

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF)
SOUTHERN UNION GAS COMPANY FOR AN)
ORDER GRANTING AN EXCEPTION TO)
RULE 10 OF ORDER NO. R-520,)
PERMITTING CONTINUATION OF GAS)
PRODUCTION FROM 15 WELLS, CURRENTLY)
IN AN OVERPRODUCED STATUS, IN THE)
EUMONT GAS POOL, LEA COUNTY, NEW)
MEXICO)

CASE NO. ~~1078~~ 1078-10

APPLICATION

Southern Union Gas Company (herein referred to as "Applicant"), a Delaware corporation with its principal business office in the Burt Building, Dallas 1, Texas, hereby makes application to the Commission for an order granting an exception to Rule 10 of the special rules and regulations for the Eumont Gas Pool, Lea County, New Mexico, promulgated by the Commission under date of August 12, 1954 in its Order No. R-520, so as to permit the continued production of natural gas from 15 wells in said Pool more fully hereinafter described, each of which wells is currently in an overproduced status. In support of such application, Applicant respectfully states and shows as follows:

Applicant is the owner and operator of certain natural gas gathering facilities by means of which it purchases natural gas at the well head from 20 wells in the Eumont Gas Pool and 6 wells in other nearby Lea County gas pools. After purchase such gas is processed by Applicant whenever necessary for the removal of sulphur and other impurities, and then is transported by Applicant through its transmission pipe lines for distribution and sale by Applicant as a public utility in the southeastern New Mexico communities of Artesia, Carlsbad, Dexter, Eunice, Hagerman, Lake Arthur, Loving and Lovington, for sale to several large potash mines and refineries in Eddy County and for sale to other utility companies for distribution and resale by them in the cities of Hobbs and Roswell. In the area served by said transmission system, generally referred to herein as Applicant's Carlsbad District, natural gas service was rendered by Applicant as of December 31, 1955 to 17,044 residential, commercial and industrial consumers, and an additional 15,887 consumers were served indirectly through city gate sales to other utilities.

Including such city gate sales, Applicant's total sales of gas during 1955 in its Carlsbad District amounted to approximately 18,675,000 MCF.

Set forth below is a table indicating the wells to which this application relates (referred to herein as the "Subject Wells"), the respective volumes of gas by which such wells were overproduced as of December 31, 1955 and as of April 30, 1956, and the respective allowables granted to such wells for the month of May, 1956 by the Commission's gas proration schedule, Order No. AG-5-5.

<u>Well Name</u>	(a)	(b)	(c)	(d)
	<u>Overproduction in MCF As of 12/31/55</u>	<u>As of 4/30/56</u>	<u>Allowable in MCF for May, 1956</u>	<u>Ratio of Column (b) to Column (c)</u>
<u>Sour Gas Wells</u>				
Mapenza-Crawford #1	82,305	98,479	10,246	9.6
Mapenza-Hooper #1	67,799	96,711	10,246	9.4
Bert Field-Turner State #2	87,735	119,226	10,246	11.6
Clark Christie- Cooper #2C	81,238	98,570	10,246	9.6
Continental-State #D-11	35,364	70,129	10,246	6.8
Great Western-Bordages #1	15,600	59,352	7,685	7.7
Me-Tex Wallace #2	50,107	73,493	10,246	7.2
Me-Tex Wallace #3	75,748	84,889	5,123	16.6
Nolen et al - Williams #1	46,165	68,304	5,123	13.3
Pacific Western- State #D-1	55,499	66,815	5,123	13.0
Skelly-State #G-1	45,807	33,772	2,562	13.2
Skelly-Van Etten #9	85,450	109,425	10,246	10.7
Skelly-Van Etten #10	110,298	125,830	10,246	12.3
<u>Sweet Gas Wells</u>				
Atlantic-Coleman #1	78,141	66,106	2,562	25.8
Skelly State #B-7	<u>7,058</u>	<u>93,194</u>	<u>10,246</u>	<u>9.1</u>
<u>TOTAL</u>	924,314	1,264,295	120,392	10.5

In addition to Applicant, two other pipe line companies and four other local gatherers also are taking gas from various wells in the Eumont Pool, Applicant's purchases currently representing approximately 7% of the total volume of gas being produced therefrom. Thus, the monthly allowables for the 15 Subject Wells are determined almost exclusively by the volumes of gas being taken from the pool

by others, and only in very minor degree by the volumes of gas being taken by Applicant. This inability on the part of Applicant to exert any significant effect on the pool's allowables has continued to exist since proration was first instituted in this area. Based on the total May, 1956 nominations for the pool of 4,228,530 M.C.F., as reflected in the Commission's Order No. AG-5-5, the 1,264,295 M.C.F. of overproduction at the beginning of that month for the 15 Subject Wells represented approximately 9 days of total production from the pool. Based on May 1956 allowables fixed in the same order, such overproduction would amount to approximately 12 days of production for the pool as a whole.

Despite the inability of Applicant effectively to control the volumes of gas which it is permitted to produce from the Eumont Pool, Applicant nevertheless has been and continues to be faced with the necessity of supplying a substantial portion of its Carlsbad District customers' gas requirements from the prorated Lea County wells connected to its lines. Thus, in 1956, Applicant anticipates that its total Carlsbad District requirements will be 18.6 billion cubic feet of gas. Of this total, approximately 14.2 billion cubic feet are expected to be available from the other currently connected sources, leaving approximately 4.4 billion cubic feet to be supplied from the 26 wells to which Applicant is connected in Lea County. If the 15 Subject Wells were to be shut in until all the present overproduction of each has been eliminated, such heavy productive demands would necessarily have to be made on the remaining 11 wells that most of them would soon be in an even more seriously overproduced position than the Subject Wells are in already. Moreover, any such protracted shut-in of the 15 Subject Wells as might seem to be called for by the tabulation set forth above (an average of 10-1/2 months based on May, 1956 allowables) could scarcely fail to have a harmful effect on many of such wells, resulting in an impairment of their productive capacity which could be restored, if at all, only by costly reworking operations.

Mindful of the many unsatisfactory aspects of the situation outlined above, and in an effort to provide them with a long-term solution, Applicant's officials since the turn of the year have had several conversations with representatives of El Paso Natural Gas Company, one of the other pipe line companies taking gas from

the Eumont Pool. Both companies not only operate pipe lines out of the Lea County area, but also market substantial volumes of gas produced from the prorated fields of northwestern New Mexico. Accordingly, although no definitive form of contract has yet been prepared, arrangements have already been agreed to in principal by the two companies looking toward the delivery of substantial but as yet undetermined volumes of gas by Applicant or its subsidiary, Southern Union Gathering Company, to El Paso in northwestern New Mexico, in exchange for delivery by El Paso to Applicant of matching volumes in Lea County. Upon consummation of these proposed arrangements, Applicant believes that it will be able to begin making rapid progress toward complete elimination of the overproduction currently charged against the Subject Wells. Even following the effectiveness of such exchange arrangements, however, Applicant does not believe that the Subject Wells should be uninterruptedly shut-in until all accumulated overproduction therefrom has been eliminated, since, as mentioned above, any unrelieved shut-in of such a duration would necessarily involve considerable risk of damage to the wells.

WHEREFORE, Applicant requests that the Commission, by order entered after such hearing and upon such notice as it may prescribe, issue its order granting an exception to Rule 10 of Order No. R-520, so as to permit the continued production of natural gas from the 15 Subject Wells referred to hereinabove until a date not earlier than the end of the next full 6-month balancing period on December 31, 1956.

Because of the fact that each of the major natural gas pipe lines in the area is taking gas from several different prorated Lea County gas pools, it is submitted that the prorationing problems of any producer or pipe line company in any particular one of such gas pools cannot properly be resolved on the basis of evidence confined in its scope to that pool alone. Furthermore, in the interests of saving time for all concerned and of assisting the Commission in its efforts to arrive at solutions to Lea County prorationing problems which will be sound and workable on an area-wide basis, Applicant submits that all applications of producers or pipe line companies relating to the treatment to be accorded accumulated overproduction or underproduction of gas in Lea County during the six-month balancing period commencing July 1, 1956, should be consolidated for hearing

and considered simultaneously by the Commission; and Applicant hereby requests that a single consolidated hearing be held with respect to this and all said other applications.

Respectfully submitted,

SOUTHERN UNION GAS COMPANY

By *Scott Hughes*
Vice President

ATTEST:

A. J. Premier
Asst. Secretary

STATE OF TEXAS)
)
COUNTY OF DALLAS)

On this day personally appeared before me *Scott Hughes*, Vice President of Southern Union Gas Company, wellknown to me to be such person and officer and, being by me duly sworn, stated that as such officer he executed the foregoing application on behalf of said corporation, that he has read said application and that, to the best of his knowledge, information and belief, all statements of fact therein contained are true and correct.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office this 14th day of May, 1956.

Jay Griffin
Notary Public in and for
Dallas County, Texas

My Commission Expires:
June 4, 1957