



CITIES SERVICE OIL COMPANY

CITIES SERVICE BUILDING
BARTLESVILLE, OKLAHOMA

February 15, 1958

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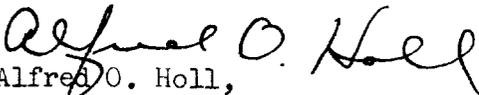
Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
107 Mabry Hall
Santa Fe, New Mexico

Re: Case No. 1327
Order No. R-1092-A

Dear Sir:

Enclosed please find Application for Re-Hearing in the above numbered case. Please acknowledge receipt and filing of said application. A self-addressed envelope is enclosed for your convenience.

Yours very truly,


Alfred O. Holl,
Attorney

AOH/mab

Enclosures

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 1327
Order No. R-1092-A

APPLICATION OF TEXAS PACIFIC COAL &
OIL COMPANY FOR AN ORDER IMMEDIATELY
TERMINATING GAS PRORATIONING IN THE
JALMAT GAS POOL; OR IN THE ALTERNATIVE,
REVISING THE SPECIAL RULES AND REGULATIONS
FOR THE JALMAT GAS POOL IN LEA COUNTY,
NEW MEXICO.

APPLICATION FOR RE-HEARING

Comes now Cities Service Oil Company, a corporation, and states to
the Commission:

(1) This Applicant is a corporation organized under the laws of the
State of Delaware and authorized to do business in the State of New Mexico
which owns and operates oil and gas leases and gas wells within the limits
of the Jalmat Gas Pool in Lea County, New Mexico.

(2) Applicant participated in, and presented testimony to the
Commission in, the hearings on the Application of Texas Pacific Coal & Oil
Company in the above styled and numbered case and as an Operator in the Jalmat
Gas Pool was affected by Order No. R-1092-A entered by the Commission under
date of January 29, 1958.

(3) Applicant believes and therefore alleges that Order No. R-1092-A
aforesaid was erroneous, illegal and is invalid and by reason thereof a
re-hearing is requested in respect to that portion of said Order which provides
that effective July 1, 1958, a deliverability factor shall be included in the
gas proration formula of the Jalmat Pool and the succeeding portions of
said Order carrying into effect the decision of the Commission that deliverability
shall be included in the proration formula subsequent to July 1, 1958, and as
grounds therefor states:

(a) The Application of Texas Pacific Coal & Oil Company in Case
No. 1327, to the extent that it sought the inclusion of a deliverability
factor in the proration formula of the Jalmat Gas Pool, constituted a collateral

attack upon Order No. 520 in Case No. 673 of this Commission entered on the 12th day of August, 1954, and therefore should not have been entertained by the Commission and cannot be made the basis of a valid Order in Case No. 1327 insofar as the inclusion of deliverability in the proration formula is concerned.

(b) The evidence introduced in this proceeding provides no basis upon which a valid order could be entered by the Commission changing the basis for the allocation of production from the Jalmat Gas Pool from a 100% acreage basis to the basis provided in Order No. R-1092-A for the reason that Order No. R-520 entered by this Commission in Case No. 673 constituted a final determination that deliverability should not be included in the proration formula of the Jalmat Gas Pool. Texas Pacific Coal & Oil Company was a party to Case No. 673 and supported the inclusion of deliverability in the proration formula, which request was considered by the Commission, and Order No. 520 was entered denying the request of said Texas Pacific Coal & Oil Company for the inclusion of deliverability in said formula. No appeal was taken by Texas Pacific Coal & Oil Company from the final decision of the Commission so ordered. On the basis of the record in this case, the Commission is without authority to modify or change the decision so reached in Case No. 673.

(c) The inclusion of deliverability in the Jalmat Gas proration formula as ordered by Order No. R-1092-A is predicated on a finding by this Commission "that the applicant has proved that there is a general correlation between the deliverabilities of the gas wells in the Jalmat Gas Pool and the gas in place under the tracts dedicated to said wells". Applicant respectfully alleges that this finding of the Commission is contrary to, and wholly without support in, the evidence and is therefore invalid and void. In further support of the grounds here alleged, Applicant attaches hereto as Exhibit "A" a vertical bar graph depicting the relationship between the recoverable gas in place under the 58 tracts which were the subject of testimony and exhibits presented by this applicant and other operators before the Commission on December 9, 1957, and the deliverability of the 58 gas wells located on said tracts. Said exhibit is based upon the testimony in the record in this case and clearly demonstrates the total absence of correlation between the deliverabilities of gas wells in the Jalmat Gas Pool and gas in place under the tracts

dedicated to said wells. If afforded an opportunity to do so, Applicant will present further evidence in this regard but asserts that on the evidence heard by the Commission it is clearly shown that no such correlation exists.

(d) The order of the Commission is invalid in that even though it be assumed that as found by the Commission it has been proved that "there is a general correlation between the deliverabilities of the gas wells in the Jalmat Gas Pool and the gas in place under the tracts dedicated to said wells" said finding provides no basis authorized by the statutes of New Mexico for modification of the pre-existing acreage formula for proration of gas produced from said pool.

(e) That the Commission has considered factors not permitted by the statutes of New Mexico in arriving at its decision which was the basis of Order No. R-1092-A. It is apparent from said Order that it was predicated in part upon, (1) a finding that the inclusion of a deliverability factor in the Jalmat proration formula would result in the production of a greater percentage of the pool allowable, and (2) that it would more nearly enable various gas purchasers to meet the market demand for gas in the Jalmat Gas Pool. Neither of said considerations provides any legal basis for the allocation of production under the statutes of New Mexico.

(f) The Order of the Commission results in economic waste in that it will require the expenditure of an excess of Sixty Thousand Dollars by this applicant to increase the deliverability of its gas wells in an effort to protect its correlative rights, although the ultimate recovery from the tracts operated by this applicant will not be appreciably increased thereby.

(g) The Order of the Commission will result in underground waste in that many of the wells in the Jalmat Gas Pool have been completed for some ten to twenty years and their condition is such that the action required of a prudent operator under the Order of the Commission will necessarily result in the underground waste of natural gas and the abuse of correlative rights of the owners of many of said wells.

(h) The Order of the Commission is invalid in that the Commission would have authority to change its existing proration order for the Jalmat Gas Pool only upon the proof by the Applicant in this case, by a preponderance of the evidence, either that waste would be reduced or eliminated or that correlative rights of the owners in the Jalmat Pool would be protected to a

greater degree by the inclusion of deliverability in said proration formula. The burden of proof so assumed by Texas Pacific Coal & Oil Company was not discharged by Applicant.

(i) Order No. R-1092-A results in irreparable injury to the correlative rights of Applicant and deprives this Applicant of its property without due process of law in this, that, it will permit production by offset operators of natural gas underlying the tracts owned by this Applicant without affording compensating counter-drainage from other adjoining tracts, and will prevent this Applicant from producing the recoverable gas in place in the Jalmat Pool underlying the tract upon which the wells of Applicant are located.

WHEREFORE, Applicant respectfully prays the Commission that a re-hearing be granted in the above styled and numbered case as to that portion of the Order and Decision of the Commission providing for the inclusion of a deliverability factor in the allocation formula of the Jalmat Gas Pool subsequent to July 1, 1958.

CITIES SERVICE OIL COMPANY

By


Alfred O. Holl,
Attorney