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adv. permission granted
June 10 to June 20

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

Case No. 5264

APPLICATION OF EL PASO NATURAL GAS COMPANY
FOR AN AMENDMENT OF ORDER NO. R-1670 TO
PERMIT THE OPTIONAL DRILLING AND PRODUCTION
OF AN ADDITIONAL WELL ON PRORATION UNITS IN
THE BLANCO MESAVERDE GAS POOL OF SAN JUAN,
RIO ARRIBA AND SANDOVAL COUNTIES, NEW MEXICO,
AND TO PROVIDE FOR THE ASSIGNMENT OF ALLOWABLES
FOR SUCH ADDITIONAL WELLS AND PRORATION UNITS.

APPLICATION

El Paso Natural Gas Company hereby applies to the New Mexico Oil Conservation Commission for an order amending Order No. R-1670 to permit the optional drilling and production of an additional well on proration units in the Blanco Mesaverde Gas Pool of San Juan, Rio Arriba and Sandoval Counties, New Mexico, and to provide for the assignment of allowables for such additional wells and proration units, and in support of its application states:

1. El Paso Natural Gas Company (hereinafter referred to as "El Paso") is a Delaware corporation which is authorized to do business in the state of New Mexico.

2. El Paso is a "natural-gas company" within the meaning of the Natural Gas Act, 15 U.S.C. Sections 717 et seq., and is engaged in the business of producing, purchasing, transporting and selling natural gas in interstate commerce to distribution companies and other pipeline companies for resale and directly to industries and others for their own consumption. El Paso's interstate pipeline system extends from the Permian Basin area of west Texas and southeast New Mexico, the Texas-Oklahoma Panhandle area, the San Juan Basin area of northwest New Mexico and southwest Colorado through the states of Texas, New Mexico, and Arizona to points of termination at the boundaries between the states of California and Arizona and Arizona and Nevada.

3. El Paso produces natural gas from wells which it owns and operates in the Blanco Mesaverde Gas Pool located in San Juan, Rio Arriba and Sandoval Counties, New Mexico, which natural gas is transmitted through El Paso's interstate pipeline system. El Paso purchases natural gas which is produced through wells owned and operated by others in the Blanco Mesaverde Gas Pool, which natural gas also enters El Paso's interstate pipeline system.

4. The Blanco Mesaverde Gas Pool is governed by special rules and regulations, promulgated by the Commission in Order No. R-1670, which provide for 320-acre proration units and well locations in the NE/4 and SW/4 of each governmental section. Order No. R-1670 also provides for the assignment of an allowable to each proration unit in the pool based on the amount of acreage in the unit and the deliverability of the unit well.

5. The drilling of an additional well on the undeveloped quarter section of each 320-acre proration unit on which one well has been drilled would develop additional recoverable reserves. In order to permit and encourage the drilling of such additional wells, the Commission should amend its Order No. R-1670 in the manner stated on Exhibit "A" attached hereto, which amendment would specifically permit the drilling and production of such additional wells and would prescribe the method of assigning allowables to the proration units upon which such wells would be located. The said Exhibit "A" is incorporated by reference into and made a part of this application.

6. Approval of this application by amendment of Order No. R-1670 in the manner set forth on Exhibit "A" will substantially increase recoverable reserves and deliverability, and will permit these reserves to be produced within the useful life of production and transmission facilities, thereby preventing waste and protecting correlative rights.

7. The additional gas supply, in terms of reserves and deliverability, which would become available as the result of approval of this application is of critical importance in order that El Paso can more nearly fulfill the market demand for gas throughout its system.

Wherefore, El Paso requests that this application be set for hearing before the Commission at the earliest practicable date and that the Commission enter its order amending Order No. R-1670 in the manner stated on Exhibit "A" attached to this application.

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RULE CHANGES PROPOSED BY EL PASO NATURAL GAS COMPANY APPLICABLE TO BLANCO MESAVERDE GAS POOL AS PROVIDED IN ORDER R-1670

A. WELL LOCATION AND ACREAGE REOUIREMENTS:

Rule 2 (A) Initial wells drilled on a standard proration unit shall be located 990 feet from the outer boundary of either the Northeast or Southwest quarter of the section, subject to a variation of 200 feet for topographic conditions. Further tolerance shall be allowed by the Commission only in cases of extremely rough terrain where compliance would necessarily increase drilling costs.

Rule 2 (B) The second well authorized to be drilled on a proration unit shall be drilled in the quarter section which does not contain a well and located relative to unit boundaries as provided in Rule 2 (A).

Rule 5 (B) The Secretary-Director of the Commission shall have the authority to approve the drilling of a second well on an existing proration unit without notice and hearing when an application has been filed in due form by that unit's operator requesting permission to drill such second well.

C. ALLOCATION AND GRANTING OF ALLOWABLES:

Rule 9 When calculating the allowable for a proration unit containing two wells, in accordance with Rule 9 of the General Rules and Regulations of Northwest New Mexico, the deliverability of both wells shall be combined in calculating the "AD Factor" and the unit allowable may be produced from either or both wells.

D. BALANCING OF PRODUCTION:

Rule 15 For purposes of balancing underproduction or overproduction in accordance with Rule 15 of the General Rules and Regulations of Northwest New Mexico, both wells on a proration unit shall be considered as one well and the combined production from the two wells shall be compared against the allowable as provided for in Rule 9.

E. CLASSIFICATION OF WELLS:

Rule 16 When determining whether a unit containing two wells should be classified marginal in accordance with Rule 16 of the General Rules and Regulations of Northwest New Mexico, the production from both wells shall be compared against the allowable in determining the classification.

F. REPORTING OF PRODUCTION:

Rule 21 When reporting production in accordance with Rule 21 of the General Rules and Regulations of Northwest New Mexico for proration units on which two wells are located, the total unit production for the month shall be reported in addition to the individual well production.

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