

Entered June 10, 1954
L.R.

125

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. 691
Order No. R-461-A

THE MATTER OF THE PETITION OF UNITED
CARBON COMPANY, INC., FOR AN ORDER OF
THE COMMISSION EXEMPTING IT AND THE
PRODUCERS OF NATURAL GAS IN THE SOUTH
EUNICE POOL FROM WHOM IT PURCHASES
NATURAL GAS, FROM THE OPERATION OF
THOSE PROVISIONS OF ORDER NO. R-368-A,
CASE NO. 582, OF THE COMMISSION AND RELATED
ORDERS, LIMITING THE PRODUCTION OF NATURAL
GAS IN THE SO-CALLED JALCO GAS POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

HERETOFORE, on March 8, 1954, the petitioner filed with the Commission its petition praying that the Commission enter its order exempting and excepting the South Eunice Pool from the operation and effect of the Special Rules and Regulations adopted by the Commission in its Order No. R-368-A in Case 582 to such extent as might be necessary to enable it to obtain from the producers of gas in said pool with whom it has existing contracts, and to enable said producers to produce from said pool and deliver to it, the full amount of 42 million cubic feet of gas per day for use by it in the manufacture of carbon black.

THEREAFTER, on April 15, 1954, the said petition came on for hearing, at which time testimony was taken, evidence was presented, and argument of counsel was heard.

NOW, on this 10th day of June, 1954, the Commission, a quorum being present, having considered the testimony, evidence, and argument of counsel adduced at said hearing, and having considered also the legal authorities submitted by petitioner to the Commission on April 30, 1954, and being otherwise fully advised in the premises,

FINDS:

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

(2) That heretofore, in 1946, the petitioner's predecessor, the Charles Eneu Johnson Company, filed its petition with the Commission praying that it be issued a permit, in lieu of or as supplemental to and amendatory to a permit theretofore issued to it on May 25, 1945, to use up to 42 million cubic feet of natural gas per day from the South Eunice Oil Pool in Lea County, New Mexico, for the manufacture of carbon black.

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(3) That thereafter, on May 8, 1946, said petition came on for hearing in Case No. 75; that thereafter, upon consideration of and as a result of the testimony adduced at said hearing, the Commission thereupon entered its Order No. 651 in said Case No. 75, providing:

"IT IS THEREFORE ORDERED THAT:

"SECTION 1: The Commission hereby grants Charles Eneu Johnson and Company its permission to use up to 42,000,000 cubic feet per day of natural gas from the South Eunice Pool for the purpose of manufacturing carbon black in said company's plant approximately eight and one-half miles south of Eunice, New Mexico, which permission is to become effective as and to the extent that said company's proposed facilities for the use of said gas shall become and be ready for the use thereof for the purpose indicated.

"SECTION 2: The order herein is in lieu of this Commission's permission granted to said company for the use of gas from said pool for carbon black manufacturing purposes dated May 25, 1945, and shall remain in effect for so long as and to the extent that the use of said gas shall not result in or constitute waste as defined in the Oil and Gas Conservation Laws of the State of New Mexico."

(4) That the "South Eunice Pool" referred to in Order No. 651, Case No. 75, was an oil pool.

(5) That contemporaneously with the making of said Order No. 651, the Commission entered its Order No. 650, which provided in substance:

"SECTION 1: No limiting gas-oil ratio shall be applied in the South Eunice Pool, inasmuch as said Pool is now primarily a gas reservoir; provided that the oil produced with the gas shall not be in excess of the current top unit allowable; and provided further that the gas produced from said pool shall be put to beneficial use so as not to constitute waste, except as to wells in said pool for which there are not facilities for the marketing or application to beneficial use of the gas produced therefrom. As to such wells the heretofore existing gas-oil ratio of 6,000 cubic feet shall apply.

"SECTION 2: The order herein is in lieu of Order 589.

"SECTION 3: The effective date of this order shall be July 1, 1946."

(6) That after the entering of said Orders No. 651 and 650 by the Commission, the Johnson Company purchased from the United States Government and the Reconstruction Finance Corporation the partially completed carbon black plant, and proceeded with the completion of said plant; that the said Johnson Company also entered into contracts with the producers of natural gas in the area recognized as comprising the South Eunice Oil Pool for the purchase from them of natural gas; that the Johnson Company constructed gathering lines for the purpose of transporting the natural gas thus contracted for to a compressor and treater plant erected by said company.

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(7) That thereafter, on February 17, 1953, after due notice and hearing, the Commission duly entered its Order No. R-264 in Case No. 245, designating, naming, and defining the gas pools of Lea, Eddy and Chaves Counties, New Mexico, including the Jalco Gas Pool in Lea County.

(8) That the lateral limits of the Jalco Gas Pool, as presently established and defined by the Commission, pursuant to law, are embraced by and included within the South Eunice Oil Pool, as defined by the Commission at the time of the entry of Order No. 651, issued in Case No. 75.

(9) That the vertical limits of the Jalco Gas Pool, as presently defined and established by the Commission pursuant to law, include the Yates formation and all but the lower one hundred (100) feet of the Seven Rivers formation; that the vertical extent of the South Eunice Oil Pool, which is still in existence, is presently defined by the Commission, pursuant to law, as the Seven Rivers formation.

(10) That on November 10, 1953, after notice and hearing, the Commission duly entered its Order No. R-368-A in Case No. 582, which established certain rules and regulations for the said Jalco Gas Pool, in Lea County, New Mexico; that said rules and regulations, as established in said order, provided for and pertained to well spacing, gas proration, gas proration units, gas allocation, balancing of production, granting of gas allowables, and reporting of production, among other things.

(11) That in considering, issuing, and applying said rules and regulations pertaining to the Jalco Gas Pool, the Commission has acted pursuant to its statutory authority to prevent the waste of gas and to protect correlative rights.

(12) That the wells from which petitioner purchases gas, under contracts with certain operators, are producing from the Jalco Gas Pool and/or the South Eunice Oil Pool; that petitioner has been unable to procure gas in the amount of 42 million cubic feet per day from operators with whom it has said contracts of purchase, due to the rules and regulations promulgated in Order R-368-A pertaining to the Jalco Gas Pool.

(13) That petitioner did not participate in Case No. 245 or Case No. 582, and did not seek rehearing of said cases.

(14) That the enforcement of the Jalco Gas Pool Rules and Regulations contained in Order R-368-A does not and has not deprived petitioner of any of its legal rights, nor has petitioner been thereby deprived of its property without due process of law.

(15) That the enforcement of said Rules and Regulations has not impaired the obligation of petitioner's contracts with producers of gas, in violation of the Fourteenth Amendment to the Constitution of the United States, or in violation of Article II, Section 18, of the Constitution of the State of New Mexico.

(16) That the Jalco Gas Pool Rules and Regulations contained in Order R-368-A apply to all gas well gas producers within the defined limits of said gas pool; that neither the petitioner nor any producers of gas within the limits of the Jalco Gas Pool is entitled to an exemption to said Rules and Regulations as prayed for in the petition.

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IT IS THEREFORE ORDERED:

That the petition of United Carbon Company, Inc., be, and the same hereby is, denied.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

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