

CASE 330: (Continued Case) Stanolind's application for proration of natural gas in the Blanco-Mesaverde Pool, San Juan County, New Mexico, and has been successively continued to permit the compilation of production data.

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TRANSCRIPT OF HEARING  
September 17, 1953

BEFORE: Honorable E. S. Walker, Land Commissioner  
Honorable R. R. Spurrier, Secretary-Director, OCC

STATE OF NEW MEXICO            )  
COUNTY OF SANTA FE           ) ss.  
  )

I HEREBY CERTIFY That the within transcript of proceedings before the Oil Conservation Commission is a true record of the same to the best of my knowledge, skill and ability.

DONE at Santa Fe, New Mexico, this 21st day of September,  
1953

*Virginia M. Chavez*  
\_\_\_\_\_  
Virginia M. Chavez  
Notary - Reporter

My Comm. Ex. :  
August 8, 1956

CASE 330: (a continued case)

(Mr. Graham reads the advertisement.)

MR. CHAIRMAN: Quilman Davis, representing Southern Union Gas Company. With the consent of Stanolind Oil & Gas Company, applicant in this case, we would like to make a statement and present the Commission information we have concerning these negotiations in the Blanco field of San Juan County and the entire San Juan Basin, whereby we think that we can work out on a voluntary basis, ratable withdrawals from those wells in the San Juan Basin. As I told the Commission in August, we were negotiating with El Paso contracts that would permit us to deliver gas to them in the Blanco field. Shortly after the first of September those contracts were completed and the contract was made between El Paso Natural Gas Company and Southern Union Gathering Company, subsidiary created by Southern Union to take over the gathering of Natural gas in a three township area in Townships 29, 30 and 31 North, Ranges 8, 9, and 10 West. Southern Union Gathering Company will take over operation of approximately 80 wells or more and eventually perhaps we'll have a hundred, connected to its systems. It in turn will deliver gas to El Paso Natural Gas Company in the field and this operation will relieve Southern Union Gas Company from the obligation to purchase based upon 1952 figures, of some 6 or 7 billion from this particular area while, in affect that represents about one-third of Southern Union Gas Company's requirements from the area during 1952. Now, with this, high falluted transaction in this case, we expect very shortly to be able to increase the withdrawals from our other

wells in the San Juan Basin area by 50%. We, of course are going to be experimenting with this for some time in an effort to work out ratable withdrawals. We feel like that it will take some time to do that.

MR. SPURRIER: Excuse me, Mr. Davis - when you say other wells in the San Juan Basin, do you mean Pictured Cliffs production in addition to Mesaverde?

A. We hope that eventually this program will make an equitable withdrawal or ratable withdrawal from all wells in the San Juan Basin. The arrangements with El Paso are general and provide that El Paso will attempt to take from us in the Mesaverde-Blanco field gas, which will in effect give a ratable withdrawal from all wells connected to Southern Union Gathering Company's system between the wells connected to the El Paso system in the entire San Juan Basin. Now, that includes Mesaverde as well as Pictured Cliffs wells. As I have stated what we have done in affect here is set up the vehicle by which the two pipeline companies are operating at the present time may make exchanges of gas in the field and thereby help a ratable withdrawal. Now, we know that this can't be done over night and I think most of the operators realize that it can't be done overnight. We are attempting to make this retroactive - this withdrawal retroactive to September 1, 1953. Further, it's possible that this gathering company will be increased as experience shows Southern Union and El Paso that additional deliveries need to be made to get ratable take. Now, there's still an awful lot of development particularly in the Mesaverde section up there and as far as we know there is no gas being

flared and we think that immediate rules of proration would be definitely inadvisable right now and we are asking the Commission to, both Southern Union and El Paso, for a year or we prefer to have it until October or November of next year as a trial period with which we can experiment with the takes and the matter of allocation to work out a ratable withdrawal.

MR. SPURRIER: Are there any questions of this gentleman?

MR. HILTZ: R. G. Hiltz for Stanolind. I would like to advise the Commission that Stanolind is in agreement with the conclusions that have been reached by El Paso and Southern Union. We believe they have a workable plan and we strongly urge the Commission to approve the request of Southern Union for at least continuance of this program until October or November of next year to determine whether or not it will ultimately represent the most feasible plan for ratable take in the field.

MR. SPURRIER: Any one else to be heard?

MR. ZINN: Frank Zinn, Attorney at Santa Fe. I represent Kingsley-Locke, King Lock & Quemado Production Companies, small independent operators in the Blanco-Mesaverde area. I wish to state in their behalf the same objections that were raised a year ago which is principally that there is not sufficient data or information to base any proper proration on our situation. The three companies have 28 wells up there, some of them are not even tied in yet. They've not completed deliverability tests up there and it is our view that any proration consideration at this time is premature by - as Mr. Davis says - a year or more.

We ask that this whole matter be deferred until such time as further development and further statistics are available and one further thing we'd like to ask in behalf of at least the independents we represent that if these negotiations by Southern Union and El Paso are to be something of record and information available to the Commission, we ask that the independent be notified of it. The small operators won't know what's happened to them until the Commission meeting next year unless we are advised. Thank you.

MR. SPURRIER: Is there anyone else to be heard?

MR. HOWELL: My name is Ben Howell. I am representing the El Paso Natural Gas Company in this matter. The El Paso Natural Gas Company concurs with Southern Union in the application for continuance for a year - a year and a month or two which would permit two six month's periods in which the two companies can work out balancing procedures on the wells that are connected.. In that connection we know of no flaring of gas taking place or waste in that area. We do know that there will be substantial work necessary out in the field in making a workable ratable take. We do know that there are dozens of wells that will be concluded within this next year, probably as many as five hundred. We do know that there are dozens of wells which the tie-in crews haven't gotten to yet and won't get to for some time, and we think that any attempt to set proration at this particular time will be premature.

MR. SPURRIER: Is there any one else?

MR. CHAIRMAN: Trevor Reese Jones representing Delhi Oil

Corporation. As you know, Delhi is one of the major producers in the Blanco-Mesaverde pool. We have been vitally concerned in the negotiations between El Paso and Southern Union and have been a party to certain of the negotiations. We have a new contract with Southern Union Gathering, dated August 31, 1953 which went into effect September 1, 1953. We are eminently satisfied with this contract and believe that it will take probably as Mr. Davis said, a year to compile data and determine whether or not there is a ratable take - that is the keynote of the contract and we are satisfied with it. We therefore, concur in the request of Mr. Davis and Stanolind for a postponement of this case until the November 1954 hearing.

MR. SPURRIER: Is there anyone else? If not, we will take the case under advisement and we will take a five minute recess.

NEW MEXICO OIL CONSERVATION COMMISSION

Regular Hearing

9:00 a.m. August 20, 1953

MR. DAVIS: Quilman Davis, representing Southern Union Gas Company. For the last several months, Southern Union Gas and El Paso Natural representatives have been conferring with each other in an effort to adjust the withdrawals of gas in the San Juan Basin.

It looks like that we have now arrived at a possible satisfactory solution to that problem there and we expect to put some plan in effect by September 1st. However, the contracts involved in this arrangement have not been signed and with the consent of the applicants, Southern Union Gas would like to request the Commission to continue this case until the September hearing, at which time, we feel certain we would be in a position to present some very definite information and some definite commitments in that area.

MR. SMITH: J. K. Smith, Stanolind Oil and Gas Company. The postponement for one month is acceptable to Stanolind. We have no objection.

MR. SPURRIER: Anyone else to be heard? Is there any objection to Mr. Davis' motion?

Without objection, the case will be continued to the regular September hearing.

Next case on the docket is Case 377.

