

*Entered April 26, 1972
C. L. P.*

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 4628
Order No. R-4293

APPLICATION OF CONTINENTAL OIL
COMPANY FOR AN ORDER OR ORDERS TO
ENSURE RATABLE TAKING OF GAS AND
AN EXCEPTION TO ORDER NO. R-1670,
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m., January 26, 1972, and on January 27, 1972, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 26th day of April, 1972, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Continental Oil Company, is the operator of the AXI Apache Leases, located in Township 25 North, Ranges 4 and 5 West, NMPM, Rio Arriba County, New Mexico, under leases from the Apache Indian Tribe, and has wells completed in and producing from the South Blanco-Pictured Cliffs Gas Pool.

(3) Southern Union Gas Company owns and operates a gas gathering system in the South Blanco-Pictured Cliffs Pool, Rio Arriba County, New Mexico, to which system one hundred eighteen (118) gas wells in said pool are connected including thirty-one wells owned and operated by Continental Oil Company.

(4) That the South Blanco-Pictured Cliffs Pool is a separate common source of supply of gas, as defined by the Commission, and its production is prorated pursuant to the provisions of Commission Order No. R-1670, as amended.

(5) That under the provisions of Section 65-3-15, New Mexico Statutes, Annotated, 1953 Compilation, as amended, Southern Union Gas Company is a common purchaser of gas in the South Blanco-Pictured Cliffs Pool, subject to the provisions of said Section 65-3-15, NMSA, and to the provisions of Rule 902 of the Commission's Rules and Regulations.

(6) That the applicant seeks the promulgation of the necessary order or orders that will ensure the ratable taking of gas by Southern Union Gas Company from gas wells in the South Blanco-Pictured Cliffs Pool, Rio Arriba County, New Mexico, as required by law, and by the Commission's Rules and Regulations.

(7) Applicant further seeks as an exception to the provisions of Order No. R-1670, as amended, the reclassification of certain of its wells from marginal to non-marginal status, together with authority to carry underproduction for said wells forward from balancing period to balancing period without cancellation as long as the wells remain classified non-marginal.

(8) That under the provisions of said statutes, and Rule 902, a common purchaser is required to purchase without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement of the gas, or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. Said statute further requires that a common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the Commission consistent with the act.

(9) It is the duty of the Commission to enforce the provisions of this act, and it is vested with the power, after notice and hearing, to make rules, regulations and orders for that purpose.

(10) That under the provisions of Order No. R-1670, production from the South Blanco-Pictured Cliffs Pool is prorated in order to give each operator in the pool the opportunity, insofar as practicable, to produce his fair share of the gas underlying his tract.

(11) That under the provisions of Order No. R-1670, Rule 16(b), the Secretary-Director of the Commission may reclassify a marginal or non-marginal well at any time the well's production data, deliverability data, or other evidence as to the well's producing ability justifies such reclassification.

(12) That Southern Union Gas Company's pipeline gathering system extends across some ten townships, with compressor facilities located down-stream from applicant's wells and the wells of other producers in the pool.

(13) That the compressor station for the gas gathering system is located in Section 4, Township 25 North, Range 6 West.

(14) That the Lowry section of the gathering system extends north from the compressor station to South Blanco-Pictured Cliffs wells located in Township 26 North, Ranges 6 and 7 West.

(15) That the Ballard section of the gathering system extends West and North from the compressor station to South Blanco-Pictured Cliffs wells located in Township 27 North, Range 8 West.

(16) That the Jicarilla section of the gathering system extends east from the compressor station to South Blanco-Pictured Cliffs wells located in Townships 25 and 26 North, Ranges 3, 4, and 5 West.

(17) That Continental's wells are connected to the Jicarilla section of the gathering system.

(18) That during the first nine months of 1971, monthly average pipeline pressures against which wells owned by Continental Oil Company had to produce ranged from 355 psi to 423 psi, while monthly average pipeline pressures against which wells connected to the Lowry section of Southern Union's gathering system had to produce ranged from 205 psi to 295 psi, thereby creating a pressure differential favoring said Lowry section averaging 143 psi.

(19) In October, 1971, Southern Union Gas Company installed and placed into operation approximately five miles of 12-inch loop line on the trunk of its Jicarilla section that serves Continental's wells and a substantial addition to its compressor facilities which serve Southern Union's gas gathering system in the South Blanco-Pictured Cliffs Pool, including that portion of the system to which Continental's wells are connected.

(20) That during the eight-day period ending January 9, 1972, the daily average pipeline pressures against which wells owned by Continental Oil Company had to produce ranged from 210 psi to 337 psi while the daily average pipeline pressures against which wells connected to the Lowry section of Southern Union's gathering system had to produce ranged from 165 psi to 249 psi, thereby creating a pressure differential favoring said Lowry section averaging 64 psi.

(21) That the differential in line pressure between the Jicarilla section and the Ballard and Lowry sections has been substantially reduced by installation of the loop line and additional compressor facilities.

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(22) That the wells owned by Continental Oil Company in the South Blanco-Pictured Cliffs Pool are producing from a portion of the pool having generally less sand thickness and less sand development than the wells of producers connected to the Lowry section of the gathering system.

(23) That based upon said sand thickness and sand development, there is a greater quantity of gas available from wells connected to the Lowry section of the gathering system than from the Continental wells connected to the Jicarilla section of the gathering system.

(24) That gas produced by wells belonging to Continental Oil Company will be available to Southern Union Gas Company until December 31, 1975.

(25) That gas produced by practically all wells connected to the Lowry section will be available to Southern Union Gas Company until February 1, 1984 and for so long thereafter as gas is or can be produced from one or more subject wells.

(26) That gas will be available to Southern Union Gas Company from wells connected to the Ballard section as long as gas is or can be produced from a well or proration unit on any portion of such lands or as long as any of seller's leases or leasehold rights or any renewals or extensions thereof shall remain in force and effect.

(27) That gas will be available to Southern Union Gas Company from wells connected to the Ballard and Lowry sections for a relatively longer period of time than gas will be available from Continental's wells connected to the Jicarilla section.

(28) That considering the quantity of gas available and the relative length of time such gas will be available to Southern Union Gas Company, a difference of approximately 64 psig in line pressures between the Jicarilla section and the Ballard and Lowry sections of the gas gathering system does not constitute an unreasonable difference in transportation facilities afforded.

(29) That Southern Union Gas Company takes gas from the various gas producers connected to its system in the South Blanco-Pictured Cliffs Pool in accordance with a ratable-share procedure established by Southern Union Gas Company which takes into consideration allowables assigned by the Commission.

(30) That Southern Union Gas Company is taking gas ratably from the various gas producers connected to its system in the South Blanco-Pictured Cliffs Pool.

(31) That the applicant's request for the promulgation of the necessary order or orders that will ensure the ratable taking of gas by Southern Union Gas Company should be denied.

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(32) That considering the quantity of gas available and the relative length of time such gas will be available to Southern Union Gas Company, a difference in line pressures substantially in excess of 64 psig existing between the Jicarilla section and the Ballard and Lowry sections of the gas gathering system prior to installation of the loop line and additional compression facilities constituted an unreasonable difference in transportation facilities afforded.

(33) That wells belonging to Continental Oil Company and connected to the Jicarilla section of the system would have produced more gas during the period from January 1, 1971, to date of installation of the loop line and additional compressor facilities, but for the unreasonable difference in transportation facilities afforded.

(34) That in order to afford Continental Oil Company the opportunity to produce said additional gas, the wells belonging to Continental Oil Company connected to the Jicarilla section of the gas gathering system should be reclassified non-marginal and their statuses adjusted as of January 1, 1971, and should not be subject to reclassification and cancellation until the first balancing period beginning in 1973.

(35) That the applicant's request for authority to carry underproduction for said wells forward from balancing period to balancing period without cancellation as long as said wells remain classified non-marginal should be denied.

IT IS THEREFORE ORDERED:

(1) That the application of Continental Oil Company for the promulgation of the necessary order or orders to ensure the ratable taking of gas by Southern Union Gas Company is hereby denied.

(2) That effective as of January 1, 1971, the following-described wells belonging to Continental Oil Company in the South Blanco-Pictured Cliffs Pool, Rio Arriba County, New Mexico, are hereby reclassified non-marginal and the status of each adjusted accordingly:

| Well Name | No. | Unit | Section | Township | Range |
|--------------|-----|------|---------|----------|-------|
| AXI Apache J | 1 | D | 5 | 25N | 5W |
| AXI Apache J | 2 | P | 5 | 25N | 5W |
| AXI Apache J | 3 | E | 6 | 25N | 5W |
| AXI Apache J | 5 | D | 7 | 25N | 5W |
| AXI Apache J | 6 | P | 7 | 25N | 5W |
| AXI Apache J | 7 | D | 8 | 25N | 5W |

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| Well Name | No. | Unit | Section | Township | Range |
|--------------|-----|------|---------|----------|-------|
| AXI Apache J | 8 | P | 8 | 25N | 5W |
| AXI Apache J | 10 | A | 5 | 25N | 5W |
| AXI Apache J | 11 | A | 6 | 25N | 5W |
| AXI Apache J | 12 | K | 5 | 25N | 5W |
| AXI Apache K | 2 | B | 4 | 26N | 5W |
| AXI Apache K | 3 | A | 9 | 26N | 5W |
| AXI Apache K | 4 | M | 3 | 26N | 5W |
| AXI Apache K | 5 | H | 10 | 26N | 5W |
| AXI Apache L | 1 | M | 36 | 25N | 4W |
| AXI Apache L | 2 | A | 36 | 25N | 4W |
| AXI Apache L | 3 | M | 35 | 25N | 4W |
| AXI Apache L | 4 | M | 26 | 25N | 4W |
| AXI Apache L | 5 | A | 26 | 25N | 4W |
| AXI Apache L | 6 | A | 25 | 25N | 4W |
| AXI Apache M | 1 | M | 23 | 25N | 4W |
| AXI Apache M | 3 | A | 13 | 25N | 4W |
| AXI Apache M | 4 | I | 24 | 25N | 4W |
| AXI Apache N | 1 | A | 11 | 25N | 4W |
| AXI Apache N | 3 | A | 12 | 25N | 4W |
| AXI Apache N | 4 | D | 12 | 25N | 4W |
| AXI Apache N | 5 | M | 1 | 25N | 4W |
| AXI Apache N | 6 | P | 1 | 25N | 4W |
| AXI Apache N | 7 | M | 12 | 25N | 4W |
| AXI Apache N | 8 | P | 2 | 25N | 4W |
| AXI Apache O | 1 | A | 10 | 25N | 4W |

(3) That the wells described in Order (2), above, shall be subject to reclassification and cancellation at the first balancing period beginning in January, 1973.

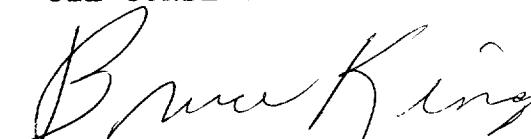
(4) That the application of Continental Oil Company for authority to carry underproduction for the wells described in Order (2), above, forward from balancing period to balancing period without cancellation as long as said wells remain classified non-marginal is hereby denied.

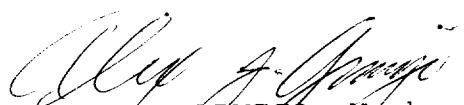
(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


ALEX J. ARMILLO, Member


A. L. PORTER, Jr., Member & Secretary

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