAKE) ss.

MARY DUFFIN, being first duly sworn, on oath, says that she is an attorney for Northwest Pipeline Corporation; that she has read the foregoing Comments of Northwest Pipeline Corporation and that, as such Attorney, she has executed the same for and on behalf of said Corporation with full power and authority to do so; and that the matters set forth therein are true to the best of her information, knowledge, and belief.



Mary Duffin

SUBSCRIBED AND SWORN TO before me, the undersigned, this 3rd day of December, 1982.



Notary Public for and in the
State of Utah,
Residing at Salt Lake City, Utah

My Commission Expires:

10-19-83

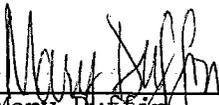
CERTIFICATE OF MAILING

I, Mary Duffin, Attorney for Northwest Pipeline Corporation, do hereby certify that on December 3rd, 1982, I mailed a copy of the attached Comments in New Mexico Oil Conservation Commission Case No. 7746 to the applicant in said case, Four Corners Gas Producers Association, by mailing a copy thereof to applicant at the following address:

Four Corners Gas Producers Association
% William F. Carr
Box 2208
Santa Fe, New Mexico 87501

postage prepaid, via the United States Mail.

DATED this 3rd day of December, 1982.



Mary Duffin
Northwest Pipeline Corporation
Post Office Box 1526
Salt Lake City, Utah 84110