

*Case 5831*

# PAN AMERICAN PETROLEUM CORPORATION

P. O. Box 480, Farmington, New Mexico  
May 10, 1963

File: N-359-986.510.1

Subject: Application of Pan American  
Petroleum Corporation for an  
Emergency Order Granting an  
Exception to Rule 15 (B) of  
Order R-1670 and for a Hearing  
On an Exception to Rules 15 (A)  
and 15 (B) of Order R-1670

Mr. A. L. Porter, Jr.  
New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Dear Sir:

Attached are three copies of the application of  
Pan American Petroleum Corporation for an emergency order  
granting an exception to Rule 15 (B) of NMOCC Order R-1670  
and for an immediate hearing to consider an exception to  
Rule 15 (A) and Rule (B) of Order R-1670.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION

*T. M. Curtis*  
T. M. Curtis  
District Superintendent

GWE:en

Attach.

DOCKET MAILED  
Date 5/23/63  
12

APPLICATION OF PAN AMERICAN  
PETROLEUM CORPORATION FOR AN EMERGENCY  
ORDER GRANTING AN EXCEPTION TO  
RULE 15 (B) OF COMMISSION ORDER R-1670

A critical situation has developed in Northwest New Mexico, a situation so extremely critical that Pan American Petroleum Corporation is compelled to make this application for an emergency order and an immediate hearing before the Commission. We request that this hearing be scheduled such that the Commission may consider the evidence and testimony and still have time to act prior to the termination of the requested emergency order.

Pan American Petroleum Corporation is the sole and only producing source of gas for the Town of Farmington's electric generating plant. This is the plant that generates and provides all electricity for municipal, residential and commercial users in and around the Town of Farmington, New Mexico.

At the present time Pan American has eight Basin Dakota gas wells dedicated to serve this market. These wells are: Gallegos Canyon Unit Nos. 96, 102, 106, 107, 108, 109, 110, and 111.

The gas requirements for this generating plant have been averaging approximately 105,000 MCF per month. Through March, 1963, the allowables accruing to the above eight wells have averaged in excess of 105,000 MCF per month. Attachment No. 1 to this application is a comparison of total allowable (all eight wells) and demand for gas for Farmington's electric generating plant by months commencing with October, 1961 and running through March, 1963. This attachment vividly shows that the total allowable has been in excess of this plant's requirement.

However, in April, 1963, proration factors in the Basin Dakota Gas Pool, completely outside the control and influence of Pan American, caused a sudden and drastic reversal in this "allowable-demand" relationship. The eight wells' allowable for April instead of being in excess of 105,000 MCF was only 46,500 MCF for that month.

Pan American did not and could not anticipate a decrease of this severe magnitude. Attachment No. 2 to this application is a comparison of actual allowable (again for all eight wells) for April and May, 1963 with the actual allowables for these same two months in 1962. This shows a tremendous decline in demand for the Basin Dakota Gas Pool. Pan American in its prediction had anticipated a demand decline but nothing approaching the magnitude of decrease that has occurred, which is on the order of 68 percent. It is obvious that demand from the Basin Dakota Gas Pool has suffered an almost complete collapse.

As a result of the meager allowable received by the eight Pan American wells in April 1963, drastic overproduction has resulted in order to supply gas to the Farmington electric generating plant. As a result of this necessary overproduction, the following wells are now shut in by Commission order because they have overproduced by six times their monthly allowable. These wells are: Gallegos Canyon Unit Gas Unit, Gallegos Canyon Unit Nos. 96, 102, and 108.

Based on April rates of production, it is expected that other wells will have amassed overproduction in excess of six times their monthly allowable and be ordered shut in. It is expected that only two of the eight wells will remain on a producing status.

Immediately this drastic situation became known to Pan American, all efforts were devoted to remedying the situation through self-help methods. Recommendations were immediately prepared and approved by Pan American's Management to permit all available completed Basin Dakota wells operated by Pan American in this area to serve this plant. In addition, Pan American has authorized drilling two additional wells to be committed to this contract.

However, due to the time limitation involved in laying necessary gathering lines to the four completed and existing wells, and drilling and connecting the two new wells, it will be physically impossible for Pan American to serve this contract and the necessary municipal market without an emergency order from the Commission.

For these reasons Pan American requests (1) an emergency order be granted Pan American, providing for an exception to the provisions of Rule 15 (B) of Order R-1670 for the existing eight wells: Gallegos Canyon Unit Nos. 96, 102, 106, 107, 108, 109, 110, and 111, and (2) that an immediate hearing be scheduled before the Commission in order that Pan American's request for an exception to Rules 15 (A) and 15 (B) of Order R-1670 may be heard and considered by the Commission prior to termination of the requested emergency order. It is anticipated and Pan American is extremely hopeful that with the dedication of the additional six wells to serve this contract that we will only need the exception to Rules 15 (A) and 15 (B) until September 1, 1963.

Pan American realizes that an emergency order is an unusual request, but the factors and circumstances making such a request mandatory are also extremely essential and unusual. If the Commission grants this

request, it will permit Pan American to continue to serve this market which is so critical to the Town of Farmington. Also, it is quite obvious that the granting of this request will in no way violate the correlative rights of any owners of interest in the Basin Dakota Gas Pool. Every cubic foot of gas produced under this exception will be accounted for and all overproduction will be made up.

Respectfully submitted,

PAN AMERICAN PETROLEUM CORPORATION



T. M. Curtis  
District Superintendent

May 10, 1963

Farmington, New Mexico

ATTACHMENT NO. 1

FARMINGTON GAS SALES SYSTEM  
ALLOWABLE AND DEMAND COMPARISON

<u>Year &amp; Month</u>	<u>Total Monthly Allowable, MCF</u>	<u>Total Monthly Demand, MCF</u>
<u>1961</u>		
October	29,828 (3-2/3 wells)	110,885
November	54,885 (4 wells)	123,341
December	57,858 (4 1/2 wells)	134,047
<u>1962</u>		
January	104,577 (5-3/4 wells)	128,866
February	127,188* (6 wells)	109,536
March	162,209 (8 wells)	118,689
April	135,420	109,297
May	127,288	115,218
June	122,289	110,144
July	66,516	122,846
August	64,548*	118,669
September	82,593	106,310
October	114,976	96,916
November	117,547	97,438
December	96,987	110,138
<u>1963</u>		
January	171,233*	119,980
February	100,402	102,209
March	111,154	109,734

\*Includes Redistribution and Adjustment.

ATTACHMENT NO. 2

FARMINGTON GAS SALES SYSTEM  
COMPARISON OF APRIL AND MAY, 1963 ALLOWABLES  
WITH ALLOWABLES FOR APRIL AND MAY, 1962

<u>Month</u>	<u>1962 Allowables</u>	<u>1963 Allowables</u>
April	135,420	46,570
May	127,288	36,641