

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. 1600
Order No. R-1462

APPLICATION OF M. A. ROMERO AND
ROBERT CRITCHFIELD CONCERNING
THE OPERATION OF GAS PRORATION-
ING IN THE BLANCO-MESAVERDE GAS
POOL IN RIO ARRIBA AND SAN JUAN
COUNTIES, NEW MEXICO, AND THE
RATABLE TAKING OF GAS FROM SAID
BLANCO-MESAVERDE GAS POOL AS
WELL AS FROM THE CHOZA MESA-
PICTURED CLIFFS GAS POOL IN RIO
ARRIBA COUNTY, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on February 18, 1959, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," and was continued from time to time until July 15, 1959, on which date the Commission considered a motion to strike certain portions of the application, which motion was filed by El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation.

NOW, on this 11th day of August, 1959, the Commission, a quorum being present, having considered the application and the motion to strike, and being fully advised in the premises,

FINDS:

(1) That due public notice has been given in this case as required by law and the Commission has jurisdiction over the general subject matter involved.

(2) That M. A. Romero and Robert Critchfield filed an application with the Commission, and subsequently filed in connection therewith a bill of particulars, alleging substantially as follows:

(a) That applicants are the owners of working interests and overriding royalty interests in certain acreage in Townships 28 and 29 North, Range 4 West, a portion of which acreage is included in the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico, and a portion of which acreage is included in the Choza Mesa-Pictured Cliffs Gas Pool, Rio Arriba County, New Mexico.

(b) That the subject acreage is included in the San Juan 28-4 Unit and the San Juan 29-4 Unit which Units are now operated by Pacific Northwest Pipeline Corporation and in which Units El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation purchase gas and own leasehold interests.

(c) That certain wells drilled in said Units by El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation have not been completed in a prudent manner in accordance with accepted practices in the pools involved, thereby impairing applicants' correlative rights.

(d) That El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation, as operators of said San Juan Units 28-4 and 29-4, and as gas purchasers from the pools involved, have failed to provide gas pipeline facilities for certain wells in the Units, thereby impairing applicants' correlative rights.

(e) That El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation, as purchasers of gas from said Units have maintained pipeline pressures at a level making it impossible for gas from these Units to be delivered into the lines at a maximum rate, thereby impairing applicants' correlative rights.

(f) That during 1958, wells in adjoining Units in which El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation purchase gas have produced more gas than wells in the subject Units, even though the wells are of comparable deliverability.

(g) That ratable taking of gas is not presently being accomplished in the Blanco-Mesaverde Gas Pool and the Choza Mesa-Pictured Cliffs Gas Pool.

(3) That El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation filed a motion to strike certain of the allegations in the application and bill of particulars on the ground that the matters complained of are not within the power of the Commission to hear and determine.

THE COMMISSION FURTHER FINDS AND STATES AS FOLLOWS:

The Commission's concern with well completion methods, for instance casing and tubing requirements, is generally limited to situations where a particular completion practice might cause the physical waste of oil or gas.

While the Commission's statutory obligation to protect correlative rights exists irrespective of whether or not an issue of waste is involved, this obligation is not absolute. To require the fracturing of the formation adjacent to a well bore is only one step removed from requiring the drilling of an offset well.

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Whether the subject wells were imprudently completed in violation of express contractual provisions or in violation of implied covenants is more properly a matter for judicial determination.

Accordingly the motion to strike that portion of the application and bill of particulars relating to well completion methods will be granted.

THE COMMISSION FURTHER FINDS AND STATES AS FOLLOWS:

Where certain wells in a common source of supply are connected to gas-gathering facilities, the correlative rights of an owner whose wells are not so connected are impaired.

Section 65-3-13(c), NMSA, 1953 Comp., attempts to alleviate this situation by providing that in prorated gas pools the Commission shall "allocate the allowable production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis and recognizing correlative rights, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well." See also Section 65-3-15(d), NMSA, 1953 Comp.

The motion to strike that portion of the application and bill of particulars dealing with the failure of the gas purchaser to connect the subject wells will be denied. The Commission will receive relevant testimony introduced to prove that the subject wells have been unreasonably discriminated against through denial of gas connections.

THE COMMISSION FURTHER FINDS AND STATES AS FOLLOWS:

Pipeline pressures of existing gas transportation facilities can be controlled in such a manner as to cause unreasonable discrimination between wells of similar pressures in one pool or between wells in different pools served by the same gas transportation facility.

Section 65-3-15(d) provides that common purchasers of gas shall purchase "without unreasonable discrimination in favor of one producer against another in the...gas transportation facilities afforded for gas of like quantity, quality, and pressure available from such wells."

The Commission does not know the extent of the evidence on pipeline pressures which applicants propose to introduce, but insofar as such evidence tends to prove unreasonable discrimination between wells of comparable pressures, it would be relevant and material. If the gas purchaser or purchasers believe that it would

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be uneconomical to purchase gas from the subject wells without discrimination due to the pressures or other conditions of such wells, they should be prepared to present evidence tending to so prove.

The motion to strike that portion of the application and bill of particulars relating to unreasonable discrimination due to excessive pipeline pressures will be denied.

THE COMMISSION FURTHER FINDS AND STATES AS FOLLOWS:

The Commission has the primary obligation under Section 65-3-15(e), NMSA, 1953 Comp., to enforce the ratable taking of gas by a common purchaser. Hence the motion to strike that portion of the application relating to the non-ratable taking of gas from the subject wells will be denied.

IT IS THEREFORE ORDERED:

1. That the motion to strike the applicants' allegations relative to well completion methods be and the same is hereby granted.

2. That the motion to strike the applicants' allegations relative to unreasonable discrimination due to denial of gas connections, relative to excessive pipeline pressures resulting in unreasonable discrimination, and relative to non-ratable taking of gas be and the same is hereby denied.

3. That this case be and the same is hereby docketed for hearing on the merits at 9 o'clock a.m., Mountain Standard Time, on September 16, 1959.

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John Burroughs
JOHN BURROUGHS, Chairman

Murray E. Morgan
MURRAY E. MORGAN, Member

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

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IN THE MATTER OF THE HEARING
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CASE No. 1600
Order No. R-1462-A

APPLICATION OF M. A. ROMERO
AND ROBERT CRITCHFIELD CONCERN-
ING THE OPERATION OF GAS PRORA-
TIONING AND THE RATABLE TAKING OF
GAS IN THE BLANCO MESAVERDE GAS
POOL IN SAN JUAN AND RIO ARRIBA
COUNTIES, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause originally came on for hearing at 9 o'clock a.m. on February 18, 1959, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," and was continued from time to time until July 15, 1959, on which date the Commission heard oral argument from interested parties on a motion to strike portions of the application, which motion was filed by El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation. By Order No. R-1462 the Commission ruled on the motion to strike and the case was docketed for hearing on the merits on September 16, 1959. Hearings on the merits were held on September 16, 1959, and October 22, 1959.

NOW, on this 12th day of November, 1959, the Commission, a quorum being present, having considered the application and the evidence adduced at said hearings, 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 applicants are the owners of working interests and overriding royalty interests in San Juan Units 28-4 and 29-4, Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico.

(3) That the wells in said Units in which applicants have an interest are owned and operated by either El Paso Natural Gas Company or Pacific Northwest Pipeline Corporation and these companies are also the purchasers of the gas from the subject wells.

(4) That the applicants alleged that El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation, as operators of the wells in the subject Units and as gas purchasers therefrom, have failed to provide gas pipeline facilities for certain of the wells in said Units, thereby impairing applicants' correlative rights.

(5) That the applicants alleged that El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation, as purchasers of gas from the wells in said Units, have maintained pipeline pressures at a level making it impossible for the gas wells in said Units to produce their fair share into the gathering lines, thereby impairing applicants' correlative rights.

(6) That the applicants alleged that El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation have failed to purchase gas from the wells in the Blanco-Mesaverde Gas Pool on a ratable basis.

(7) That the evidence adduced does not establish that any of the wells in which the applicants have an interest have been unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced. However, the San Juan Unit Well No. 12-18, located in the NE/4 of Section 18, Township 29 North, Range 4 West, was completed on August 1, 1957, and is not yet connected to a gathering system. While there is no permanent gathering system in the area, there is a temporary gas gathering line a relatively short distance to the North. The initial potential of this unconnected well was 1,117 MCF per day. Further, a request for gas allowable for this well was approved on February 13, 1958. Accordingly, El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation should make a study re-evaluating the feasibility and desirability of connecting the said San Juan Unit Well No. 12-18 to the temporary gas gathering line in the area and should furnish a summary of such re-evaluation to the Commission within 60 days.

(8) That while there is undoubtedly a relationship between pipeline pressures and gas production, the evidence presented does not prove that the wells in which applicants have an interest have been unreasonably discriminated against by the maintaining of pipeline pressures in the general area of the subject Units which are somewhat higher than in the areas closer to the gas compressor plants.

(9) That the evidence presented does not establish that El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation have failed to purchase gas in the Blanco-Mesaverde Gas Pool on a ratable basis as contemplated by the New Mexico statutes. While in some instances there has been a discrepancy in takes

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between wells of comparable pressure and deliverability, the evidence establishes that the gas purchasers in the Blanco-Mesaverde Gas Pool have attempted to avoid discrimination between comparable wells.

The Commission takes this opportunity to strongly urge that the gas purchasers in the Blanco-Mesaverde Gas Pool make every effort to keep the wells in said Pool in balance, and if such wells attain an unbalanced status during any six-month proration period to do everything possible to get the wells back in balance during the next six-month proration period in order to minimize the cancellation of under-production and the shut-in of over-produced wells.

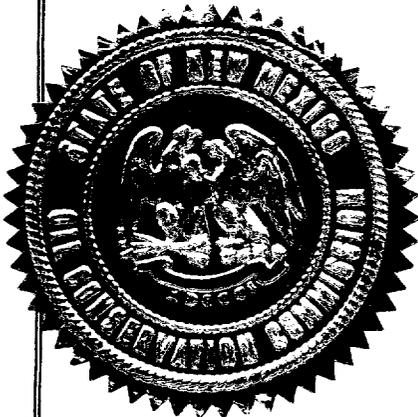
(10) That the evidence presented does not justify the granting of the relief requested.

IT IS THEREFORE ORDERED:

(1) That the relief requested be and the same is hereby denied.

(2) That El Paso Natural Gas Company and Pacific Northwest Pipeline Corporation are directed to make a joint study to determine the feasibility of connecting the San Juan Unit Well No. 12-18, located in the NE/4 of Section 18, Township 29 North, Range 4 West, Rio Arriba County, New Mexico, taking into consideration, among other things, the ability of the well to produce and the reserves underlying the tract. A summary of this study shall be filed with the Commission within 60 days after the date of this order.

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



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OIL CONSERVATION COMMISSION

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