

Case Number  
4682

Application

Transcripts

Small Exhibits

ETC.

DOCKET: SPECIAL HEARING - WEDNESDAY - MARCH 22, 1972

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL, STATE LAND OFFICE  
BUILDING, SANTA FE, NEW MEXICO

CASE 4682: Application of El Paso Natural Gas Company for amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-1670, as it pertains to the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico, to provide the following:

- A. That any operator may, at his option, drill a second well on any established proration unit in the Blanco-Mesaverde Gas Pool.
- B. That the wells on any established proration unit in the Blanco-Mesaverde Gas Pool having more than one well shall be treated as a single well for proration purposes and any reference to a well in the proration rules shall pertain to all wells on an established proration unit.
  - (1) That state deliverability test of each well shall be combined for the allowable deliverability allocation and the wells considered as a single unit for the acreage allocation.
  - (2) The production from each well shall be metered separately in compliance with Rule 403, however, the production shall be combined and reported as a single volume on Forms C-114 and C-115 and applied against the single allowable for the proration unit, and one status shall be carried for the proration unit.
  - (3) Classification of the wells on a proration unit as marginal or non-marginal shall be determined by combining the performance of all wells in the proration unit.



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMJO  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

February 24, 1972

*Class 4/682*

The Honorable Bruce King  
Governor of New Mexico  
Executive-Legislative Building  
Santa Fe, New Mexico

Dear Governor King:

El Paso Natural Gas Company has requested a hearing before all three members of the Commission on March 21, 1972. (It will probably require more than one day). The application will request permission to drill additional gas wells in the Mesaverde Pool in the San Juan Basin in order to increase the current availability of gas.

Since you have manifested great interest in our natural gas situation, I feel that your presence at this hearing is essential. If you cannot attend the hearing on March 21 and 22, please let me know by Tuesday, February 29 what other dates later in March on which you would be available.

Sincerely,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

cc: Land Commissioner Alex J. Armijo



## OIL CONSERVATION COMMISSION

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STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

JUNE 30, 1972

### M E M O R A N D U M

TO: ALL PERSONS INTERESTED IN THE BLANCO-MESAVERDE GAS POOL

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

SUBJECT: CASE 4682 - Application of El Paso Natural Gas Company for amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico.

This is official notice that the above-described case has been continued from JULY 19, 1972 to AUGUST 29, 1972. The hearing will begin at 9 a.m. in Morgan Hall, State Land Office Building, Santa Fe, New Mexico.

  
A. L. PORTER, Jr.  
Secretary-Director

ALP/ir





## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
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LAND COMMISSIONER  
ALEX J. ARMIJO  
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STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

MAY 16, 1972


### MEMORANDUM

TO: ALL PERSONS INTERESTED IN THE BLANCO-MESAVERDE GAS POOL

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

SUBJECT: CASE 4682 - Application of El Paso Natural Gas Company for amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico.

Please refer to Notice of Continuance in the above-described case and be advised that the date for arguments on all motions has been changed from 9 a.m. June 27, 1972 to 9 a.m. on June 29, 1972.

  
A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESAVERDE )  
GAS POOL THAT WILL PROVIDE FOR THE )  
OPTIONAL DRILLING OF A SECOND WELL )  
ON AN ESTABLISHED PRORATION UNIT, AND )  
FOR THE ASSIGNMENT OF ALLOWABLE FOR )  
SUCH UNIT. )

CASE NO. 4682

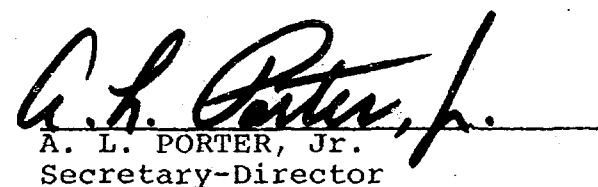
TO ALL PERSONS INTERESTED IN THE  
BLANCO-MESAVERDE POOL.

NOTICE OF CONTINUANCE

The above-described Case 4682 came on for hearing  
at 9 a.m. on May 2, 1972, before the Oil Conservation  
Commission of New Mexico, hereinafter referred to as the  
"Commission."

That the Commission, a quorum being present, and  
being fully advised in the premises, continued Case 4682.  
The Case to be heard at 9 a.m., July 19, 1972, in  
Morgan Hall, State Land Office Building, Santa Fe, New  
Mexico.

The Commission further declared that motions may  
be filed in the Case until June 1, 1972, and that  
arguments on all motions, including those which have  
already been filed, will be heard at 9 a.m. on  
June 27, 1972, in Morgan Hall, State Land Office Build-  
ing, Santa Fe, New Mexico.

  
A. L. PORTER, Jr.  
Secretary-Director

NEW MEXICO OIL CONSERVATION COMMISSION  
POST OFFICE BOX 2088  
SANTA FE, NEW MEXICO  
87501

This meeting has been called for the purpose of announcing that Case 4682, an application by El Paso Natural Gas Company which has been docketed to be heard today will be continued to the regular July hearing date of July 19, 1972, to be held in Morgan Hall, State Land Office Building, Santa Fe, New Mexico at 9 a.m.

All interested parties will be allowed until June 1, 1972 to file motions. Arguments on all motions, including those which have already been filed will be heard at 9 a.m. June 27, 1972 in Morgan Hall, State Land Office Building, Santa Fe, New Mexico.

A notice will be sent to all operators and purchasers, as well as those parties who have petitioned to intervene in the proceedings advising them as to the action here taken.

A. L. PORTER, Jr.  
Secretary-Director

May 2, 1972

NEW MEXICO OIL CONSERVATION COMMISSION  
P. O. BOX 2088  
SANTA FE, NEW MEXICO

March 15, 1972

IN THE MATTER OF THE APPLICATION OF  
EL PASO NATURAL GAS COMPANY FOR AN  
ORDER OF THIS COMMISSION ADOPTING A  
GENERAL RULE IN THE BLANCO-MESAVERDE  
GAS POOL THAT WILL PROVIDE FOR THE  
OPTIONAL DRILLING OF A SECOND WELL  
ON AN ESTABLISHED PRORATION UNIT, AND  
FOR THE ASSIGNMENT OF ALLOWABLE FOR  
SUCH UNIT.

CASE NO. 4682

The New Mexico Oil Conservation Commission will  
convene at 9:00 a.m., March 22, 1972, in Morgan Hall,  
State Land Office Building, Santa Fe, New Mexico, at  
which time Case 4682 will be continued to May 2, 1972,  
same place and time.

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A. L. PORTER, Jr.



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

MARCH 15, 1972

### M E M O R A N D U M

TO: ALL PERSONS INTERESTED IN THE BLANCO-MESAVERDE GAS POOL

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

SUBJECT: CASE 4682 - Application of El Paso Natural Gas Company for amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico.

The New Mexico Oil Conservation Commission has determined that the above-described case, set for hearing before the Oil Conservation Commission at 9 o'clock a.m. on March 22, 1972, will be continued to 9 o'clock a.m. on May 2, 1972, Morgan Hall, State Land Office Building, Santa Fe, New Mexico. This action is being taken in order to give all interested persons an opportunity to familiarize themselves with the case.

ALP/ir

dearnley, meier & mc cormick

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
MORGAN HALL, STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO  
Thursday, June 29, 1972

IN THE MATTER OF:

Motions on the Application of  
El Paso Natural Gas Company for  
amendment of the Rules and  
Regulations governing the  
Blanco-Mesaverde Gas Pool, San  
Juan and Rio Arriba Counties,  
New Mexico.

Case No. 4682

BEFORE: Governor Bruce King,  
Chairman

A. L. Porter, Jr.,  
Secretary-Director

TRANSCRIPT OF HEARING

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1 MR. PORTER: The meeting will come to order, please.  
2 This meeting this morning is called in connection with Case  
3 4682, which was first advertised to be heard on March 22nd and  
4 was later continued by the Commission to July 19th. I believe  
5 in the memorandum which accompanied our announcement of the  
6 continuance of the case, we indicated that motions, some  
7 motions, had been received at that time for intervention, and  
8 that we expected others, and that these motions would be  
9 allowed to be filed by June 1st of this year, and that a date  
10 would be set for a hearing. These motions were set down for  
11 June 27th and it was later necessary to change the June 27th  
12 date to June 29th.

13 So the purpose of this meeting here this morning is  
14 to hear these motions and arguments on the motions which we  
15 have received.

16 We have a motion from the Southern Union Gas Company  
17 in which we had a written response from El Paso Natural Gas  
18 Company. We have had motions to intervene filed by the  
19 Environmental Agency, the Public Service Commission, and the  
20 Municipal League.

21 We are going to take the motions in this order: first,  
22 Southern Union Gas Company; second, the Municipal League; and  
23 third, the Environmental Agency; and fourth, the Public Service  
24 Commission.

25 Of course, after the motions have been made and

1 argued, there will be an opportunity for response by any  
2 party who desires to do so.

3 So at this time, the Commission will recognize  
4 Governor Jack Campbell, who is representing Southern Union  
5 Gas Company. Mr. Campbell.

6 MR. CAMPBELL: Thank you, Mr. Commissioner. I would  
7 like to introduce Mr. Claude Bell of Southern Union Gas Company,  
8 Dallas, Texas, who will appear in this case with me as  
9 co-counsel. Let the record show that we are representing  
10 Southern Union Production Company, Southern Union Gathering  
11 Company, and Southern Union Gas Company.

12 It is the motion of Southern Union Gas Company to the  
13 Commission to limit and define the evidence they will receive  
14 at the hearing in this case. This motion was filed as the  
15 result of El Paso Natural Gas Company's initial response to  
16 a motion for continuance. That response made it clear that the  
17 applicant intended to offer evidence relating to a whole range  
18 of questions from production through the end use of the  
19 production wherever that end use might take place, and whatever  
20 it might be.

21 Southern Union Gas Company and Southern Union  
22 Production Company and Southern Union Gathering Company feel  
23 that to do this would go beyond the statutory jurisdiction of  
24 the Oil Conservation Commission, which confines its authority  
25 to matters relating to the prevention of waste and the protection

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1 of correlative rights and the limited number of cases which  
2 have been decided by the New Mexico Supreme Court thus far  
3 rather clearly define those in terms of the production and the  
4 gathering of oil or gas and not the purchasing, transportation,  
5 or ultimate distribution or end use of that gas.

6 As I understand the response of El Paso Natural Gas  
7 Company to our motion, they pretty largely concede that this  
8 is the case, and that in the traditional and historical pattern,  
9 any order this Commission issues in this case must be  
10 predicated upon the prevention of waste or the protection of  
11 correlative rights. The Courts have held that correlative  
12 rights must in some reasonable manner be linked with the  
13 prevention of waste in order to avoid the Commission assuming  
14 a judicial role rather than an administrative one.

15 Thus, it appears that El Paso Natural Gas Company,  
16 as I read their response, really stretches the proposition in  
17 the Continental Oil Company case or cases that, barring some  
18 intervention or something new, that that would be the situation  
19 and whatever order is issued is to be based upon the statutory  
20 authority of this Commission.

21 We would say if that is the case then that that would  
22 only serve to raise a serious question to the validity of the  
23 order whatever the findings might be, because it would be very  
24 difficult for this Commission to separate the elements over  
25 which it has clear statutory authority and those which it might

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1 be well to hear just for the purpose of hearing them.

2 El Paso Natural Gas Company's most recent response  
3 to our motion has injected a new ingredient into the matter,  
4 and that is that the statute which was recently passed  
5 establishing an environmental quality council and giving it  
6 certain responsibilities for the administration of what I  
7 suppose we might well recognize as the Environmental Policy  
8 Act, and this has in fact made it necessary for the Commission  
9 in this hearing to open the matter up for a complete review  
10 of all environmental considerations as this Commission and  
11 El Paso Natural Gas Company must know covers a range that is  
12 awesome and endless.

13 The position of Southern Union Gas Company is that  
14 it sticks by its original position that the statutory authority  
15 of this Commission is in fact limited by the statute which  
16 created and established its authority. If in fact the statute  
17 referred to in the response of El Paso Natural Gas Company is  
18 a valid statute, and if it is an operational dispute, the fact  
19 there have been no rules or regulations issued, or guidelines  
20 for direction under which this Commission can determine whether  
21 this act is applicable. If it is applicable, even though the  
22 language failed to appropriate money for its administration  
23 commencing the day after tomorrow or the next day, that is a  
24 separate matter. There is nothing in the statute that requires  
25 any hearing whatsoever, and it certainly does not say anything

1 concerning a hearing having to be held, and it doesn't say  
2 it is necessary to inject this confusing element into a hearing  
3 before the Commission.

4 Therefore, we see no reason why in this proceeding  
5 we should not be granted our motion insofar as a hearing on  
6 this application is concerned.

7 If the Commission concludes they want to go through  
8 the process of an environmental study, I suppose even if they  
9 wanted to call a hearing on that matter, I expect they could  
10 do so if they wish to accept the jurisdiction that this  
11 statute sort of indirectly is alleged to have given them.

12 Thus, Mr. Chairman, it appears that, and Mr. Morris  
13 may correct me, it appears to all intents and purposes that we  
14 are in agreement up to a point on this matter, and that point  
15 is the impact of the statute, that he refers to in his response,  
16 the impact of the Environmental Policy Act upon a hearing of  
17 this nature before an administrative agency of the State of  
18 New Mexico.

19 We have a written brief prepared which we will be  
20 happy to give to the Commission or to circulate, if Mr. Morris  
21 is generally in concurrence with our basic proposition, that  
22 may not be necessary.

23 MR. PORTER: Suppose we hear Mr. Morris' response to  
24 your arguments, and we will make a determination at that time  
25 as to whether the brief will be needed.

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1 MR. MORRIS: Mr. Porter, members of the Commission:  
2 first I would like to introduce the other members of my firm  
3 and the attorneys for El Paso Natural Gas Company who are here  
4 today. I suppose first I should formally enter my appearance.  
5 Montgomery, Federici, Andrews, Hannahs and Morris of Santa Fe,  
6 New Mexico, appearing on behalf of El Paso Natural Gas Company,  
7 and I am Richard S. Morris. John Pound of our firm is also  
8 here with me today, John, would you stand up? From the offices  
9 of the General Council of El Paso Natural Gas, we have present  
10 David T. Burleson; Mr. William Wise; and Mr. J. C. Considine.

11 Frankly, we would like to be in a position to agree  
12 completely with Southern Union Gas Company on this motion, and  
13 I would imagine the Commission would like to be in a position  
14 of agreeing with it also.

15 The departures that are thrust upon this Commission  
16 by virtue of the Environmental Policy Act represent quite a  
17 change in the issues that have been presented to this Commission  
18 and represent matters that those of us who practice before  
19 this Commission are frankly not used to dealing with. But as  
20 is so often the case, we have to adopt ourselves to new laws,  
21 new policies, new requirements that are found to be necessary  
22 in the public interest.

23 We are not arguing with the policy statements that  
24 have been made by our New Mexico Legislature when they adopted  
25 this act where they placed great importance on environmental

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1 considerations in the State of New Mexico and required all  
2 state agencies to make a detailed environmental impact  
3 statement whenever major State action of significance affecting  
4 the quality of the human environment was involved.

5 I think that this Commission, as well as all other  
6 State agencies, are going to be required to consider their  
7 actions to determine what constitutes a major State action  
8 and if they find a major State action, they will need to  
9 comply with this law. I would like to come back and say a  
10 little bit more about that later.

11 The first thing I would like to address myself to,  
12 however, is the issue, the more traditional proration issue  
13 that is involved in this matter. Governor Campbell has very  
14 accurately pointed out, both in his motion and in his argument  
15 here to the Commission today, that the Continental Oil Company  
16 case specifically comments upon the type of evidence that  
17 this Commission could consider. The type of evidence that it  
18 can consider, the type of findings that it has to make, and  
19 also the permissible limits of evidence that should be  
20 considered involving proration, spacing, and allowables.

21 In that case, the Oil Conservation Commission made  
22 an order that included the finding that inclusion of the  
23 deliverability factor in a proration formula for the Jalmat  
24 Gas Pool will result in the production of a greater percentage  
25 of the pool allowable, and that it will more nearly enable

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1 the gas purchasers in the Jalmat Gas Pool to meet the market  
2 demand for gas from said pool.

3 Now, in connection with that finding, the Supreme  
4 Court of the State did not say that this Commission could not  
5 consider evidence relating to the purchaser market demand,  
6 what it did say was that-- well, let me read what it said:  
7 "In considering finding number six--". That is the finding  
8 I just read-- "the record of the Commission furnishes us  
9 nothing upon which to base an assumption that the finding  
10 relates to the prevention of waste or to the protection of  
11 correlative rights....". Let me digress right there, there  
12 is nothing in the record of the Commission that linked the  
13 purchasers' market demand to the prevention of waste or the  
14 protection of correlative rights. I continue: "We find no  
15 statutory authority vested in the Commission to require the  
16 production of a greater percentage of the allowable to see to  
17 it that the gas purchasers can more nearly meet the market  
18 demand unless such results stem from or are made necessary by  
19 the prevention of waste or the protection of correlative rights."

20 As we stated in our response to Southern Union Gas  
21 Company's motion, that does not dictate to the Commission what  
22 issues it is limited to considering.

23 The defect of Southern Union Gas Company's motion  
24 is that it asks this Commission to prejudge the case, and it  
25 asks this Commission to say that the evidence that would be

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1 presented by El Paso Natural Gas relating to the market  
2 requirements, the demands and needs of the consumers, are not  
3 related to the prevention of waste and the protection of  
4 correlative rights. We submit this is not so. We would  
5 intend to present to this Commission evidence relating to the  
6 energy crisis; we would present to this Commission evidence  
7 that would show what the market conditions have been in the  
8 San Juan Basin and the Blanco-Mesaverde Pool in particular  
9 over the past several years. What they are now and what the  
10 present projection is for them.

11 I think it would be foolhardy for the Commission  
12 to consider granting the application in this case unless it  
13 knew that the market demand existed for the additional gas,  
14 and if the availability that will be generated by the granting  
15 of the application will result in physical waste or will result  
16 in economic waste. In leaving the Continental case, I simply  
17 suggest to the Commission that nothing in the Continental case  
18 precludes this Commission from considering market demand  
19 requirements and the needs of the consumers. Purchasers'  
20 market demands were the only requirements of the Continental  
21 case, and those matters must be related to the prevention of  
22 waste and the protection of correlative rights.

23 I think it is also significant to look at the  
24 definition of the term "waste" as is contained in the Conservation  
25 Statute that this Commission operates under. The statutory

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1 definition of waste begins with the phrase, "In addition to  
2 its ordinary meaning, shall include:", and there are various  
3 factors listed here. When we get over to paragraph E, it  
4 says: "The production in this state of natural gas from any  
5 gas well or wells, or from any gas pool, in excess of the  
6 reasonable market demand from such source for natural gas of  
7 the type produced, or in excess of the capacity of gas  
8 transportation facilities for such type of natural gas."  
9 The statute continues: "The words 'reasonable market demand',  
10 as used herein with respect to natural gas, shall be construed  
11 to mean the demand for natural gas for reasonable current  
12 requirements, for current consumption and for use within or  
13 outside the state....". Then the definition goes on from  
14 there.

15 It may be significant to this Commission that the  
16 preface to that definition of waste specifically says, "In  
17 addition to its ordinary meaning, the determination of waste  
18 will be defined by statute as follows:.....". Now, the term  
19 "waste", I would suggest may have different meanings depending  
20 upon-- may have different meanings in the petroleum industry  
21 and the natural gas industry in relation to the market conditions.  
22 The energy crisis that we find ourselves in, I think this was  
23 recognized very recently by the Interstate Oil Commission  
24 where it adopted a regulation which specifically recognized  
25 that waste may occur not only from the actions of the producers



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1 themselves, but it may result from action or inaction of  
2 state regulatory bodies or action or inaction of federal  
3 regulatory bodies which would include the Federal Power  
4 Commission.

5           These current definitions of waste that have been  
6 adopted, in view of our national energy crisis, should be  
7 kept in mind by this Commission when you consider the statutory  
8 definition which says, in addition to waste in its ordinary  
9 sense, waste will also include the various other factors of  
10 market demand and proration.

11           As part of our evidence that El Paso Natural Gas  
12 Company would present to this Commission, we had intended to  
13 present a detailed offering relating to the various curtailment  
14 plans that have been presented to the Federal Power Commission  
15 and that have been considered and that are so problematical  
16 in this State. There has never been a formal public hearing  
17 where this matter could be laid out in the State of New  
18 Mexico for full consideration by everyone concerned. We feel  
19 this is absolutely necessary for a full and adequate understanding  
20 of this plan by everyone concerned. Since developing our plans  
21 for presenting this evidence to this Commission, we have been  
22 notified by the Governor's Energy Task Force that it desires  
23 to hold such a hearing and such a hearing has been scheduled  
24 for next week, Thursday afternoon, as I understand it, at  
25 two p.m. This may alleviate the necessity for bringing these

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1 matters before this Commission as part of this case, however,  
2 I am sure that even if we have a full-blown hearing in another  
3 forum, we still need to present to this Commission some  
4 evidence relating to the curtailment of natural gas in the  
5 State of New Mexico and in the Western States in order to give  
6 this Commission the full picture of what the market demand  
7 situation is and is projected to be throughout the Western  
8 United States including New Mexico. We cannot look at the  
9 market situation in New Mexico without considering it in  
10 relationship to the other portions of this nation that are  
11 supplied, at least in part, by gas from New Mexico.

12 There are many matters relating to physical and  
13 economic waste that we will present to the Commission, all of  
14 which relate to the broad question of market demand and our  
15 national energy picture. We believe that this Commission  
16 should receive this evidence and should consider it to whatever  
17 extent it relates to the prevention and waste and the protection  
18 of correlative rights and to whatever it relates to concerning  
19 the environmental considerations that this Commission is  
20 required to make in this type of hearing.

21 I find myself, therefore, in disagreement with  
22 Governor Campbell and his motion where he suggests that this  
23 Commission should at this point limit the types of evidence  
24 and the issues to be considered in this case. I don't see how  
25 the Commission can enter an order saying it will not receive

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1 or consider evidence when, as we suggested, that evidence,  
2 even though it is far reaching, can be related to the prevention  
3 of waste and the protection of correlative rights, and even  
4 to the environmental issues that are involved here.

5 Coming back for a moment to the New Mexico laws  
6 relating to environmental policy, it is true that there is  
7 nothing that requires that a hearing be held. However, the  
8 Council on Environmental Quality has suggested, even though  
9 it has not formally recommended guidelines, it has proposed  
10 guidelines which it has offered for discussion that would  
11 suggest that a hearing procedure should be followed. Certainly  
12 under federal practices, a hearing procedure has been required.  
13 I believe the leading case is the Calvert Cliffs Case in the  
14 Second Circuit and the affect of that case is to require a  
15 public forum and require a hearing type procedure for the  
16 presentation of this type of evidence. Whether that is true  
17 or not is somewhat beside the point, and the Commission is  
18 required to make this type of determination in a case that  
19 requires a hearing-- that otherwise requires a hearing.

20 I think it is only fair to the parties involved that  
21 these issues be brought out, in fact be testified to on the  
22 record and be subject to cross examination and be subject to  
23 full discussion and debate. After that occurs, it is possible  
24 that the Commission could determine this is not a major action  
25 requiring an environmental statement, or it could make the

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1 finding that an environmental statement is required and this  
2 Commission could make one based upon the evidence presented  
3 in the case.

4 We would respectfully request that the Commission  
5 deny Southern Union Gas Company's motion. This, of course,  
6 does not reflect on the Commission's determination one way  
7 or the other upon the merits of this case, but simply allows  
8 all interested parties to present the evidence that relates  
9 to the issues in this case and thus make this a full and fair  
10 and complete hearing.

11 With that, I conclude. Thank you.

12 MR. PORTER: Mr. Morris, are you taking the  
13 position that the environmental issue should be considered  
14 in determining whether one well or two wells should be allowed  
15 on a 320-acre unit in the Blanco-Mesaverde Gas Pool or whether  
16 you should have to add deliverability over any of the other  
17 issues here raised in your application?

18 MR. MORRIS: Mr. Porter, we believe that the  
19 environmental issue can be grouped severally as follows: there  
20 is the issue of the physical impact of the application. If the  
21 application is granted, it would permit the drilling of  
22 approximately two thousand additional wells in the Blanco-  
23 Mesaverde Gas Pool. Obviously, this is a physical impact.  
24 Of course, it is also obvious that drilling would occur and  
25 pipe line and other related equipment would be installed in

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1 an area that is already heavily impacted with gas wells and  
2 production equipment. We believe that the physical  
3 environmental impact of this may well be determined to be  
4 negligible, however, this is a consideration that must be  
5 made by the Commission. So the physical impact of the  
6 application is one consideration. We believe there is an  
7 environmental consideration beyond that, however, going  
8 beyond that to the matters of gas supply, gas availability,  
9 and the availability of gas as a clean fuel for this State  
10 and for our consumers also in other states.

11 MR. PORTER: Are you suggesting we should consider  
12 the environment in California or some other final destination  
13 point?

14 MR. MORRIS: Only insofar, Mr. Porter, as it relates  
15 to the total market that is being supplied by this gas. I  
16 think it is obvious, and everyone has read in the newspaper,  
17 that a great deal of this gas is going to California. However,  
18 it is also obvious that this gas from this field will be  
19 supplied to El Paso Natural Gas Company's entire system and  
20 may make gas that is coming into New Mexico from Texas more  
21 available in the State of New Mexico. These are interrelations  
22 that I don't want you to accept my word for, but we want to  
23 show by evidence because we think that this will have an  
24 environmental impact upon the State of New Mexico and should  
25 be considered by this Commission.

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1 MR. PORTER: Do you think any of this could be  
2 related to waste or correlative rights?

3 MR. MORRIS: Yes, sir. I think the concept of  
4 waste must be considered very broadly these days by State  
5 Conservation Agencies throughout the country and the concept  
6 of waste has to be viewed in view of current conditions and  
7 not conditions that existed at the time when there was an  
8 overabundant supply, because this is simply not true today.

9 MR. PORTER: Do you think this application could  
10 be denied or granted on the basis of the impact it might have  
11 on the environment? Does the Commission have that authority?

12 MR. MORRIS: Technically, no. I think the  
13 requirements, both of the National Environmental Policy Act  
14 and the State Act, which is closely patterned on the National  
15 Act, simply requires this Commission to consider these matters  
16 in making its determination. Both the National Act, and I'm  
17 assuming the State Act, of course, we have no decision on the  
18 State Act, but the National Act is a procedural act which  
19 requires the agencies to look at environmental issues and be  
20 cognizant of them, but does not require or set standards for  
21 agencies to then act on the substance of the matter before  
22 them and grant or deny on environmental grounds. I feel this  
23 is, however, an area that is still developing in the law, and  
24 frankly, it would not surprise me if we have a decision sooner  
25 or later that says that the law requires you to consider

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1 these matters rather than merely mentioning you should be  
2 thinking of them at the time you make your decisions.

3 MR. PORTER: Is it your feeling that whatever order  
4 is issued should discuss the environmental factors?

5 MR. MORRIS: I think that the order could be phrased  
6 in several ways. The order could contain a section relating  
7 to environmental matters or the order could simply refer to  
8 the environmental report that the Commission would make as  
9 a part of its determination in the case. I think one way or  
10 the other, once the Commission determines if this is a major  
11 State action significantly affecting the environment, then it  
12 has to make a detailed report considering all the factors  
13 set forth in the statute. Whether it does in the order or in  
14 a separate document is simply a matter of form.

15 MR. PORTER: But in the event that we did have a  
16 discussion of the findings in the order, you still do not  
17 feel that we could either deny or grant the request of the  
18 applicant here based on environmental factors?

19 MR. MORRIS: I think that is correct. I would have  
20 to say that it would be my opinion based upon current case  
21 development in this area.

22 MR. PORTER: Would you have taken this same position,  
23 Mr. Morris, as to the issues of curtailment and gas supply?

24 MR. MORRIS: We believe the issues relating to  
25 curtailment and gas supply relate to the environmental issue.

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1 MR. PORTER: And you think also you could relate  
2 those issues to correlative rights and the prevention of  
3 waste?

4 MR. MORRIS: Yes, sir, particularly the presence  
5 of waste.

6 MR. PORTER: Thank you.  
7 Governor Campbell?

8 MR. CAMPBELL: Mr. Chairman, a couple of general  
9 observations. First, I don't think anyone is more painfully  
10 aware of the energy crisis than the members of this Commission  
11 or Southern Union Gas Company. Certainly insofar as those  
12 involved in the energy field are concerned, there has been  
13 an awareness of this to some degree for some time. If this  
14 Commission is to become a forum in some fashion for a  
15 discussion of the national requirements for natural gas and  
16 other energy fuels, which I assume could be brought into the  
17 picture at such a hearing, I would personally rather enjoy  
18 the experience provided I could get my client to support me  
19 for the length of time I suspect it would take. That is  
20 really the question here. Is this the proper forum? Is this  
21 hearing the place for this to be done based upon this  
22 application that is in question?

23 As to the question of whether an environmental  
24 impact statement is required under this new act or how the  
25 Commission wishes to go about developing an environmental



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1 impact statement seems to me to be a separate issue. We are  
2 not asking the Commission to rejudge in this matter, we want  
3 to know what the rules are and whether we are going to be  
4 confronted with massive evidence that involves the requirements  
5 of El Paso Natural Gas' entire system, which I assume is  
6 interrelated with other distribution centers. If this is  
7 going to be the case, we need to know about it if we are to  
8 be well prepared to present what we can insofar as Southern  
9 Union Gas Company's energy requirements for the future for  
10 its market. If this in fact is the proper place, in keeping  
11 with the excellent record of this Commission in terms of  
12 appeals overruling their orders, this may be subject to  
13 serious question and the Commission may be quite vulnerable  
14 if they embark on this without careful consideration of the  
15 proposition that somewhere down the road the Courts may hold  
16 that these matters are appropriate and that the authority  
17 of this Commission has been enlarged somehow by this act.

18 I am very aware of the Calvert Cliffs Case, and I  
19 regret very much it wasn't appealed, frankly, but there have  
20 been other cases since that time. I don't want to style my  
21 client as one opposed to considering environmental questions,  
22 because we are not. We want to have the case decided on the  
23 grounds that the Commission has authority to decide it, and  
24 we don't believe it ought to be confused by a lot of evidence  
25 on which it could not base a finding in the final analysis.

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1 It is true that if El Paso Natural Gas Company is able  
2 somehow to tie some of this evidence to the prevention of  
3 waste and protection of correlative rights, it will be  
4 admissible. We are not asking the Commission to say they  
5 cannot introduce such evidence in those circumstances when  
6 it becomes a question of the prevention of physical waste  
7 and the protection of correlative rights, but there is a lot  
8 of this, and at this point in time which we can not see having  
9 the remotest possibility of being tied in.

10 If you are trying to link the definition of physical  
11 waste to the authority of this Commission to prorate gas based  
12 upon production, you are striking at the very roots of the  
13 authority of this Commission to prorate gas in the first place.  
14 It seems to me that that is another road that this Commission  
15 should be very careful to avoid unless it is absolutely  
16 imperative.

17 And so it seems, Mr. Chairman and members of the  
18 Commission, that we are generally in accord here. I think  
19 they want to present all this at this hearing, and if that  
20 is what the Commission wants and feels it must do, we want  
21 to be prepared, we want to know about it before we get here.  
22 El Paso Natural Gas Company has presented this same evidence  
23 to the Federal Power Commission for years and years, and I  
24 guess they are ready. We need to get ready if that is the  
25 ruling. We are prepared to do it and I am sure there are

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1 other people in New Mexico also prepared to do it. Therefore,  
2 Mr. Chairman, while we think the Commission would be in the  
3 safest legal position to confine itself to what is clearly  
4 authorized in the statute, if they wish to go beyond that,  
5 we respectfully request that they give us the signal and we  
6 will be prepared.

7 MR. PORTER: Anyone else? Would anyone else present  
8 like to respond to either the motion or to counsel for El Paso  
9 Natural Gas Company's response to any of the questions?

10 MR. FRASER: The Environmental Improvement Agency  
11 wishes to respond.

12 MR. PORTER: At this time, are you responding to  
13 Southern Union Gas Company's motion?

14 MR. FRASER: Yes.

15 MR. PORTER: Would you state your name for the record?

16 MR. FRASER: Douglas Fraser, and I am attorney for  
17 the Environmental Improvement Agency. I hand you, Mr. Chairman,  
18 three copies of a motion limiting the evidence to waste and  
19 correlative rights. I just have a few brief comments, and I  
20 would also like to introduce Mr. David McArthur, who is also  
21 appearing on behalf of the Environmental Improvement Agency.

22 Mr. Chairman, we, of course, concur with both Southern  
23 Union Gas Company's position and El Paso Natural Gas Company's  
24 position that the primary responsibility of this Commission,  
25 by statute, is to consider waste and correlative rights. This

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1 is not to say however, that new factors have not entered  
2 into the picture at this time. We have now passed in 1971  
3 the Environmental Policy Act for the State of New Mexico  
4 contained in Section 12:20-6. In particular, I am talking  
5 in terms of considering alternatives to the proposed action.  
6 We are involved in a State action that may have a major or  
7 substantial affect on the environment of New Mexico. Now,  
8 the subject of whether this Commission has jurisdiction in  
9 considering environmental issues is not really germane. You  
10 certainly do not have jurisdiction to issue regulations on  
11 the environment and I concede that that is what the act says.

12 However, in the spirit that it has been interpreted by  
13 the Courts and other agencies dealing with the federal act,  
14 I believe what you might come out with in this State is that  
15 you are not limiting yourselves to the issues that you  
16 normally consider, the legal term is jurisdiction.

17 You are to consider not only subjects that you normally  
18 considered under waste and correlative rights, but also a  
19 new consideration that would deal with the environmental  
20 impact of these proposed changes. Your consideration of  
21 these in light of what your final decision will be is not a  
22 problem of jurisdiction, it is one of expanding one's  
23 development and one's study of problems.

24 Clearly, if there is a conflict between the statute  
25 you are under and the new statute which applies to all State

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1 agencies, then you would not be bound to follow it, but there  
2 is no conflict here at all. All the New Mexico Environmental  
3 Policy Act says is that you will consider these things, it  
4 says nothing about expanding your jurisdiction.

5 So, it is our position, as stated in our response,  
6 that you must make a determination within 12:20-6 as to  
7 whether an environmental impact statement is required that  
8 includes a determination as to whether this is a major State  
9 action which may significantly affect the quality of the  
10 human environment.

11 So far as Southern Union Gas Company's motion which  
12 would limit the evidence presented here so you could not make  
13 such a determination, that motion should be denied.

14 Finally, one observation. I think I am a bit  
15 disturbed by Southern Union Gas Company's general plea here  
16 that evidence dealing with the environment will burden this  
17 Commission. So indeed it will, but it must. This is 1972,  
18 this is not 1965, the whole tenure has changed. If there  
19 is to be any significant affect on the environment, any  
20 State organization or agency has a duty now to consider  
21 environmental factors. This is the whole thrust of the  
22 national Environmental Policy Act, and there are innumerable  
23 cases from the Federal Courts concerning the Environmental  
24 Policy Act. I think it is incumbent upon this Commission  
25 at this time in the development of law and the administrative

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1 procedures to consider environmental issues. Thank you.

2 MR. HATCH: Mr. Fraser, I might suggest that we are  
3 going backwards here. We have allowed you to proceed before  
4 hearing your arguments for intervention. So I suggest that  
5 perhaps you ought to go ahead and establish your right to  
6 intervene before stating the position of the Environmental  
7 Improvement Agency.

8 MR. FRASER: I was proceeding because the question  
9 was asked if any other person wanted to speak.

10 MR. MORRIS: If it will expedite the procedure, I  
11 might say that El Paso has no objection and intends to offer  
12 no objection to the motion of the Environmental Improvement  
13 Agency, the Public Service Commission, or the Municipal League.

14 MR. CAMPBELL: Mr. Chairman, I would like to ask  
15 your leave to correct the impression that Mr. Fraser must have  
16 obtained either because I didn't make myself clear or because  
17 he didn't understand me. I don't want Southern Union Gas  
18 Company to be cast in the role of the "black hat", which seems  
19 to be the process we are engaged in now in our society today,  
20 "black hats" and "white hats". I tried to make it clear that  
21 if this statute that is being referred to as the Environmental  
22 Quality Act is applicable, it can be applicable and can be  
23 complied with by the Commission responding in a variety of  
24 ways that do not necessarily require all of this to be  
25 introduced in this particular case. As I said, I am prepared

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1 to assume for my client our share of the burden, and I am  
2 sure the Commission has its questions, since this is the  
3 first major situation of this kind in the State. I just  
4 suspect that we ought to all be cautious and careful of how  
5 we proceed in order to avoid more than confusion, but utter  
6 chaos in my judgment.

7 MR. FRASER: I apologize if you can infer that I  
8 was casting Southern Union Gas Company in the role of "black  
9 hat". We all like our mythology, but I was not attempting  
10 to do that. All I was attempting to do is to say at this time  
11 in 1972, environmental issues really must be considered by  
12 any State agency taking an action that might have a severe  
13 affect on the environment of this State.

14 MR. HATCH: If the Commission please, I would like  
15 to ask Mr. Fraser a few questions that I think should appear  
16 in the record.

17 Is the Environmental Improvement Agency prepared to  
18 intervene?

19 MR. FRASER: Yes.

20 MR. HATCH: Does the Environmental Improvement  
21 Agency own any property in the Blanco-Mesaverded Gas Pool?

22 MR. FRASER: No.

23 MR. HATCH: Are you seeking-- is the Environmental  
24 Improvement Agency seeking more gas from the pool?

25 MR. FRASER: No.

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1 MR. HATCH: Is the Environmental Improvement Agency  
2 seeking less gas from the pool?

3 MR. FRASER: We are not seeking any particular  
4 quantity of gas from any pools in the State.

5 MR. HATCH: Is it your contention that the Environmental  
6 Improvement Agency could come before this Commission in a  
7 separate case and ask the Commission to adopt any particular  
8 spacing pattern in the pool?

9 MR. FRASER: No. Maybe I should explain our role  
10 here. If the Commission decides, as I think it is duty-bound  
11 to, to consider environmental issues, we will present the  
12 type of evidence which we feel that is germane to that issue,  
13 the environmental impact in the State. That's why we are  
14 here, to help the Commission and to expose this type of  
15 information to the public view. We have no interest but the  
16 environment of the State of New Mexico.

17 MR. HATCH: I do have some other questions that I  
18 wish to ask, and you can take all the time you wish in  
19 explaining your answers. I think there are some things that  
20 should appear in the record in case some further action is  
21 taken.

22 Is it your contention that although the Environmental  
23 Improvement Agency does not have property rights in the pool,  
24 that the public has a vital interest in the proper spacing  
25 of the wells in the pool and should be represented in this case?



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1 MR. FRASER: We are representing the public  
2 insofar as this will affect the human environment, and in  
3 that regard we will present evidence.

4 MR. HATCH: Do you think the affect upon the human  
5 environment will go to the spacing of wells?

6 MR. FRASER: It might, yes.

7 MR. HATCH: Is it your contention that because you  
8 represent a State agency, or that you are a State agency, that  
9 you have a right to intervene?

10 MR. FRASER: It has a right to present the type of  
11 evidence which is needed for full public disclosure of the  
12 effects this might have on the human environment in the State  
13 of New Mexico.

14 MR. HATCH: Is that because it is a State agency or  
15 could any individual have the same right?

16 MR. FRASER: Any individual could have the same right.  
17 I might suggest that we might have the type of expertise that  
18 would be useful in developing the issues on the human  
19 environment.

20 MR. HATCH: What would the Environmental Improvement  
21 Agency, or the public, gain or lose by the action of the  
22 Commission?

23 MR. FRASER: Well, if we are talking about whether  
24 the Commission will consider environmental issues and if they  
25 decide to do that, then we will lose nothing. If they decide

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1 not to hear the environmental issues, we would lose-- they  
2 would lose the type of evidence we will be able to present.  
3 The issue here is whether the Commission-- whether it is  
4 incumbent upon the Commission to consider environmental issues.  
5 If they do that, we are here to present the type of evidence  
6 germane to that type of evidence.

7 MR. HATCH: We are discussing your motion to  
8 intervene, so I asked the question and I don't think you have  
9 answered it, or perhaps you have. What will the Environmental  
10 Improvement Agency, or the public, gain or lose by this  
11 decision? I think that an individual coming before the  
12 Commission wishing to take part in a hearing must show how  
13 he is going to be affected by the possible decision.

14 MR. FRASER: Which decision?

15 MR. HATCH: The decision to deny or approve the  
16 application. I am trying to find out the interest that is  
17 going to be affected.

18 MR. FRASER: I'm sorry, Mr. Hatch, I apologize. I'm  
19 still not clear as to whether you are talking about the motion  
20 or our intervention.

21 MR. PORTER: I believe Mr. Hatch is concerned about  
22 the affect it would have if the Commission granted permission  
23 to drill additional wells or denied the application to drill  
24 these additional wells.

25 MR. HATCH: What gain or loss would the Environmental

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1 Improvement Agency sustain, or what gain or loss would the  
2 public sustain by the denial or granting of this application?

3 MR. FRASER: What the public will gain or lose is  
4 the evidence that we would present, the exposure. The  
5 spirit of our Environmental Policy Act is for public  
6 disclosure of this type of thing so the decision makers can  
7 make analyses as to economic benefits and judgments along  
8 with environmental benefits and detriments. What is lost  
9 is the type of evidence that we would present and the  
10 consideration of these issues.

11 MR. HATCH: Would the Environmental Improvement  
12 Agency be bound in any way by the decision made by the  
13 Commission in allowing the application or denying the  
14 application?

15 MR. FRASER: We have no jurisdiction over the matter,  
16 if that is what you are talking about. We will not be bound  
17 necessarily by the decision, but I don't really know what you  
18 have reference to when you speak in terms of "bound". Of  
19 course, we will say that El Paso's producers will be bound  
20 as to the number of wells they could have or not have,  
21 according to the Commission's decision on the proration of  
22 units. We will certainly abide by the decision of the  
23 Commission.

24 MR. HATCH: There is no way for you to be bound by  
25 any decision.

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1 MR. FRASER: That is correct.

2 MR. HATCH: Do you foresee that the Commission's  
3 decision in this case will in any way encroach upon the  
4 authority of the agency you are representing?

5 MR. FRASER: No, as long as the regulations-- our  
6 regulations are met in dealing with the environmental issues,  
7 I see no problem.

8 MR. HATCH: Do you foresee that any rule or  
9 regulation of your agency will be subject to interpretation  
10 at this hearing?

11 MR. FRASER: I don't really have any comment on  
12 that, I don't know.

13 MR. HATCH: Is it your contention that if the  
14 Commission should find waste occurring in the approval and  
15 correlative rights being affected with approval that it could  
16 deny the application because the approval might result in  
17 less gas being available to the people to the State of New  
18 Mexico?

19 MR. FRASER: Mr. Hatch, these questions are  
20 legitimate, but I feel I am being put in an unfair position.  
21 Could I respond in writing to these questions? I really  
22 don't know the legal ramifications of questions like these,  
23 and I hesitate to answer at this time. I think I have made  
24 my position fairly clear, we are here to present the type of  
25 evidence-- if the Commission feels it is germane, we will

1 present that evidence, and that's the only reason we are  
2 here.

3 MR. HATCH: I will pass the series of questions.  
4 I have one other question I would like to ask, and I am not  
5 going to force any answer here.

6 Does the Environmental Improvement Agency have the  
7 authority to prohibit the use of certain interior fuels if  
8 the use of such has an adverse affect upon the environment?

9 MR. FRASER: They have the authority right now to  
10 regulate the amount of emissions that come from the use of  
11 any fuel.

12 MR. HATCH: Would you have the authority, do you  
13 think, to pass such regulations prohibiting the use of  
14 interior fuel if it has an adverse affect on the environment?

15 MR. FRASER: I don't believe so at this time,  
16 although I am not sure. Again, I didn't expect to be put  
17 under cross examination this morning.

18 MR. HATCH: I thought that I did indicate there  
19 would be questions going to establish the right to intervene?

20 MR. FRASER: No.

21 MR. HATCH: I'm sorry.

22 MR. PORTER: I have another question or two, if you  
23 don't mind. If you don't know the answer, say you don't know.

24 MR. FRASER: It is not that I do not know, I would  
25 need time to consider the very tricky legal questions.

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1 MR. PORTER: I realize that, and I will just ask  
2 a simple question. Do you think the Commission can either  
3 grant or deny the application to drill more wells here on  
4 environmental issues? Our statute says that we must consider  
5 certain things.

6 MR. FRASER: I think I would agree with El Paso  
7 Natural Gas Company's position that as of now, the Courts  
8 have interpreted the national Environmental Policy-- the  
9 Federal Courts have interpreted it as dealing with procedural  
10 requirements.

11 MR. PORTER: You do claim that you should be  
12 allowed to intervene and if you are allowed, you will put on  
13 testimony by expert witnesses?

14 MR. FRASER: Yes.

15 MR. PORTER: Is your major concern with the  
16 environment in the physical area involved here, the horizontal  
17 limits of this pool, or are you concerned with the affect  
18 it might have on the whole State of New Mexico, or the State  
19 of California?

20 MR. FRASER: I think primarily our concern is the  
21 State of New Mexico. We are concerned about the affect that  
22 this might have in the long run, but our immediate concern  
23 is the affect it might have on the environment of the State  
24 of New Mexico and the fact that this reservoir might be used  
25 up quicker.

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1 GOVERNOR KING: In other words, you are not  
2 primarily concerned with the California aspect of the  
3 environment?

4 MR. FRASER: That's right, sir.

5 MR. PORTER: Thank you.

6 MR. HATCH: I think Mr. Fraser indicated that he  
7 would like to have these questions and respond to them in  
8 writing, and I certainly have no objection to that, and I  
9 think he should be allowed to do that.

10 MR. FRASER: We would appreciate that if you feel  
11 it would be in order.

12 MR. PORTER: Well, I am kind of mentally calculating  
13 the time here as to whether you think, Mr. Hatch, that those  
14 questions should be responded to in order for us to determine  
15 an answer as to whether we will rule on these motions today.

16 MR. MATCH: You don't have much time. I think all  
17 the people interested would like to know as soon as possible  
18 the various rulings. I think you do have a little bit more  
19 leeway than just today. Mr. Fraser more than probably could  
20 answer these by tomorrow; don't you think so?

21 MR. FRASER: In written form? No, I think I would  
22 need a little more time.

23 MR. HATCH: I think you have answered most of them,  
24 unless you want to change your answers.

25 MR. FRASER: Well, I think I could have them in some

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1 time next week.

2 MR. MORRIS: I don't want to muddy the waters right  
3 now, but it might be some time, and I had assumed that this  
4 hearing today would also be considering the motion that is  
5 still pending by Aztec Oil and Gas Company to continue this  
6 case because of the environmental considerations in this case,  
7 and our decision to prepare environmental testimony to  
8 present to this Commission. We are prepared to agree to Aztec  
9 Oil and Gas Company's motion that this matter be continued  
10 beyond the July 19th hearing date. We are going to suggest  
11 another date somewhat different than the Aztec motion suggested.  
12 We are going to suggest, subject to the availability of the  
13 Commission, some time during the week of August 28th, at which  
14 time our principal environmental witness would be available  
15 to us. I make this statement insofar as it might have some  
16 affect upon the determination you are making here now with  
17 respect to how much time you are going to allow Mr. Fraser to  
18 respond to some of these questions.

19 MR. PORTER: I haven't had a formal request for  
20 continuance beyond July 19th.

21 MR. MORRIS: Aztec's motion was for the matter to  
22 be continued into September.

23 MR. PORTER: They did have a motion that it be  
24 continued to some fixed date or some period of time after the  
25 Federal Power Commission saw fit to act on the application



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1 now pending before them. We have set a date of July 19th,  
2 and it would be my opinion that it would require a new motion  
3 for a continuance beyond that time. Other members of the  
4 Commission might have a different idea.

5 MR. MORRIS: If I am not out of line, let me say  
6 we would like to present such a motion either now or later  
7 that this case be continued to the week of August 28th. We  
8 feel we are justified and are required to make this motion  
9 in view of the additional matters upon which we feel we  
10 should and need to present evidence in this case.

11 MR. CAMPBELL: If you want some sort of response  
12 from us on this, I don't know about the exact date of the  
13 week of August 28th. We haven't had an opportunity to talk  
14 to our people about that and what it may mean in terms of  
15 the availability of witnesses. In short, we have no objection,  
16 as a matter of fact, we think that if the Environmental  
17 Improvement Agency requires any substantial amount of time  
18 to respond to these legal questions, and I suspect they will,  
19 that time is so short, that whatever the Commission decides,  
20 it is going to be rather cumbersome upon the parties to  
21 present the case on July 19th. We have no objection to a  
22 continuance beyond that date, and we would hope that we will  
23 have an opportunity before that date is fixed to review to  
24 some limited degree with our witnesses and participants in  
25 the case. We would also hope that if the date of August 28th

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1 is set that the motions be ruled upon as soon as possible.

2 MR. PORTER: You are talking about the motions made  
3 here today and the arguments?

4 MR. CAMPBELL: Yes.

5 MR. PORTER: You feel that all of the decisions of  
6 the Commission should be expedited in order to give everyone  
7 as much time as possible?

8 MR. CAMPBELL: Yes. We have already stated our  
9 position, and we don't care if the Commission ever hears  
10 the case, but that obviously isn't the feeling of everybody  
11 involved here. I suppose the Commission has some responsibility  
12 to dispose of these matters, so we have no objection to  
13 a continuance.

14 MR. PORTER: Do you have any indication, Mr. Morris,  
15 that the Federal Power Commission will be any more ready  
16 the last week in August than they are at this time? I think  
17 the answer to that would be no.

18 MR. MORRIS: I think it would be speculative for  
19 any of us to indicate either way. We hope-- we more than  
20 hope-- let's say, anyone who is connected with the natural  
21 gas situation knows there are a lot of things that are pending,  
22 and that are waiting to go forward based upon the Federal  
23 Power Commission's actions, and there are a lot of pressures  
24 on the Federal Power Commission to act, to do something. We  
25 were told that we could reasonably expect some action by the

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1 Federal Power Commission in the summer. Now whether it will  
2 be August 28th or not, I don't know. I am not here saying  
3 that we have any information that the Federal Power Commission  
4 will act by that time, however, we are for a continuance, and  
5 that is not based entirely upon the Federal Power Commission.

6 MR. PORTER: I understand that.

7 MR. MORRIS: We have an environmental report by  
8 expert witnesses outside of our company over which we do not  
9 have direct control as to time, and we need to accommodate  
10 those consultants, and we have to ask the Commission to  
11 accommodate them as to their availability to testify in this  
12 matter.

13 MR. PORTER: Does anyone else have any comments  
14 on the motion for continuance to some late date in August?

15 MR. FRASER: I hesitate to make a comment because  
16 one might ask why I am here. I think we would be in favor  
17 of a continuance.

18 MR. CAMPBELL: Mr. Commissioner, do I gather from  
19 Mr. Morris' last statement that he takes the position that  
20 the applicant, producer, purchaser, transporter, in this case  
21 has a right to produce environmental evidence?

22 MR. PORTER: It appeared to me that as part of his  
23 original statement, he indicated that they would have  
24 environmental experts.

25 MR. CAMPBELL: I didn't know, I was just interested

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1 in that.

2 MR. MORRIS: The answer is yes.

3 MR. FRASER: I inferred that you were going to  
4 have some type of written report?

5 MR. MORRIS: What we have under way at this time,  
6 if the Commission please, is the Stern-Rogers Corporation,  
7 consultants for El Paso Natural Gas, are preparing an  
8 environmental report that has just been begun. We would  
9 intend to present the witness at the hearing of this case,  
10 of course, subject to the Commission's ruling on the  
11 materiality of that, and present the evidence at that time  
12 as part of the evidence to be considered by the Commission.

13 MR. PORTER: As you say, this would depend on the  
14 Commission's action on the motion that has been made here  
15 by the Environmental Agency to allow the issue to be discussed  
16 at this hearing?

17 MR. MORRIS: Whether the Commission determines  
18 to grant or deny the agency's motion to intervene does not  
19 preclude or does not really answer the question, you still  
20 have the question as to whether the Commission has the  
21 statutory duty to make-- to consider environmental matters  
22 and make an environmental impact statement.

23 MR. PORTER: I understand that.

24 MR. MORRIS: So let's just assume without deciding  
25 what the Commission might say that we still feel that we

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1 have an obligation to put environmental evidence into the  
2 record of this case as part of our case so that the  
3 Commission will have something in the record from which  
4 it can make these environmental determinations.

5 MR. PORTER: I think at this time we will proceed  
6 to the motion of the Municipal League to intervene. We  
7 will rule later on the motion for a continuance.

8 MR. HATCH: Let me interrupt. Since we are allowing  
9 Mr. Fraser to submit answers to these questions, that Mr.  
10 Coppler and Mr. Parmelee be allowed to submit written answers  
11 to these questions rather than bringing them up here. If  
12 Mr. Coppler wishes to go ahead today and make some statement,  
13 he can.

14 MR. COPPLER: I would like to make a statement.

15 MR. PORTER: At this time?

16 MR. COPPLER: Yes.

17 MR. PORTER: And would you also like permission to  
18 supply us with written answers to the other questions that  
19 have been raised or may be raised?

20 MR. COPPLER: To expedite things, I suggest you ask  
21 me the questions and I will supply written answers.

22 MR. PORTER: Go ahead.

23 MR. COPPLER: I am Frank Coppler and my mailing  
24 address is P. O. Box 846, Santa Fe, New Mexico. I am the  
25 attorney for the New Mexico Municipal League as well as

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1 being administrator of our organization. The New Mexico  
2 Municipal League encompasses cities, towns, and villages  
3 throughout the State. Our membership is in excess of seventy  
4 members out of ninety-three incorporated communities. The  
5 purpose of the Municipal League is an association for the  
6 citizens of the villages of New Mexico, and one of the  
7 purposes of the Municipal League is to make requests of  
8 governing bodies in matters directly affecting municipal  
9 governments in the State of New Mexico.

10 I also have a copy of the minutes of our board  
11 meeting where the Board of Directors took a position in this  
12 particular proceeding and the board authorized me to make  
13 that position known. We have a couple of member cities that  
14 we have an inkling that this proceeding will affect, the  
15 City of Deming and the City of Las Cruces. Since they are  
16 supplied, as we understand, by El Paso Natural Gas Company,  
17 our concern, Mr. Chairman, is based on the assumption, I  
18 suppose, I'm not an expert, and do not pretend to know all  
19 about the oil and gas crisis, but based upon the assumption  
20 that should the application be granted and based upon a  
21 second assumption that there is a limited amount of natural  
22 gas available, that there is a possibility over an extended  
23 period of time that some of our cities in New Mexico could  
24 be facing a gas shortage if you assume that the granting of  
25 this application will in effect remove the gas from that pool

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1 twice as fast as it is being removed now. That is our  
2 concern, Mr. Chairman.

3 We represent the people in the municipalities and  
4 these people in these municipalities in the State of New  
5 Mexico make up a substantial majority of all gas users, over  
6 seventy percent of our people live in municipalities. Based  
7 upon that type of interest and that type of concern, the  
8 Municipal League ought to be made a party, and our concern  
9 is that we are concerned with the long range possibility of  
10 using up the natural gas faster than we are using it at the  
11 present time.

12 I have a resumé of some case law that I have  
13 diligently looked into to find an answer as to whether we  
14 have the right to be intervenors or whether it is up to the  
15 discretion of the Commission, and the case law would probably  
16 say that it is within the discretion of this Commission.

17 Now, to anticipate some of your questions, you  
18 probably want to know what we intend to show in this  
19 particular proceeding and what I intend to do should you  
20 allow our intervention. I intend to go to the City of Deming  
21 and the City of Las Cruces and sit down with the governing  
22 bodies and their engineers and the people who run their  
23 utilities and ask them to develop some data and presentations  
24 and testimony on the possibly affect the granting of this  
25 application in this particular proceeding may have. After

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1 we have developed that data and those arguments, we will  
2 come to this Commission and present that evidence to you  
3 and ask you to consider it in your ruling on the application  
4 of El Paso Natural Gas Company. That is the extent of our  
5 intervention.

6 After the Commission has settled the scope of these  
7 proceedings and settled the arguments between Southern Union  
8 Gas Company and El Paso Natural Gas Company, then I will  
9 try to figure out how to formulate our evidence. So until  
10 you have ruled on the question, the environmental question  
11 as it is linked to the prevention of waste and the protection  
12 of correlative rights, I can't tell you what we are going  
13 to present here.

14 MR. PORTER: You would limit your testimony to  
15 the ruling of the Commission as to what the scope of the  
16 evidence would be limited to?

17 MR. COPPLER: Yes, sir, I would look at the ruling  
18 before I could tell you exactly.

19 GOVERNOR KING: Just one question. Do you favor  
20 the position or the motion of Southern Union Gas Company?

21 MR. COPPLER: Well, I would have to say that should  
22 Southern Union Gas Company prevail on its motion to in effect  
23 exclude evidence as to the impact on the environment, then  
24 the next logical step would be to exclude evidence on whether  
25 or not there will be a gas shortage in Deming and Las Cruces,



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1 and that would sort of put us out of town in our evidence  
2 so that for that reason, we would have to oppose the motion.

3 MR. HATCH: These questions are aimed at helping  
4 the Commission to determine whether or not to allow intervention,  
5 and I certainly want to make these remarks now. I believe  
6 the Commission does have a great deal of latitude in making  
7 any decision on this. So Mr. Coppler, does the Municipal  
8 League or any of the cities, Deming and Las Cruces, or any  
9 citizens of those cities, own any property in the Blanco-  
10 Mesaverde Gas Pool?

11 MR. COPPLER: No.

12 MR. HATCH: Does the Municipal League or do any  
13 of these cities seek more production from the pool or less  
14 production-- and I think you have probably answered that.

15 MR. COPPLER: I think I have, and that is what we  
16 are worried about, the long term affect of the granting of  
17 this application.

18 MR. HATCH: Is it your contention that the Municipal  
19 League or the cities or any of the citizens could come before  
20 this Commission in a spacing case?

21 MR. COPPLER: Citizens using gas supplied by a  
22 company applying for spacing to this Commission would have  
23 a perfectly legitimate position in coming here and making  
24 their views known.

25 MR. HATCH: Perhaps you misunderstood my question.

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1 Could the City of Las Cruces or the citizens of Las Cruces  
2 who use gas come before this Commission and ask for 80-acre  
3 spacing or 320-acre spacing and get approval?

4 MR. COPPLER: Without owning a gas well?

5 MR. HATCH: Yes.

6 MR. COPPLER: No, but they could come and make a  
7 presentation to the effect that the granting of particular  
8 spacing could have an affect on their use of the gas that  
9 is supplied by the company applying for the spacing.

10 MR. HATCH: Is it your contention that a person  
11 owning property, that the public having such an interest  
12 should be represented?

13 MR. COPPLER: Yes.

14 MR. HATCH: Is it your contention that because you  
15 represent a subdivision of the State, that you have a right  
16 to intervene?

17 MR. COPPLER: No, sir.

18 MR. PORTER: Actually, you do not represent a  
19 subdivision of the State.

20 MR. COPPLER: No, we represent the cities as a whole.

21 MR. HATCH: What will the Municipal League or the  
22 City of Deming or the City of Las Cruces or those citizens  
23 gain or lose by Commission approval or disapproval of this  
24 application?

25 MR. COPPLER: Based on the two assumptions I made

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1 prior to this time, Mr. Chairman, if you assume that the  
2 gas will be extracted twice as fast by granting this  
3 application, and you assume there is a limited amount of  
4 gas under the pool, then we have come to the tentative  
5 conclusion that the citizens of Las Cruces and the citizens  
6 of Deming could be losing by the fact that the reserves of  
7 natural gas will be exhausted twice as fast than they would  
8 be under the present rules.

9 MR. HATCH: I think you have answered my next question.  
10 Is the gain or loss a certainty or a speculation or is it  
11 a contingency?

12 MR. COPPLER: That is a question that I don't think  
13 anyone can answer at this time. That will be an issue in  
14 the case though, I'm sure.

15 GOVERNOR KING: But it would be reasonable to  
16 assume that if there are twice as many wells, the depletion  
17 is going to take place faster.

18 MR. COPPLER: Again, Governor, that is the assumption  
19 we are operating under.

20 MR. HATCH: Will any of those cities or citizens  
21 be bound by the decision in any way?

22 MR. COPPLER: I know of no decision by an administrative  
23 agency that you cannot appeal, and I could never commit myself  
24 to not appealing if allowed to be a participant.

25 MR. HATCH: I don't think I meant it that way. I

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1 mean, are you limited in any way by the decision of the  
2 Commission on the granting or denying of this application?

3 MR. COPPLER: As municipalities, we have absolutely  
4 no power over the question, none whatsoever. As a governing  
5 body or as an administrative agency, we have no power over it.

6 MR. HATCH: Is it your contention that if the  
7 Commission should find waste occurring in the pool and  
8 correlative rights being violated in the pool that it could  
9 deny the application because the approval may result in  
10 less gas being available to the City of Deming and to the  
11 City of Las Cruces?

12 MR. COPPLER: It is going to be our contention that  
13 they should deny that, and it will be up to the Courts, of  
14 course, to decide whether that is the proper decision.

15 MR. HATCH: Would your answer be the same concerning  
16 the City of Los Angeles?

17 MR. COPPLER: We are not concerned with the City  
18 of Los Angeles.

19 MR. PORTER: They don't belong to the League?

20 MR. COPPLER: They haven't paid their dues.

21 MR. HATCH: Is it your contention-- is it your  
22 contention then that the Commission has the authority to  
23 directly control the amount of gas to be used in the State?

24 MR. COPPLER: Our contention is that the Commission  
25 ought to do what is proper for the people in the State of

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1 New Mexico and most of those people live in municipalities.

2 MR. HATCH: Is it your contention that the  
3 Commission has the authority to directly control the amount  
4 of gas that has to be taken out of the State for use out of  
5 the State?

6 MR. COPPLER: I don't think they can do that  
7 directly from reading the papers, but I should think that  
8 they should arrive at the right decision for the consumers  
9 of the State of New Mexico, and I think that is the  
10 responsibility of all of us representing the interests of  
11 the State as a whole.

12 MR. PORTER: Would that be up to the Legislature  
13 or this Commission taking into consideration the limits of  
14 our jurisdiction?

15 MR. COPPLER: I think, Mr. Commissioner, that we  
16 cannot continually speculate about who has the power, we have  
17 to make the decision and do the best we can to insure that  
18 this decision will be upheld in the Courts. Should it not  
19 be upheld in the Courts, then we will go to the legislative  
20 body and I think that would be the proper procedure to take.

21 GOVERNOR KING: I would say on both levels; wouldn't  
22 you? The Commission level and the State level.

23 MR. COPPLER: Yes, sir.

24 MR. PORTER: But you would say the first duty of  
25 this Commission is to carry out the mandate of the Legislature

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1 in the statutes?

2 MR. COPPLER: Yes, sir, and I think included in  
3 the mandates are the interests of the people and the various  
4 interests that are represented here today.

5 GOVERNOR KING: But within the guidelines set down  
6 by statute, but that can be determined in different manners?

7 MR. COPPLER: That's right.

8 MR. HATCH: Is it your contention that the  
9 Commission has the authority to indirectly control the  
10 amount of gas that is to be used in the State?

11 MR. COPPLER: I think that will be our contention,  
12 but please don't-- I can't give you my reasoning, my legal  
13 reasoning at the present time.

14 MR. HATCH: Would that be regardless of waste and  
15 correlative rights?

16 MR. COPPLER: I think we have to link those questions.

17 MR. HATCH: Has the Municipal League filed any  
18 cause before the Public Service Commission seeking improved  
19 gas services to the City of Deming and the City of Las Cruces?

20 MR. COPPLER: No. We have participated in cases  
21 before the Public Service Commission, but those cases were  
22 brought in the sense that they affected more of your member  
23 municipalities.

24 MR. HATCH: Thank you.

25 MR. PORTER: Mr. Parmelee, you are representing

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1 the Public Service Commission?

2 MR. PARMELEE: Yes. Mr. Chairman, members of the  
3 Commission: for the record, my name is James Parmelee, and  
4 I am staff counsel for the New Mexico Public Service  
5 Commission. The New Mexico Public Service Commission was  
6 created in 1941 by the New Mexico Public Utility Act to  
7 regulate rates and services of water, gas, and electric  
8 utilities and intrastate wholesale utilities. The New Mexico  
9 Public Service Commission seeks to intervene in this case  
10 mainly for the purpose of obtaining during the course of the  
11 hearing information to see whether it should take a position  
12 in the interest of the distributing utilities in New Mexico.  
13 The applicant in this case sells to Southern Union Gas  
14 Company, which is the largest distributing gas utility under  
15 the Public Service Commission's jurisdiction. We are  
16 concerned over short and long range conditions that either  
17 the granting or the denying of the application in this case  
18 would have on the ability of Southern Union Gas Company to  
19 serve its customers. The applicant also serves the E. M. W.  
20 Natural Gas Association, the Rio Grande Natural Gas  
21 Association, and indirectly, the Ruidoso Natural Gas Company.  
22 All four of these gas utilities are under the jurisdiction  
23 of the Public Service Commission.

24 The applicant also serves the El Paso Electric  
25 Company and it serves gas to the City of Lordsburg, which

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1 furnishes-- which distributes natural gas and is the largest  
2 customer in the Community Public Service Company and the  
3 Electrical Distributing Utility of New Mexico, who has a  
4 gas-fired generator in Lordsburg with little or no oil standby.

5 It is for these reasons we would ask the  
6 Commission to allow the Public Service Commission to  
7 intervene and find out, as I said before, both the short  
8 and the long range consequences of the granting or denial  
9 of this application.

10 MR. PORTER: At this point, you do not know whether  
11 you oppose the application or support it?

12 MR. PARMELEE: No, we don't have enough facts  
13 before us.

14 MR. HATCH: Maybe I misunderstood you. I thought  
15 you expressed the opinion you were not opposing or favoring  
16 the application, that you were only intervening for  
17 information purposes to be used by your agency in the future.

18 MR. PORTER: That's right, that's the way I  
19 understood you.

20 MR. PARMELEE: We have an obligation to Southern  
21 Union Gas Company and also these other utilities, and we  
22 would like to see what the short and the long range consequences  
23 would be to these utilities. We would not like to be in  
24 solely for the purpose of gathering information, we would  
25 like to have such time until we could figure out whether



1 the Commission should take a position.

2 MR. HATCH: I would like to suggest, Mr. Parmelee,  
3 that you either submit answers to these questions in writing  
4 or maybe you can answer them at the present time.

5 MR. PARMELEE: I think I can field most of the  
6 questions now, but I would like a written response on a  
7 couple.

8 MR. PORTER: Mr. Hatch, will you ask him the  
9 questions?

10 MR. HATCH: Does the Public Service Commission own  
11 any property in the Blanco-Mesaverde Gas Pool?

12 MR. PARMELEE: No.

13 MR. HATCH: You have already answered this question.  
14 Are you seeking more gas production from the pool or less  
15 gas production from the pool?

16 MR. PARMELEE: Neither.

17 MR. HATCH: Is it your contention that the Public  
18 Service Commission could come before this Commission and  
19 ask for certain spacing patterns in a separate case?

20 MR. PARMELEE: Not unless it was on behalf of  
21 somebody who had an interest.

22 MR. HATCH: And it would be a property interest  
23 which you are talking about?

24 MR. PARMELEE: Yes.

25 MR. HATCH: Is it your contention though that

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1 although the Public Service Commission does not have a  
2 property interest, that the public has such an interest  
3 and that it would have the right to be represented in this  
4 case?

5 MR. PARMELEE: I would like to respond in writing  
6 to that question.

7 MR. HATCH: Is it your contention that because you  
8 do represent a State agency that a State agency has the  
9 right to intervene?

10 MR. PARMELEE: Not a right, I don't think we have  
11 a right. I think that it would be up to the discretion of  
12 the Commission, and I think we have enough interests that  
13 we ought to be allowed to intervene. That is our argument.

14 MR. HATCH: What will the Public Service Commission  
15 gain or lose by the decision of the Commission?

16 MR. PARMELEE: Well, it could gain quite a bit. If  
17 it turned out that the application is granted, it could mean  
18 that this would affect the long range ability of the utilities  
19 mentioned to serve the public in New Mexico. It is for this  
20 reason that we would like to find out just what the  
21 consequences might be before we take a position, because the  
22 Public Service Commission has not studied it that much.

23 MR. HATCH: Would the decision have an effect upon  
24 the Public Service Commission or the utilities or the public?

25 MR. PARMELEE: Well, our Commission has the

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1 responsibility to insure the ability of the utilities to  
2 serve the public with adequate rates-- reasonable rates and  
3 adequate services, and certainly the ability to obtain  
4 production is paramount in their ability to serve.

5 MR. HATCH: Is that gain or loss a certainty, or  
6 is it contingent?

7 MR. PARMELEE: Well, I would say it is probably  
8 contingent, but that is one of the reasons we would like  
9 to intervene so that we might find out.

10 MR. HATCH: Will the Public Service Commission be  
11 bound in any way by the decision of the Commission in  
12 approving or disapproving this application?

13 MR. PARMELEE: Well, the Public Service Commission  
14 has no jurisdiction over the subject matter in this case,  
15 so I guess like Mr. Fraser, I would have to say that I don't  
16 know what "bound" means.

17 MR. HATCH: Will the Public Service Commission  
18 have to obey-- will they have to do something or refrain  
19 from doing something perhaps because of the Commission's  
20 decision?

21 MR. PARMELEE: Well, yes, we would be bound by  
22 the decision.

23 MR. HATCH: What would you be prohibited from doing  
24 by the decision of the Commission?

25 MR. PARMELEE: The decision would not have any

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1 direct effect on the Public Service Commission. We would  
2 have to get together with our utilities and see what they  
3 could do by reason of the decision.

4 MR. HATCH: Do you see the decision of the  
5 Commission as encroaching upon the authority of the public--  
6 do you see the approval or disapproval of this application  
7 as an encroachment upon the authority of the Public Service  
8 Commission in any way?

9 MR. PARMELEE: No, we are specifically excluded  
10 by statute from regulating gas production.

11 MR. HATCH: Do you foresee the Commission in this  
12 hearing encroaching upon any rules or regulations of the  
13 Public Service Commission?

14 MR. PARMELEE: Let me say at this time that I  
15 doubt it.

16 MR. HATCH: Is it your contention that if the  
17 Commission should find waste occurring or correlative rights  
18 being violated in the approval of this application that it  
19 could deny this application because there will be less gas  
20 in New Mexico in the future?

21 MR. PARMELEE: I would rather respond to that  
22 in writing.

23 MR. HATCH: The next question is very similar--

24 MR. PORTER: I don't think I would want to respond  
25 to that last question at all.

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1 MR. HATCH: Is it your contention that the  
2 Commission has the authority to directly control the amount  
3 of gas to be used in the State of New Mexico?

4 MR. PARMELEE: Directly control?

5 MR. HATCH: What I am saying is, is it your  
6 contention that this Commission has the authority to directly  
7 control whether the gas stays in the State or goes out of  
8 the State?

9 MR. PARMELEE: I doubt if this Commission has any  
10 jurisdiction.

11 MR. HATCH: Does the Commission have authority  
12 to indirectly control whether the gas stays in the State or  
13 goes out of the State?

14 MR. PARMELEE: I would rather not answer that one  
15 now.

16 MR. HATCH: Does the Public Service Commission have  
17 any control over the amount of gas supplied to any state in  
18 the United States?

19 MR. PARMELEE: Control, no. We hope that our  
20 arguments will be listened to by the various agencies.

21 MR. HATCH: That's all the questions.

22 MR. PORTER: Does anyone have any response or any  
23 questions of Mr. Parmelee?

24 (No response)

25 MR. PORTER: Thank you, Mr. Parmelee.

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1 NOW, I believe that's all the motions we have  
2 received to intervene or to limit testimony.

3 MR. CAMPBELL: The motion of Aztec is still pending.

4 MR. PORTER: The motion of Aztec and the motion of  
5 El Paso. Aztec made the motion for a continuance, and I  
6 can't remember what they asked for in the way of a date for  
7 the continuance, but we did set the hearing for July.

8 MR. CAMPBELL: Do you wish to know?

9 MR. PORTER: Yes.

10 MR. CAMPBELL: They respectfully moved for a  
11 continuance until a date which would be at least fifteen  
12 days after the date the Federal Power Commission entered its  
13 order in Docket Number R-4205, or September 17th, 1972,  
14 whichever occurred first.

15 MR. PORTER: They asked for September 17th or  
16 fifteen days after the Federal Power Commission entered its  
17 order in Docket Number R-4205, whichever happened first.

18 MR. MORRIS: I believe, of course I can't speak  
19 for Aztec, but I believe September 17th is the date that  
20 their particular filing would be effective subject to the  
21 Federal Power Commission.

22 MR. CAMPBELL: And all of those have now been  
23 suspended, so the September 17th date no longer means anything.

24 MR. PORTER: I wonder if any date in August would  
25 mean anything as far as action by the Federal Power Commission.

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1 I went to Midland and testified before the examiner on  
2 this some two years ago on July 31st and at that time, the  
3 feeling was that we would have a decision in September of  
4 that year, which of course, we didn't.

5 MR. MORRIS: I would like to say further that while  
6 I am not in a position to speak for any of the other companies  
7 that may have an interest in the field, we have been  
8 contacted by a number of companies that have expressed an  
9 interest to us that they would be very reluctant to come  
10 forward and see this case go forward until after the  
11 Federal Power Commission had acted.

12 They were hoping the Commission would not set the  
13 matter down for a hearing until after the Federal Power  
14 Commission had acted. That prompted us to renew our motion--  
15 our request for a continuance.

16 That, coupled with the new dimension this case has  
17 taken involving the environmental field, would again make  
18 us suggest this date in the latter part of August, but we  
19 will try to accommodate to any date the Commission would set.

20 MR. FRASER: I have a motion that is probably  
21 germane to the issue of continuance. I understand that this  
22 may be premature because I don't know whether our agency  
23 will be a part of this proceeding, but I hand you three  
24 copies of a motion that the hearing be rescheduled for some  
25 time later than July 19th at which time the Environmental

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1 Improvement Agency could be prepared. I believe El Paso  
2 Natural Gas has indicated that some report might be  
3 forthcoming, and if that is true, we would appreciate having  
4 that report before any hearing date so that we might ask  
5 questions-- interrogatories dealing with the environmental  
6 impact.

7 MR. PORTER: Does anyone have any response to  
8 the motion of Mr. Fraser?

9 MR. HATCH: I would like to respond in one way.  
10 I would object to the statement at the end of that that the  
11 hearing be rescheduled until such time as an environmental  
12 impact statement be made by El Paso. El Paso is not required  
13 to file an environmental impact statement in conjunction  
14 with its application.

15 MR. MORRIS: The impact statement that we are  
16 talking about is a statement that would ultimately be made  
17 by the agency and not by El Paso Natural Gas Company.  
18 What El Paso Natural Gas Company intends to present to the  
19 Commission is evidence from which the Commission would make  
20 its own environmental impact statement. So I think the  
21 motion is somewhat ambiguous where it says that our proposal  
22 or our application has to be accompanied by a statement.  
23 We would intend to present as evidence in this case a witness  
24 who would present this report and who would be subject to  
25 cross examination and so forth, but I don't see anything



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1 in the statute that requires us to submit a portion of  
2 our evidence in advance of the hearing. Of course, the  
3 Commission is not even required to make a statement unless  
4 it finds from the evidence that is presented that this  
5 is the type of major State action that requires a statement.  
6 So for those reasons, we oppose the motion.

7 MR. CAMPBELL: Mr. Chairman, I think this is  
8 a good example of the confusion that is going to run rampant  
9 at this hearing if we mix these two questions. If El Paso  
10 Natural Gas Company wishes to submit a statement informally  
11 without having a witness or having cross examination, there  
12 is nothing in the laws of New Mexico that would prohibit that.  
13 But we agree with El Paso Natural Gas Company that there  
14 is nothing compelling the applicant before this Commission  
15 under the present law which requires the applicant to file  
16 such a document prior to the hearing of his application.

17 GOVERNOR KING: Mr. Chairman, before we get  
18 totally confused, there are two motions, and I would like  
19 to look a little bit at the first one. We will be having  
20 to make the decisions, and there are two of us to attempt  
21 to make those decisions. Mr. Morris or Mr. Campbell, do  
22 either of you feel that if we adopted the motion presented  
23 by Southern Union Gas Company that that would preclude the  
24 environmental impact question at a later time, perhaps being  
25 considered or asked for by the Commission?

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1 MR. CAMPBELL: I don't, Governor, not at all.  
2 I think the Commission if it acts and accepts the jurisdiction  
3 that it will permit them, or it will require the Commission  
4 to find under some set of criteria that haven't yet been  
5 identified, that this is a major State action substantially  
6 affecting the environment. The Commission will then have  
7 to start the process of making a study that we can use from  
8 either El Paso Natural Gas Company's information, or if  
9 the Commission sees fit to do it, from the Environmental  
10 Improvement Agency, or any person out there that wants to  
11 be involved. It doesn't say anywhere that an order shall  
12 be based on the environmental picture or that a hearing  
13 must be held, it merely says that the question must be  
14 exposed to the public.

15 GOVERNOR KING: It would still fall back to  
16 correlative rights and waste in the final analysis.

17 MR. CAMPBELL: As far as this Commission's  
18 jurisdiction is concerned. There has been the argument of  
19 the Calvert Cliffs Case, and the fact that these statutes  
20 could enlarge the jurisdiction of every state agency and  
21 federal agency. It is our judgment that it does not extend  
22 that jurisdiction. I want to repeat this because it keeps  
23 coming up here. We are not objecting to an environmental  
24 examination of this.

25 MR. PORTER: We understand that.

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1 MR. CAMPBELL: We are simply trying to say that  
2 it could make this case vulnerable to all kinds of legal  
3 attacks in the future.

4 MR. PORTER: You think it should be a separate  
5 matter aside from how many wells will be drilled in the pool.

6 MR. CAMPBELL: Yes, and I am doubtful that you can  
7 keep it separate at a single hearing.

8 MR. MORRIS: If the Commission please, Governor  
9 Campbell has expressed his view that this Commission should  
10 not render itself vulnerable and my suggestion is that this  
11 Commission should not enter itself vulnerable to either  
12 appeal or to collateral attack by outsiders for failing  
13 to comply with the environmental statute to the fullest  
14 extent possible. Our suggestion is that the fullest extent  
15 possible is an informed hearing for the consideration of  
16 these issues rather than to say we are not going to consider  
17 them at this hearing. You should rather say submit whatever  
18 information you want to, and we will look at it.

19 GOVERNOR KING: That answers my question on the  
20 motion submitted by Southern Union Gas, and we have  
21 sufficient evidence in my mind at least to view the evidence  
22 as presented, and probably make a determination within a  
23 limited amount of time. Now, if you would like to discuss  
24 the motion submitted by the Environmental Improvement Agency,  
25 that would be fine.

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1 MR. PORTER: I think they have already responded  
2 to that, and it would be, in my mind, Governor, that this  
3 motion be denied. We will deny the motion that would  
4 require an environmental impact statement to accompany the  
5 application, and that the hearing be rescheduled on that  
6 basis. Do you concur in that?

7 GOVERNOR KING: I don't know, I would have to  
8 study it for just a minute.

9 MR. FRASER: I am a bit disturbed that you denied  
10 my motion, since I am not a party yet. Perhaps I should be  
11 a party before you deny my motion.

12 MR. HATCH: I think his motion, if I understood  
13 it correctly, is a motion just for a continuance; isn't  
14 it just for a continuance?

15 MR. FRASER: Well, it's more than that. It is  
16 true that you don't have to have an environmental impact  
17 statement prior to action--

18 MR. PORTER: You are talking about prior to a  
19 hearing?

20 MR. FRASER: Yes.

21 MR. PORTER: As I understood it, you requested that  
22 an environmental impact statement be made part of their  
23 application.

24 MR. FRASER: They don't have to file one with  
25 their application.

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1 MR. PORTER: I understand that, but you say the  
2 proposal may be accompanied by an environmental impact  
3 statement.

4 MR. FRASER: I have merely requested that they  
5 prepare some draft or statement and that it be presented  
6 at the time of the hearing so a full disclosure can be  
7 made of the issues involved. That's the nature of my motion.

8 MR. PORTER: Since it has not been determined that  
9 you will be a party to this hearing, we can't act on the  
10 motion.

11 Mr. Fraser, Mr. Coppler, Mr. Parmelee, how long  
12 would you think would be sufficient time to allow you to  
13 respond to Mr. Hatch's questions, the ones that you were not  
14 able to answer?

15 MR. FRASER: The middle of next week would be fine.

16 MR. PARMELEE: I can respond by then.

17 MR. COPPLER: I am under the impression that I  
18 don't have to respond because I did.

19 MR. HATCH: Mr. Fraser, was your motion that an  
20 impact statement be prepared prior to the hearing?

21 MR. FRASER: I'm not asking for an impact statement,  
22 but for some sort of discussion on the environmental issues  
23 by this Commission, and that a statement be prepared by El  
24 Paso and be presented prior to the hearing so the issues can  
25 be fully discussed. I might indicate this was the procedure

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1 followed at the Tuscon Gas and Electric Company application.

2 MR. PORTER: I wonder if counsel for El Paso could  
3 give us the docket number of the Federal Power Commission case?

4 MR. MORRIS: We are talking about Docket Number  
5 R-425, before the Federal Power Commission.

6 MR. PORTER: I believe the Commission will allow  
7 until July 7th for Mr. Fraser and Mr. Parmelee to respond  
8 to the questions that Mr. Hatch asked. That will be next  
9 Friday, a week from tomorrow. Does that give you sufficient  
10 time?

11 MR. FRASER: Yes.

12 MR. PARMELEE: Yes.

13 MR. PORTER: Now, on the matter of the continuance.  
14 I believe the Commission will continue the case, and at this  
15 time, it appears that it would not be possible to specify  
16 a date for a continuance of the case. Governor Campbell,  
17 you in particular have indicated that you are not familiar  
18 with the availability of witnesses for that particular week  
19 that he mentioned in the latter part of August. The  
20 Commission will continue this case to a date in August which  
21 will be determined and the parties will be notified.

22 MR. HATCH: I believe you can take it under  
23 consideration and when you reach a decision as to the date  
24 of continuance, you can inform the parties of that date.

25 MR. PORTER: The principals involved will be

1 notified. We will take the motion under advisement, and  
2 in all probability will continue the case until late in  
3 August to a date that will be determined and all parties will  
4 be notified.

5 If there is nothing else to come before the  
6 Commission, the Commission will take these motions under  
7 advisement and will render decisions as early as possible  
8 in all motions that have been considered here today.

9 This matter is adjourned.

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1 STATE OF NEW MEXICO )  
2 ) ss.  
3 COUNTY OF BERNALILLO )

4 I, RICHARD E. McCORMICK, a Certified Shorthand Reporter,  
5 in and for the County of Bernalillo, State of New Mexico, do  
6 hereby certify that the foregoing and attached Transcript  
7 of Hearing before the New Mexico Oil Conservation Commission  
8 was reported by me; and that the same is a true and correct  
9 record of the said proceedings to the best of my knowledge,  
10 skill and ability.

11   
12 CERTIFIED SHORTHAND REPORTER  
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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. 4682

APPLICATION OF EL PASO NATURAL  
GAS COMPANY FOR AMENDMENT OF THE  
RULES AND REGULATIONS GOVERNING  
THE BLANCO-MESAVERDE GAS POOL,  
SAN JUAN AND RIO ARriba COUNTIES,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

These matters come before the Commission at 9 a.m. on June 29, 1972, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission," pursuant to motions to intervene in the above-entitled cause and a motion for an order from the Commission limiting and defining the evidence it will receive and consider in the above-entitled cause and restricting such evidence to those matters provided for by the Statutes of New Mexico, and a motion for the continuance of the above-entitled cause until such time as the Commission has prepared an environmental impact statement.

NOW, on this 6th day of July, 1972, the Commission, a quorum being present, having considered each of the above-described motions, the arguments presented therewith, 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 Section 65-3-10, New Mexico Statutes Annotated, 1953 Compilation, empowers and gives the duty to the Commission to prevent the waste of hydrocarbons and to protect the correlative rights of owners of interests in said hydrocarbons.

(3) That Section 65-3-5, New Mexico Statutes Annotated, 1953 Compilation, gives the Commission jurisdiction and authority over all matters relating to the conservation of oil and gas.

(4) That "waste" and "correlative rights" are defined by Sections 65-3-3 and 65-3-29, respectively, New Mexico Statutes Annotated, 1953 Compilation.

(5) That the public has a vital interest in the conservation of the natural resources of the State of New Mexico.

(6) That the Commission's decision to approve or disapprove the application of El Paso Natural Gas Company in Case 4682 must be predicated upon the prevention of the waste of hydrocarbons and the protection of the correlative rights of owners of property in the Blanco-Mesaverde Gas Pool.

(7) That the Commission will receive evidence that is relevant to the prevention of waste of hydrocarbons and the protection of correlative rights.

(8) Evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental impact will be received by the Commission and considered in its determination to approve or disapprove the application if the party offering same can show the relevance of such matters to the prevention of waste and the protection of correlative rights.

(9) The Commission also has the authority to gather for informational purposes evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental matters, though such are not to be considered in its determination of approval or disapproval of the subject application.

(10) That the Commission will receive evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental matters if offered by a party merely for informational purposes.

(11) That after it has made its decision to approve or disapprove the application upon the basis of evidence that is relevant to waste and protection of correlative rights, and if that decision should be to approve the application, it will consider evidence offered for informational purposes only to the fullest extent possible in the implementation of the decision.

(12) That the New Mexico Oil Conservation Commission is not required by Section 12-20-6, New Mexico Statutes Annotated, 1953 Compilation, to prepare an environmental impact statement prior to the hearing of this case.

IT IS THEREFORE ORDERED:

(1) In accordance with the above, the three petitioners, the New Mexico Environmental Improvement Agency, the New Mexico Municipal League, and the New Mexico Public Service Commission each are hereby granted permission to intervene in the above-styled cause, subject to the following:

- A. Evidence offered or which is elicited on cross-examination which is not relevant to the waste of hydrocarbons shall be admitted for informational purposes only.

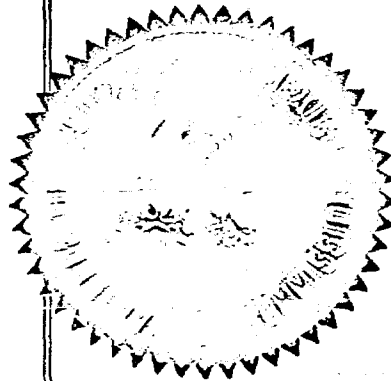
B. Evidence which is offered or which is elicited on cross-examination which is relevant to the waste of hydrocarbons shall be admitted for all purposes.

(2) To the extent that the above findings are in conflict with the motion of Southern Union Production Company, Southern Union Gathering Company, and Southern Union Gas Company, said motion is denied; to the extent the above findings are not in conflict with said motion, the motion is granted.

(3) That the motion of the New Mexico Environmental Improvement Agency to continue the above-entitled cause until such time as the New Mexico Oil Conservation Commission has prepared an environmental impact statement is hereby denied.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Bruce King*  
BRUCE KING, Chairman

*Alex J. Armijo*  
ALEX J. ARMIJO, Member

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

S E A L

dr/



# OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

March 27, 1973

Re: Case No. 4682

Order No. R-4498

Applicant:

El Paso Natural Gas Company

Mr. Richard S. Morris  
Montgomery, Federici, Andrews,  
Hannahs & Morris  
Attorneys at Law  
Post Office Box 2307  
Santa Fe, New Mexico

Dear Sir:

Enclosed herewith are two copies of the above-referenced  
Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALF/ir

Copy of order also sent to:

Hobbs OCC x

Artesia OCC           

Aztec OCC x

Other All interested parties

## Drilling Request Hearing Reset <sup>22</sup>

SANTA FE (AP) — The Oil Conservation Commission has postponed a hearing until April 18, 1973, on an application by El Paso Natural Gas Co. for drilling of additional gas wells in northwest New Mexico.

EPNG is asking for authority to drill a second well on 320-acre spacing within the Blanco-Mesa Verde gas pool in San Juan and Rio Arriba counties.

The state now limits spacing to one well for each 320 acres.

The application has been pending nearly a year.

It originally was scheduled for hearing March 22, then reset for

Aug. 29, and then again for Wednesday.

A. L. (Pete) Porter, executive director of the OCC, said Wednesday EPNG had asked for a 60-day continuance on the hearing.

The OCC moved it back further than 60 days to avoid conflict with the upcoming legislative session.

Gov. Bruce King is chairman of the OCC.

If EPNG's application is granted, as many as 2,000 additional gas wells could be drilled in the gas field.

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. 4682  
Order No. R-4498

APPLICATION OF EL PASO NATURAL GAS  
COMPANY FOR AMENDMENT OF THE RULES  
AND REGULATIONS GOVERNING THE BLANCO-  
MESAVARDE GAS POOL, SAN JUAN AND RIO  
ARRIBA COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 29, 1972, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 27th day of March, 1973, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

- (1) That applicant has requested that Case 4682 be dismissed without prejudice.
- (2) That as a result of the hearing on June 29, 1972, an order was adopted by the Commission resolving certain procedural questions.
- (3) That should Case 4682 or the subject matter thereof be raised in a subsequent proceeding before the Commission, the Commission should determine at that time whether or not the record of the June 29, 1972, hearing and the order adopted thereafter should be incorporated in the subsequent proceeding.
- (4) That the applicant's request for dismissal without prejudice should be granted.

IT IS THEREFORE ORDERED:

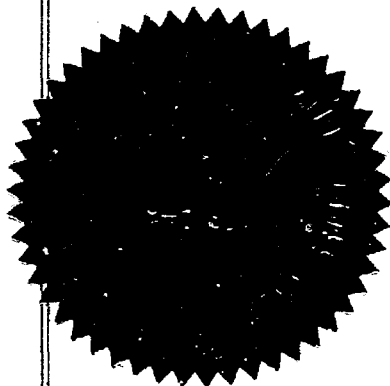
- (1) That Case No. 4682 is hereby dismissed without prejudice.

-2-

Case No. 4682  
Order No. R-4498

(2) That in any application to reconsider the subject matter of Case 4682 the Commission shall first determine whether or not it will incorporate the record of the June 29, 1972, hearing before the Commission and the findings and order entered by the Commission in this case.

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



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Bruch King*  
BRUCH KING, Chairman

*Alex J. Armljo*  
ALEX J. ARMILJO, Member

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

S E A L

dr/

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. 4682

APPLICATION OF EL PASO NATURAL  
GAS COMPANY FOR AMENDMENT OF THE  
RULES AND REGULATIONS GOVERNING  
THE BLANCO-MESAVERDE GAS POOL,  
SAN JUAN AND RIO ARriba COUNTIES,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

These matters come before the Commission at 9 a.m. on June 29, 1972, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission," pursuant to motions to intervene in the above-entitled cause and a motion for an order from the Commission limiting and defining the evidence it will receive and consider in the above-entitled cause and restricting such evidence to those matters provided for by the Statutes of New Mexico, and a motion for the continuance of the above-entitled cause until such time as the Commission has prepared an environmental impact statement.

NOW, on this 6th day of July, 1972, the Commission, a quorum being present, having considered each of the above-described motions, the arguments presented therewith, 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 Section 65-3-10, New Mexico Statutes Annotated, 1953 Compilation, empowers and gives the duty to the Commission to prevent the waste of hydrocarbons and to protect the correlative rights of owners of interests in said hydrocarbons.
- (3) That Section 65-3-5, New Mexico Statutes Annotated, 1953 Compilation, gives the Commission jurisdiction and authority over all matters relating to the conservation of oil and gas.
- (4) That "waste" and "correlative rights" are defined by Sections 65-3-3 and 65-3-29, respectively, New Mexico Statutes Annotated, 1953 Compilation.
- (5) That the public has a vital interest in the conservation of the natural resources of the State of New Mexico.



(6) That the Commission's decision to approve or disapprove the application of El Paso Natural Gas Company in Case 4682 must be predicated upon the prevention of the waste of hydrocarbons and the protection of the correlative rights of owners of property in the Blanco-Mesaverde Gas Pool.

(7) That the Commission will receive evidence that is relevant to the prevention of waste of hydrocarbons and the protection of correlative rights.

(8) Evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental impact will be received by the Commission and considered in its determination to approve or disapprove the application if the party offering same can show the relevance of such matters to the prevention of waste and the protection of correlative rights.

(9) The Commission also has the authority to gather for informational purposes evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental matters, though such are not to be considered in its determination of approval or disapproval of the subject application.

(10) That the Commission will receive evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental matters if offered by a party merely for informational purposes.

(11) That after it has made its decision to approve or disapprove the application upon the basis of evidence that is relevant to waste and protection of correlative rights, and if that decision should be to approve the application, it will consider evidence offered for informational purposes only to the fullest extent possible in the implementation of the decision.

(12) That the New Mexico Oil Conservation Commission is not required by Section 12-20-6, New Mexico Statutes Annotated, 1953 Compilation, to prepare an environmental impact statement prior to the hearing of this case.

IT IS THEREFORE ORDERED:

(1) In accordance with the above, the three petitioners, the New Mexico Environmental Improvement Agency, the New Mexico Municipal League, and the New Mexico Public Service Commission each are hereby granted permission to intervene in the above-styled cause, subject to the following:

- A. Evidence offered or which is elicited on cross-examination which is not relevant to the waste of hydrocarbons shall be admitted for informational purposes only.

-3-  
CASE NO. 4682

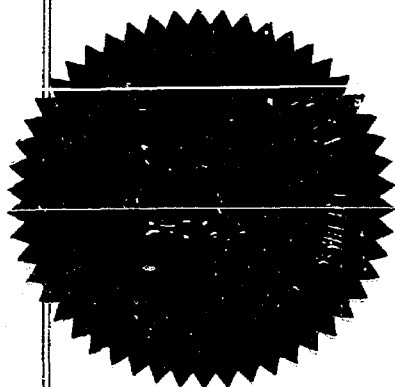
B. Evidence which is offered or which is elicited on cross-examination which is relevant to the waste of hydrocarbons shall be admitted for all purposes.

(2) To the extent that the above findings are in conflict with the motion of Southern Union Production Company, Southern Union Gathering Company, and Southern Union Gas Company, said motion is denied; to the extent the above findings are not in conflict with said motion, the motion is granted.

(3) That the motion of the New Mexico Environmental Improvement Agency to continue the above-entitled cause until such time as the New Mexico Oil Conservation Commission has prepared an environmental impact statement is hereby denied.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Bruce King*  
BRUCE KING, Chairman

*Alex J. Armejo*  
ALEX J. ARMEJO, Member

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

S E A L

dr/

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. 4682  
Order No. R-4498

APPLICATION OF EL PASO NATURAL GAS  
COMPANY FOR AMENDMENT OF THE RULES  
AND REGULATIONS GOVERNING THE BLANCO-  
MESAVERDE GAS POOL, SAN JUAN AND RIO  
ARRIBA COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 29, 1972, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 27th day of March, 1973, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That applicant has requested that Case 4682 be dismissed without prejudice.

(2) That as a result of the hearing on June 29, 1972, an order was adopted by the Commission resolving certain procedural questions.

(3) That should Case 4682 or the subject matter thereof be raised in a subsequent proceeding before the Commission, the Commission should determine at that time whether or not the record of the June 29, 1972, hearing and the order adopted thereafter should be incorporated in the subsequent proceeding.

(4) That the applicant's request for dismissal without prejudice should be granted.

IT IS THEREFORE ORDERED:

(1) That Case No. 4682 is hereby dismissed without prejudice.

-2-

Case No. 4682  
Order No. R-4498

(2) That in any application to reconsider the subject matter of Case 4682 the Commission shall first determine whether or not it will incorporate the record of the June 29, 1972, hearing before the Commission and the findings and order entered by the Commission in this case.

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

BRUCE KING, Chairman

ALEX J. ARMIJO, Member

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

S E A L

dr/

J. O. SETH (1883-1963)

A. K. MONTGOMERY  
WM. R. FEDERICI  
FRANK ANDREWS  
FRED C. HANNAHS  
RICHARD S. MORRIS  
SUMNER G. BUELL  
SETH D. MONTGOMERY  
FRANK ANDREWS III

OWEN M. LOPEZ  
JEFFREY R. BRANNEN  
JOHN BENNETT POUND

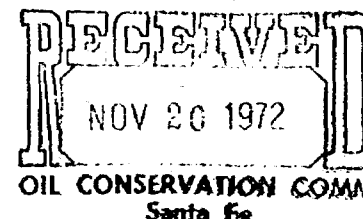
MONTGOMERY, FEDERICI, ANDREWS, HANNAHS & MORRIS

ATTORNEYS AND COUNSELORS AT LAW

350 EAST PALACE AVENUE  
SANTA FE, NEW MEXICO 87501

POST OFFICE BOX 2307  
AREA CODE 505  
TELEPHONE 982-3876

November 20, 1972



New Mexico Oil Conservation Commission  
PO Box 2088  
Santa Fe, New Mexico 87501

Re: NMOCC Case No. 4682, Application of El Paso Natural Gas Co.  
for amendment of the Rules and Regulations governing the  
Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba  
Counties, New Mexico.

Gentlemen:

On behalf of El Paso Natural Gas Company, applicant in the above  
case, we wish to request that the hearing presently scheduled for  
December 13, 1972, be continued for approximately 60 days.

At the time this case was filed and at the time the case was con-  
tinued to the December 13, 1972, hearing date, we expected the  
Federal Power Commission to take immediate action in its Docket  
No. RP-425 concerning the establishment of an area rate applicable  
to the San Juan Basin. Recent action by the Federal Power Commission  
in other proceedings indicates that it may soon resolve the pricing  
problems in the San Juan Basin, which we feel should be accomplished  
before proceeding with the subject case in order that all operators  
may fully evaluate their respective positions.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Richard S. Morris".

RSM:JF  
2652

cc: Mr. Jack M. Campbell  
Olmsted, Cohen & Bingaman  
PO Box 877  
Santa Fe, NM 87501  
Mr. Clarence E. Hinkle  
Hinkle, Bondurant, Cox & Eaton  
PO Box 10  
Roswell, NM 88201

cc: Mr. Douglas W. Fraser  
Agency Assistant Attorney General  
PERA Bldg.  
PO Box 2348  
Santa Fe, NM 87501

Mr. Frank Coppler  
PO Box 846  
Santa Fe, NM 87501

Mr. James L. Parmelee, Jr.  
Staff Counsel, Public Service Commission  
Bataan Memorial Bldg.  
Santa Fe, NM 87501

Mr. David T. Burleson  
Office of General Counsel  
El Paso Natural Gas Co.  
PO Box 1492  
El Paso, Texas 79999

Mr. Jason W. Kellahin  
PO Box 1769  
Santa Fe, NM 87501

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE PETITION OF  
STANOLIND OIL AND GAS COMPANY FOR  
THE ADOPTION OF REGULATIONS ESTABLISH-  
ING UNIFORM SPACING IN THE BLANCO POOL  
IN SAN JUAN COUNTY, NEW MEXICO; ESTABLISH-  
ING THE LOCATION OF THE INITIAL WELL ON  
EACH 320 ACRES; FIXING REGULATIONS AS TO  
THE SETTING OF PIPE; AND FOR BACK PRESSURE  
TESTS OF THE VARIOUS STRATA.

RECEIVED

1972

CONSERVATION COMM.  
SANTA FE

CASE NO. 163  
Order No. 799

ORDER OF THE COMMISSION

BY THE COMMISSION:

WHEREAS, after due notice as required by law the Commission held a public hearing in Santa Fe on October 28, 1948, to consider the petition of Stanolind Oil and Gas Company for the adoption of an order fixing the spacing of wells and other field rules for wells hereafter drilled in the Blanco (Mesaverde) Gas Pool, San Juan County, New Mexico, and related matters; and

WHEREAS, the Commission having considered the evidence adduced at such hearing, pertinent information otherwise available in the Commission's records, the statements made and viewpoints expressed by interested parties at or in connection with such hearing,

FINDS, from the evidence adduced:

A. That in order to eliminate waste of natural resources, protect correlative rights, protect potable water supplies, and encourage development in the Blanco (Mesaverde) Gas Pool, San Juan County, New Mexico;

B. That such pool has produced natural gas from the Mesaverde formation for approximately 20 years, the entire gas production being from one well;

C. That by reason of the undeveloped nature of the pool and of the general practices of certain operators, a fairly uniform spacing of one well to each 640 acres has heretofore prevailed throughout the pool;

D. That in view of present evidence and development it is not economically feasible to drill more than two wells to each 640 acre section, and accordingly, that more dense spacing may be conducive to waste and will unnecessarily increase the cost of development and production.

E. That for wells hereafter drilled, a general spacing pattern of one well on a unit of 320 acres, substantially in the shape of a rectangle, is required to protect the equities of those having interests in wells heretofore drilled on 320 or 640 acre tracts, for which general spacing pattern the pooling of properties should be encouraged when necessary;

F. That gas production and the gas productive area of the pool is likely to be substantially more extensive than the presently developed position thereof;

G. That waste, will result in drilling of wells in the pool, unless special rules and regulations are adopted for the prevention thereof;

H. That all evidence indicates that the size, outline, trend and reservoir conditions of the pool is not exactly known, and substantial revision of all present data may become necessary as development proceeds, necessitating future revision of certain parts of this order;

I. That in view of the very incomplete knowledge of the pool, it is necessary to require all operators to make complete core analysis and other special tests of the Mesaverde formation until the pool is more completely developed; and

J. That, while the Blanco-Mesaverde gas pool has been commercially productive for approximately 20 years, it has not heretofore been subject to cooperative action representative of the common interest of all operators or lease holders within the area, and there are an undetermined number of small landowners or lease-holders whose total holdings are either less than 320 acres or includes portions of 320 acre tracts.

THEREFORE, IT IS ORDERED that, effective on the date of this order, the following rules and regulations shall apply to wells hereafter drilled or completed or recompleted to the Mesaverde pool in the Blanco area, defined below, in addition to the Commission's applicable rules, regulations and orders heretofore or hereafter adopted to the extent not in conflict herewith:

Section 1. No well shall be drilled or completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless

- (a) such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivisions of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool;
- (b) such drilling unit be in the shape of a rectangle except for normal variations in legal subdivisions of the United States Lands Surveys, the north half, south half, east half or west half of each section of land constituting a drilling unit;
- (c) such well shall be located 330 feet from the center of either the northeast or southwest quarter of the section subject to 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.

Section 2. The special rules and regulations for the Blanco (Mesa-verde) pool contained herein shall be limited in their application to the present 4200-5100 foot productive horizon where the productive sands are contained between the top of the Cliff House Sand and the base of the Point Lookout Sand of the Mesaverde.

Section 3. Proration Units: The proration unit shall consist of 320 acres or (a) a legal U. S. General Land Office Survey half-section and (b) the approximate 320 acre unit shall follow the usual legal sub-divisions of the General Land Office Section Surveys and (c) where proration units lie along the edge of field boundaries described in Section 1 above, exceptions shall be permissible in that contiguous tracts of approximately 320 acres, following regular U. S. G. L. O. sub-divisions, may be classed as proration units.

- A. The pooling of properties or parts thereof shall be permitted, and, if not agreed upon may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of the uniform spacing plan of proration units, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool; provided, that the owner of any tract that is smaller than the drilling unit established for the field, shall not be deprived of the right to drill on and produce from such tract if same can be done without waste; but in such case the allowable production from such tract, as compared with the allowable production therefrom if such tract were a full unit, shall be in the ratio of the area of such tract to the area of a full unit of 320 acres.

Section 4. Casing and Cementing Program:

A. Surface Pipe

The surface pipe shall be set through the shallow potable water bearing beds to a minimum depth of 250 feet and a sufficient amount of cement shall be used to circulate the cement behind the pipe to the bottom of the cellar. This surface casing shall stand cemented for at least 24 hours before drilling plug or initiating tests. The surface casing shall be tested after drilling plug by bailing the hole dry. The hole shall remain dry for one hour to constitute satisfactory proof of a water shut-off. In lieu of the foregoing test the cement job shall be tested by building up pressure of 1,000 psi,

closing the valves, and allowing to stand thirty minutes. If the pressure does not drop more than 100 lbs. during that period, the test shall be considered satisfactory. This test shall be made both before and after drilling the plug. In this regard all fresh waters and waters of present or probable future value for domestic, commercial or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the Commission. Special precaution shall be taken in drilling and abandoning wells to guard against any loss of artesian potable water from the strata in which it occurs and the contamination of artesian potable water by objectionable water, oil or gas. The Commission shall be notified at least 24 hours prior to the conducting of any test.

R. Production String

The production string shall be set on top of the Cliff House Sand with a minimum of 100 sacks of cement and shall stand cemented not less than 36 hours before testing the casing. This test shall be made by building up a pressure of 1,000 psi, closing the valves, and allowing to stand thirty minutes. If the pressure does not drop more than 100 lbs. during that period, the test shall be considered satisfactory.

C. General

All cementing shall be done by the pump and plug method. Bailing tests may be used on all casing and cement tests, and drill stem tests may be used on cement tests in lieu of pressure tests. In making bailing test, the well shall be bailed dry and remain approximately dry for thirty minutes. If any string of casing fails while being tested by pressure or by bailing tests herein required, it shall be re-cemented and re-tested or an additional string of casing should be run and cemented. If an additional string is used the same test shall be made as outlined for the original string. In submitting Form C-101, "Notice of Intention to Drill", the number of sacks of cement to be used on each string of casing shall be stated.

Rules 6, 8, 9, 10, 11, 12 and 14 of Order No. 4 of the Commission, effective 8/12/35, should be followed.

Section 5. Tubing: Any completed well which produces any oil shall be tubed. This tubing shall be set as near the bottom of the hole as practicable, but in no case shall tubing perforations be more than 250 feet from the bottom. The bottom of the tubing shall be restricted to an opening of less than 1" or bull-plugged in order to prevent the loss of pressure bombs or other measuring devices.

Section 6. Special Equipment: Any well which produces oil shall be equipped with a meter setting of adequate size to measure efficiently the gas, with this meter setting to be installed on the gas vent or discharge line. Wellhead equipment for all wells shall be installed and maintained in first class condition, so that static, bottom hole pressures and surface pressures may be obtained at any time by a duly authorized agent of the Commission. Valves shall be installed so that pressures may be readily obtained on the casing and also on the tubing, wherever tubing is installed. All connections subject to well pressure and all wellhead fittings shall be of first class material, rated at 2,000 psi working pressure and maintained in gas tight condition. Bradenheads rated at 2,000 psi shall be installed on all production string and bradenhead connections maintained in gas tight condition. There shall be at least one valve on each bradenhead. Operators shall be responsible for maintaining all equipment in first class condition and shall repair or replace equipment where gas leakage occurs.

Section 7. Safety Requirements: Drilling boilers shall not be set closer than 200 feet to any well or tank battery. All electrical equipment shall be in first class condition and properly installed.

Section 8. Shooting of Wells: Wells shall not be shot or chemically treated until the permission of the Commission is obtained. Each well shall be shot or treated in such manner as will not cause injury to the sand or result in water entering the oil or gas sand, and necessary precautions shall be taken to prevent injury to the casing. If shooting or chemical treating results in irreparable injury to the well or to the oil or gas sand, the well shall be properly plugged and abandoned. (See Rule 42 Order No. 4, Effective 8/12/35)

Section 9. Testing of Pays: All wells drilled through the Point Lookout Pay will be tested by means of separate back pressure tests in accordance with the methods adopted by the U. S. Bureau of Mines (Monograph 7) of (a) the Cliff House Pay (b) the Point Lookout Pay (c) both pays commingled with a minimum of three stabilized readings from a total minimum of three different sized orifices.

- A. Wells which penetrated the Cliff House pay only will take minimum of three stabilized tests covering a total of three different sized orifices.
- B. The foregoing tests shall be taken either in the process of completion, or in drilling, or by means of packer separations between the Point Lookout and Cliff House pays after completion. All tests should be certified and filed with the Commission, and the Commission shall be notified at least 24 hours prior to conducting any test.
- C. Annual back pressure tests, using total of three different sized orifices, shall be taken in June, July or August on each completed well. Each test must be stabilized and plotted as a straight line function on logarithmic paper as outlined in U. S. Bureau of Mines Monograph 7.

- D. Within six months of the effective date of this order, and every six months thereafter, there shall be a meeting of all operators within the Blanco-Mesaverde pool in the Commission offices in Santa Fe, New Mexico, to present and discuss new information and data gathered subsequent to the effective date of this order. The Commission may discontinue these meetings when in its opinion, the pool has reached a stage of development where such meetings are unnecessary.

Section 10. Protection of Mineral Deposits: Since the Menefee coal beds bear some gas and since these coal beds are of non-commercial value, Rule 20, Order No. 4 of the Commission dated 8/12/35 shall not apply to this field.

Section 11. Gas Wastage: Mesaverde gas shall not be flared since this is principally a gas reservoir and any well not connected to a commercial or domestic taker shall be shut-in until such market is obtained. Wells in this field shall be permitted to produce and market gas, as long as such can be done without waste, equitably between proration units for the field.

Section 12. Bradenhead Gas: Bradenhead gas shall not be used either directly or expansively in engines, pumps or torches, or otherwise wasted. It may be used for lease and development purposes and for the development of nearby leases, except as prohibited above. Wells shall not be completed as Bradenhead gas wells unless special permission is obtained from the Commission.

Section 13. Any provision herein to the contrary notwithstanding, the Commission may, and in proper cases will, on petition or on its own motion, by order entered after notice and hearing to the extent required by law, grant exceptions and permit drilling locations to become effective, thereby authorizing the drilling or completion of wells in the pool not conforming to the requirements of Sections 1 through 12 above if the Commission shall find that the property sought to be drilled would be deprived of an opportunity to produce gas from the pool in the absence of such exception, or irrespective of such findings, if the Commission shall find that by reason of all circumstances an exception is proper in the prevention of waste, or undue drainage between properties, or otherwise in the exercise by the Commission of its jurisdiction over the spacing of wells or its other powers conferred by law, express or implied.

IT IS FURTHER ORDERED that, in accordance with recommendations of the Northwestern New Mexico Nomenclature Committee approved and adopted by this Commission, the Mesaverde gas producing pool in the Blanco area, to which this order applies, is defined to include the following described land in San Juan County, New Mexico:

TOWNSHIP 29 NORTH, RANGE 9 WEST  
All of Sections 3, 4, 5, 10, 11, 14 and 15

Case No. 163  
Order No. 799

TOWNSHIP 30 NORTH, RANGE 9 WEST  
Section 7, S/2; Section 8, S/2;  
All of Sections 16, 17, 18, 19,  
20, 21, 22, 27, 28, 29, 30, 32,  
33 and 34.

All additional lands located within one-half (1/2) mile of any land in the pool as defined or as it may be extended shall conform to these rules and regulations; provided, however, that such pool shall in no event be extended so as to include any lands now or hereafter included by the Commission in some other producing area formally designated as an oil or gas pool in the Mesaverde, provided, further, by order of this Commission the pool may be redesignated from time to time so as to embrace other lands in the vicinity which are believed, on the basis of additional developments, to be capable of producing gas from the Blanco pool, whether or not such other lands shall have been at one time included in another designated field or pool producing from Mesaverde.

Entered and adopted by the Oil Conservation Commission this 25day of February, 1949.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

CHAIRMAN

MEMBER

SECRETARY

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. 4682  
Order No. R-4498

APPLICATION OF EL PASO NATURAL GAS  
COMPANY FOR AMENDMENT OF THE RULES  
AND REGULATIONS GOVERNING THE BLANCO-  
MESAVERDE GAS POOL, SAN JUAN AND RIO  
ARRIBA COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 29, 1972, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, herein-after referred to as the "Commission."

NOW, on this \_\_\_\_\_ day of March, 1973, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

- (1) That applicant has requested that Case 4682 be dismissed without prejudice.
- (2) That as a result of the hearing on June 29, 1972, an order was adopted by the Commission resolving certain procedural questions.
- (3) That should Case 4682 or the subject matter thereof be raised in a subsequent proceeding before the Commission, the Commission <sup>should</sup> ~~shall~~ determine at that time whether or not the <sup>record of</sup> ~~order adopted following~~ the June 29, 1972, <sup>and the order adopted thereafter</sup> hearing <sup>should</sup> be incorporated in the subsequent proceeding.
- (4) That the applicant's request for dismissal without prejudice should be granted.

IT IS THEREFORE ORDERED:

- (1) That Case No. 4682 is hereby dismissed without prejudice.
- (2) That in any application to reconsider the subject matter of Case 4682 the Commission shall first determine whether or not it will incorporate,

~~the findings and order entered by the Commission in this case, following the~~  
the record of the June 29, 1972, hearing before the Commission and the

(S)

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. 4682

APPLICATION OF EL PASO NATURAL  
GAS COMPANY FOR AMENDMENT OF THE  
RULES AND REGULATIONS GOVERNING  
THE BLANCO-MESAVERDE GAS POOL,  
SAN JUAN AND RIO ARriba COUNTIES,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

These matters come before the Commission at 9 a.m. on June 29, 1972, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission," pursuant to motions to intervene in the above-entitled cause and a motion for an order from the Commission limiting and defining the evidence it will receive and consider in the above-entitled cause and restricting such evidence to those matters provided for by the Statutes of New Mexico, and a motion for the continuance of the above-entitled cause until such time as the Commission has prepared an environmental <sup>impact</sup> ~~import~~ statement.

NOW, on this \_\_\_\_\_ day of July, 1972, the Commission, a quorum being present, having considered each of the above-described motions, the arguments presented therewith, 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 Section 65-3-10, New Mexico Statutes Annotated, 1953 Compilation, empowers and gives the duty to the Commission to prevent the waste of hydrocarbons and to protect the correlative rights of owners of interests in said hydrocarbons.

(3) That Section 65-3-5, New Mexico Statutes Annotated, 1953 Compilation, gives the Commission jurisdiction and authority over all matters relating to the conservation of oil and gas.

(4) That "waste" and "correlative rights" are defined by Sections 65-3-3 and 65-3-29, respectively, New Mexico Statutes Annotated, 1953 Compilation.

(5) That the public has a vital interest in the conservation of the natural resources of the State of New Mexico.

(6) That the Commission's decision to approve or disapprove the application of El Paso Natural Gas Company in Case 4682 must be predicated upon the prevention of the waste of hydrocarbons and the protection of the correlative rights of owners of property in the Blanco-Mesaverde Gas Pool.

(7) That the Commission will receive evidence that is relevant to the prevention of waste of hydrocarbons and the protection of correlative rights.

(8) Evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental impact will be received by the Commission and considered in its determination to approve or disapprove the application if the party offering same can show the relevance of such matters to the prevention of waste and the protection of correlative rights.

(9) The Commission also has the authority to gather for informational purposes evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental matters, though such are not to be considered in its determination of approval or disapproval of the subject application.

(10) That the Commission will receive evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental matters if offered by a party merely for informational purposes.

(11) That after it has made its decision to approve or disapprove the application upon the basis of evidence that is relevant to waste and protection of correlative rights, and if that decision should be to approve the application, it will consider evidence offered for informational purposes only to the



fullest extent possible in the implementation of the decision.

IT IS THEREFORE ORDERED:

(1) In accordance with the above, the three petitioners, the New Mexico Environmental Improvement Agency, the New Mexico Municipal League, and the New Mexico Public Service Commission each are hereby granted permission to intervene in the above-styled cause, subject to the following:

- A. Evidence offered or which is elicited on cross-examination which is not relevant to the waste of hydrocarbons shall be admitted for informational purposes only.
- B. Evidence which is offered or which is elicited on cross-examination which is relevant to the waste of hydrocarbons shall be admitted for all purposes.

(2) To the extent that the above <sup>findings are</sup> ~~is~~ in conflict with the motion of Southern Union Production Company, Southern Union Gathering Company, and Southern Union Gas Company, said motion is denied; to the extent the above <sup>findings are</sup> ~~is~~ not in conflict with said motion, the motion is granted.

(3) That the motion of the New Mexico Environmental Improvement Agency to continue the above-entitled cause until such time as the New Mexico Oil Conservation Commission has prepared an environmental impact statement is hereby denied.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

(12) That the New Mexico Oil Conservation Commission is not required by Section 12-20-6, New Mexico Statutes annotated, 1953 compilation, to prepare an environmental impact statement prior to the hearing of this case.

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE  
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO-MESA )  
VERDE GAS POOL THAT WILL PROVIDE FOR )  
THE OPTIONAL DRILLING OF A SECOND )  
WELL ON AN ESTABLISHED PRORATION UNIT, )  
AND FOR THE ASSIGNMENT OF ALLOWABLE )  
FOR SUCH UNIT. )

Case No. 4682

RESPONSE

COMES NOW the New Mexico Environmental Improvement Agency, through its attorney, Douglas W. Fraser, Agency Assistant Attorney General, to respond to the Motion of Southern Union Production Company, Southern Union Gathering Company and Southern Union Gas Company for an Order limiting and defining the evidence which it will receive and consider in this case and hereby states that insofar as the Motion if granted might limit the evidence to be presented so that a determination by this Commission could not be made properly as to whether or not the Commission must issue an environmental impact statement, the Motion or its subsequent Order would be in violation of Section 12-20-6 N.M.S.A., 1953 Comp. (1971 Supp.) Said statute requires an environmental impact statement to be included in every recommendation or report on major state actions significantly affecting the quality of the human environment. The Commission must determine whether applicant's requested order adopting a general rule providing for the optional drilling of a second well on an established proration unit and for the assignment of allowable for such unit would be, if issued, an action requiring an impact statement under Section 12-20-6, supra.

WHEREFORE, insofar as the Motion limiting and defining the evidence would limit the Commission's ability to make a finding as to the necessity of an environmental impact statement, the Motion should be denied.

ENVIRONMENTAL IMPROVEMENT AGENCY

by Douglas W. Fraser  
Douglas W. Fraser  
Agency Assistant Attorney General  
P. O. Box 2348  
Santa Fe, New Mexico

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE  
STATE OF NEW MEXICO

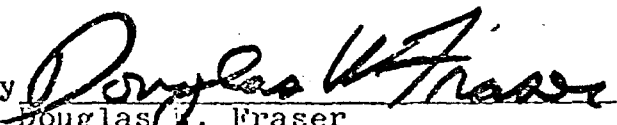
IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO-MESA )  
VERDE GAS POOL THAT WILL PROVIDE FOR )  
THE OPTIONAL DRILLING OF A SECOND )  
WELL ON AN ESTABLISHED PRORATION UNIT, )  
AND FOR THE ASSIGNMENT OF ALLOWABLE )  
FOR SUCH UNIT. )

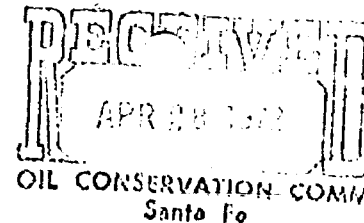
Case No. 4682.

MOTION

COMES NOW the New Mexico Environmental Improvement Agency through its attorney, Douglas W. Fraser, Agency Assistant Attorney General, to move that this hearing on the proposed adoption of an amended general rule in the Blanco-Mesa Verde Gas Pool be rescheduled until such time as the proposal may be accompanied with an environmental impact statement as required by Section 12-20-6 N.M.S.A., 1953 Comp. (1971 Supp.)

ENVIRONMENTAL IMPROVEMENT AGENCY

by   
Douglas W. Fraser  
Agency Assistant Attorney  
General  
P. O. Box 2348  
Santa Fe, New Mexico 87501



BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF EL PASO NATURAL GAS COMPANY )  
FOR AMENDMENT OF THE RULES AND )  
REGULATIONS GOVERNING THE )  
BLANCO-MESAVERDE GAS POOL, )  
SAN JUAN AND RIO ARriba COUNTIES, )  
NEW MEXICO. )

Case No. 4682

PETITION FOR LEAVE TO INTERVENE

COMES NOW the New Mexico Environmental Improvement Agency, through its attorney, Douglas W. Fraser, Agency Assistant Attorney General, to petition the New Mexico Oil Conservation Commission for leave to intervene as a party in the hearings on the proposed amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool commencing on Tuesday, May 2, 1972, at 9:00 A.M. in the State Land Office Building, Morgan Hall, Santa Fe, New Mexico.

The New Mexico Environmental Improvement Agency is a state governmental unit established under the authority of the Environmental Improvement Act [Sections 12-19-1 through 13, N.M.S.A., 1953 Comp. (1971 Supp.)] and as such is the state agency which is directly concerned with the ecological effects of the proposed general rule in the Blanco-Mesaverde Gas Pool on the human environment. It is this agency's concern that all evidence relating to the amendment of Rules and Regulations governing the Blanco-Mesaverde Gas Pool that may affect the human environment be presented and analyzed in a thorough manner and that alternatives be considered.

WHEREFORE, the Environmental Improvement Agency respectfully prays that we be entered as a party in these proceedings.

For Environmental Improvement Agency  
*Douglas W. Fraser*  
Douglas W. Fraser  
Agency Assistant Attorney General  
P.E.R.A. Building, P.O. Box 2348  
Santa Fe, New Mexico 87501

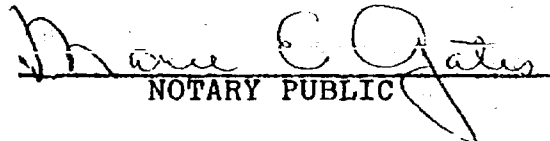
IN THE MATTER OF THE APPLICATION  
OF EL PASO NATURAL GAS COMPANY  
FOR AMENDMENT OF THE RULES AND  
REGULATIONS GOVERNING THE BLANCO-  
MESAVERDE GAS POOL, SAN JUAN AND  
RIO ARriba COUNTIES, NEW MEXICO.

VERIFICATION

Bryan E. Miller, acting director of the New Mexico  
Environmental Improvement Agency, being first duly sworn under  
oath, states that he has read the above petition and knows the  
contents thereof; and that the same is true of his own knowledge,  
information, or belief.

  
BRYAN E. MILLER

Subscribed and sworn to before me this 28th day of April,  
1972.

  
NOTARY PUBLIC

My Commission Expires:

Dec 13 1975

BEFORE THE NEW MEXICO OIL  
CONSERVATION COMMISSION


IN THE MATTER OF THE APPLICATION)  
OF EL PASO NATURAL GAS COMPANY )  
FOR AMENDMENT OF THE RULES AND )  
REGULATIONS GOVERNING THE )  
BLANCO-MESAVERDE GAS POOL, SAN )  
JUAN AND RIO ARriba COUNTIES, )  
NEW MEXICO. )

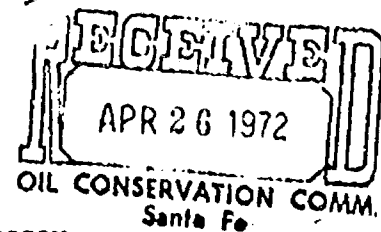
Case No. 4682

CERTIFICATE OF SERVICE

This is to certify that on this date I served a true  
copy of the Petition for Intervention personally to the New  
Mexico Oil Conservation Commission and by mail to: Montgomery,  
Federici, Andrews, Hannahs and Morris, Attorneys for El Paso  
Natural Gas Company; Jack M. Campbell and Olmsted, Cohen and  
Bingaman, Attorneys for Southern Union Gas Company; and Frank  
Coppler, Attorney for the New Mexico Municipal League, Inc.

Dated at Santa Fe, New Mexico, on this 28th day of  
April, 1972.

  
Douglas W. Fraser  
Agency Assistant Attorney General  
P.E.R.A. Building, P. O. Box 2348  
Santa Fe, New Mexico 87501



BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF EL PASO )  
NATURAL GAS COMPANY FOR AN ORDER OF THIS )  
COMMISSION ADOPTING A GENERAL RULE IN THE )  
BLANCO MESA VERDE GAS POOL THAT WILL PROVIDE )  
FOR THE OPTIONAL DRILLING OF A SECOND WELL ON )  
AN ESTABLISHED PRORATION UNIT, AND FOR THE )  
ASSIGNMENT OF ALLOWABLE FOR SUCH UNIT. )

CASE NO. 4682

PETITION FOR LEAVE TO INTERVENE

Comes now the New Mexico Municipal League, Inc., an incorporated association serving its member New Mexico municipalities representing itself as a user of natural gas and on behalf of its member municipalities who are users of natural gas and on behalf of residents of said members and files its petition for leave to intervene in this cause. The purpose of this intervention is to analyze the effect on petitioner, its member municipalities and persons living within the boundaries of its member municipalities, of El Paso Natural Gas application in case #4682. The end result of the intervention is to assure reasonable and proper gas service in member municipalities.

1. Petitioner New Mexico Municipal League, hereinafter referred to as the League, is an association of cities, towns and villages organized for the purpose of, among other things, representing participating municipalities in matters which directly affect municipal government in New Mexico and this petition is filed upon authority of the Board of Directors of said League duly made and entered at a meeting of said Board of Directors held on the 20th day of May, 1970.

2. El Paso Natural Gas Company supplies gas to the following cities who are members of the League:

City of Deming  
City of Las Cruces

The address of the New Mexico Municipal League for all purposes is  
Post Office Box 846, Santa Fe, New Mexico 87501.

3. This petition for leave to intervene is filed by the League on behalf of the several thousand residents of the municipalities served by the gas company which are members of the League and who are also consumers and rate payers of the gas company.

4. Intervenor does not have sufficient information at this time to assess its position in the matter and whether it should support Applicant, El Paso Natural Gas Company, as a wholesale supplier of gas to many public utilities under the jurisdiction of Intervenor or whether to support the position of Petitioner, Southern Union Gas Company, a public utility under the jurisdiction of Intervenor, or take a third position.

WHEREFORE, Intervenor respectfully prays that it be permitted to intervene in the above proceeding; that it be accorded all rights appropriate to its status as such Intervenor and be allowed to take a position or not as the facts develop.

DONE at Santa Fe, New Mexico, this 26<sup>th</sup> day of April, 1972.

Respectfully submitted,

NEW MEXICO MUNICIPAL LEAGUE

Frank Coppler  
Frank Coppler  
Esq.  
P.O. Box 846  
Santa Fe, New Mexico



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

Frank Coppler, whose address for all purposes is P.O. Box 846, Santa Fe, New Mexico, Attorney for the New Mexico Municipal League, Petitioner herein, states that the foregoing Petition for and on behalf of the New Mexico Municipal League, was prepared by him on instruction and authority of the Board of Directors of the New Mexico Municipal League; that he has read the same and believes that statements contained therein are true.

Frank Coppler  
Frank Coppler

Subscribed and sworn to before me this 26 day of April, 1972.

Margaret Jeanne Jenkins  
Notary Public

My Commission expires:

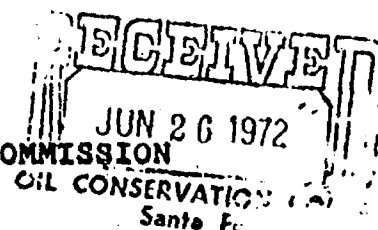
May 5, 1975

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

I, Frank Coppler, Attorney for the New Mexico Municipal League, do hereby certify that on April 26, 1972, I did mail a true and correct copy of the foregoing petition to Mr. Richard Morris of Montgomery, Federici, Andrews, Hannahs & Morris, attorneys for El Paso Natural Gas Company, Applicant, and to Mr. Jack M. Campbell of Olmsted, Cohen & Bingham, attorneys for Southern Union Gas Company, Petitioner and Mr. James L. Parmelee, Jr., Staff Counsel, New Mexico Public Service Commission.

Frank Coppler  
Frank Coppler, Esq.  
P.O. Box 846  
Santa Fe, New Mexico 87501

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE  
STATE OF NEW MEXICO



IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO-MESA )  
VERDE GAS POOL THAT WILL PROVIDE FOR )  
THE OPTIONAL DRILLING OF A SECOND )  
WELL ON AN ESTABLISHED PRORATION UNIT, )  
AND FOR THE ASSIGNMENT OF ALLOWABLE )  
FOR SUCH UNIT. )

Case No. 4682

RESPONSE

El Paso Natural Gas Company hereby responds to the Motion of Southern Union Production Company, Southern Union Gathering Company, and Southern Union Gas Company for an Order limiting and defining the evidence which it will receive and consider in this case, and states:

1. The Applicant, El Paso Natural Gas Company, recognizes that any Order entered by the Commission approving the Application in this case must be based upon prevention of waste and protection of correlative rights, pursuant to the Oil and Gas Conservation Statutes of New Mexico.

2. In addition to the powers and duties conferred upon the Commission by the Oil and Gas Conservation Statutes, the Commission ~~also~~ is authorized and required to consider the manner in which its actions may affect the environment, and the Commission is required to make a detailed Environmental Impact Statement in connection with any major state action which significantly affects the quality of the human environment. The Commission must determine whether this case is of such a nature as to require preparation of such a Statement, and to that end the Commission should receive and consider evidence relating to the various factors specified in Section 12-20-6 N.M.S.A., which it must consider if it determines that an Environmental Impact Statement is required in this case.

3. The Commission should receive and consider evidence relative to the market demand for gas from the San Juan Basin and from the Blanco-Mesaverde Gas Pool in particular, and should consider all the effects of its actions in this case (including those environmental in nature) not only upon the producers, but also upon the purchasers, distributors and ultimate consumers of this gas. In this regard, the Commission should not blind itself to the national energy crisis and the serious problems currently facing the natural gas industry throughout the country; nor is the Commission required by law to disregard such important matters.

The Commission has the authority, as well as the duty, to determine that a market exists for the additional deliverability that will be developed by the drilling of additional wells if the Application is approved. Obviously, the economic feasibility of the infill drilling program is directly related to market conditions and is predicated upon the assumption of a firm demand for gas from the San Juan Basin.

The Commission also should consider the waste, both physical and economic, which will result if the productive life of the Blanco-Mesaverde Gas Pool is permitted to continue beyond the physical capability of existing wells and related facilities and beyond the time that natural gas can be expected to fulfill a significant portion of the total energy requirements of the state and nation. El Paso is prepared to present evidence to the effect that, although the productive life of the pool will be shortened, additional reserves will be recovered as a direct result of the infill drilling program and, in any event, the additional deliverability developed by the drilling of additional wells pursuant to the approval of the Application in this case will result in greater deliverability of gas from the Blanco-Mesaverde Gas Pool at the end of a 20-year period than would

exist if the additional development does not occur.

4. In order to ensure proper recognition of all factors pertinent to this case, and in order not to preclude any such matters, the Commission should refrain from entering an order limiting and defining the evidence which it will receive and consider in this matter.

WHEREFORE, the Motion of Southern Union Production Company, Southern Union Gathering Company, and Southern Union Gas Company should be denied.

MONTGOMERY, FEDERICI, ANDREWS, HANNAHS  
& MORRIS

By Richard J. Morris  
P.O. Box 2307  
Santa Fe, N.M. 87501

Attorneys for El Paso Natural Gas Company

#### CERTIFICATE OF MAILING

I hereby certify that I caused to be mailed a true and correct copy of the foregoing Response to MR. JACK M. CAMPBELL of Olmsted, Cohen & Bingham, Attorneys for Southern Union Gas Company, P.O. Box 877, Santa Fe, N.M. 87501; MR. CLARENCE E. HINKLE of Hinkle, Bondurant, Cox & Eaton, P.O. Box 10, Roswell, N.M. 88201, Attorneys for Aztec Oil & Gas Company; to MR. DOUGLAS W. FRASER, Agency Assistant Attorney General for Environmental Improvement Agency, PERA Building, P.O. Box 2348, Santa Fe, N.M. 87501; MR. FRANK COPPLER, Attorney for New Mexico Municipal League, P.O. Box 846, Santa Fe, N.M. 87501; and MR. JAMES L. PARMELEE, JR., Staff Counsel for New Mexico Public Service Commission, Bataan Memorial Building, Santa Fe, N.M. 87501, this 26th day of June, 1972.

Richard J. Morris

Rec'd  
5-30-72  
ALP

in

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESA )  
VERDE GAS POOL THAT WILL PROVIDE FOR )  
THE OPTIONAL DRILLING OF A SECOND )  
WELL ON AN ESTABLISHED PRORATION UNIT, )  
AND FOR THE ASSIGNMENT OF ALLOWABLE )  
FOR SUCH UNIT. )

Case No. 4682

MOTION

Comes now, Jack M. Campbell, one of the attorneys for Southern Union Production Company, Southern Union Gathering Company and Southern Union Gas Company, enters his appearance in this matter on behalf of said companies, and for their Motion to the Commission states:

1. Applicant, El Paso Natural Gas Company, by its Response to Motion for Continuance (Paragraph 4) recites that its evidence "will show that approval of its application will enable it to supply gas to meet the needs of consumers who are dependent upon El Paso for their supply of natural gas, including Southern Union Gas Company and the other utilities who distribute natural gas to New Mexico consumers. El Paso intends to demonstrate that approval of its application in this case will alleviate gas shortages and will reduce the possibility of its being forced to curtail deliveries of gas to Southern Union Gas Company and other distributors in the State of New Mexico who obtain a portion of their gas supply from El Paso Natural Gas Company."

2. The laws of New Mexico clearly establish jurisdictional limits to this Commission in the discharge of its statutory duties and powers. No order may be issued by the Commission except it stems from or is made necessary by the prevention of waste or the

protection of correlative rights. The matters referred to in Applicant's Response to Motion for Continuance do not come within the jurisdictional limits described above.

3. To permit any evidence other than that relating to matters of prevention of waste and protection of correlative rights, as defined by the Statutes of New Mexico, is unlawful and will seriously prejudice any final order which the Commission may, after hearing, issue in this matter.

WHEREFORE: Movants request the Commission to issue its order limiting and defining the evidence which it will receive and consider in this matter and restricting such evidence to those matters provided for by the Statutes of New Mexico.

Respectfully submitted,

SOUTHERN UNION PRODUCTION COMPANY  
SOUTHERN UNION GATHERING COMPANY  
SOUTHERN UNION GAS COMPANY

By: Jack M. Campbell  
Jack M. Campbell  
One of their Attorneys

Dated: May 30, 1972

I hereby certify that copies of this Motion have this date been mailed to Attorneys of record in this matter at their business addresses.

Jack M. Campbell  
Jack M. Campbell

These are the questions I was using as a guide. The wording of some was changed. Some wanted real apply to you. Please feel free to submit additional information if you wish.

1. Do you own any property in the Blanco-Mesaverde Pool?
2. Does the Municipal League - EIA - Public Service Commission own any property in the pool?
3. Does anyone you represent own any property in the pool?
4. Are you seeking more gas production from the pool?
5. Are you seeking less gas -- some gas
6. Is it your contention that you or anyone that you profess to represent has such an interest that you could come before this Commission in a separate case to adopt certain spacing rules in the pool
7. Is it your contention that though you, EIA, Public Service Commission, Municipal League - certain cities - do not have a property right in the pool that the public has such a vital interest in the proper spacing of wells in the pool that it should be represented in this case
8. Is it your contention that because you represent a state agency (state subdivision) you have a right to intervene
9. What will you (or the ones you represent) gain or lose by the direct operation of the Commission's decision
10. Is that a certainty or is it mere speculative or contingent
11. Will you (or the ones you represent) be bound in any way by the decision of this Commission
12. Do you foresee that the Commission's decision will in any-way encroach upon the authority of the agency you represent
13. Do you foresee that any rule or regulation of your agency will be subject of interpretation in this hearing
14. Is it your contention that if the Commission should find that waste is occurring in the pool and that correlative rights are being violated in the pool, that it could deny this application because approval may result in less gas being available to you sometime in the future?

City of Deming -- Industry of New Mexico --  
Municipal League -- Albuquerque, New Mexico --  
Los Angeles, California -- Tucson, Arizona --

15. Is it your contention that if the Commission should find that waste is not occurring in the pool and that correlative rights are not being violated in the pool, that it could approve this application because approval may result in more gas being available to you sometime in the future?
- City of Deming -- Industry of New Mexico --  
Municipal League -- Albuquerque, New Mexico --  
Los Angeles, California -- Tucson, Arizona --
16. Is it your contention that the Commission has the authority to directly control the amount of gas to be used in the state -- out of state? -- Regardless of waste and correlative rights?
17. Is it your contention that the Commission has the authority to indirectly control the amount of gas to be used in the state -- out of the state? -- Regardless of waste and correlative rights?
18. Does the EIA have the authority to prohibit the use of certain inferior fuels if the use of such has an adverse effect upon the environment
19. Does the EIA have the authority to require the use of certain fuels if the use of other fuels would adversely effect the environment
20. Does the Public Service Commission have any control over the amount of gas committed to instate use -- out of state use
21. Have you filed any case before the Public Service Committee seeking improved gas service to the cities your organization represents



RECEIVED

APR 14 1972

Oil Conservation Commission

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESA )  
VERDE GAS POOL THAT WILL PROVIDE FOR )  
THE OPTIONAL DRILLING OF A SECOND )  
WELL ON AN ESTABLISHED PRORATION UNIT, )  
AND FOR THE ASSIGNMENT OF ALLOWABLE )  
FOR SUCH UNIT. )

CASE NO. 4682

PETITION FOR LEAVE TO INTERVENE  
AND MOTION FOR CONTINUANCE

Comes now, the New Mexico Public Service Commission (Intervenor) and respectfully requests that the Oil Conservation Commission allow intervention in the above-styled and numbered matter and respectfully moves for a continuance of the matter to a date mutually acceptable to Applicant; Southern Union Gas Company, but not less than 30 days from March 22, 1972.

As grounds for this Motion, Intervenor states:

1. Intervenor is the regulatory body of the State of New Mexico having general and exclusive jurisdiction by virtue of statute over the rates, charges, service regulations and other matters relating to the sale of natural gas and electricity by public utilities in the State of New Mexico, and the sale of natural gas and electricity by any person, firm or corporation to any utility for resale in the State of New Mexico.

2. Numerous natural gas and electric utilities in the State of New Mexico depend upon El Paso Natural Gas Company (El Paso)

for their source of supply of natural gas for distribution and for a source of fuel to generate electricity.

3. Intervenor has a direct interest in the matter before the Commission to the end that reasonable and proper natural gas and electric service shall be assured to consumers in the State of New Mexico.

4. Intervenor does not have sufficient information at this time to assess its position in the matter and whether it should support Applicant, El Paso Natural Gas Company, as a wholesale supplier of gas to many public utilities under the jurisdiction of Intervenor or whether to support the position of Petitioner, Southern Union Gas Company, a public utility under the jurisdiction of Intervenor, or take a third position.

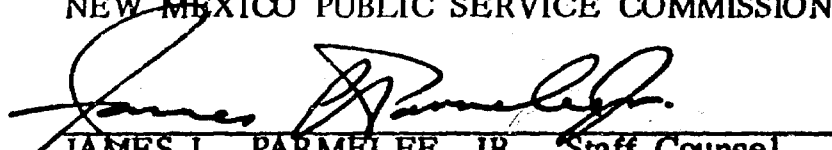
5. Attorney for Intervenor became aware of this Application on March 9, 1972. This does not provide sufficient time for preparation prior to the hearing date.

WHEREFORE, Intervenor respectfully prays that it be permitted to intervene in the above proceeding; that it be accorded all rights appropriate to its status as such Intervenor and be allowed to take a position or not as the facts develop. Intervenor further prays that the above requested continuance be allowed.

DONE at Santa Fe, New Mexico, this 14th day of March, 1972.

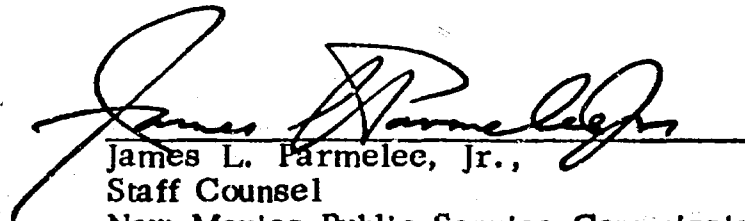
Respectfully submitted,

NEW MEXICO PUBLIC SERVICE COMMISSION

  
JAMES L. PARMELEE, JR., Staff Counsel  
Bataan Memorial Building  
Santa Fe, New Mexico 87501

CERTIFICATE OF SERVICE

I hereby certify that I have this day mailed a copy of the foregoing Petition for Leave to Intervene and Motion for Continuance to Mr. Richard Morris of Montgomery, Federici, Andrews, Hannahs & Morris, attorneys for El Paso Natural Gas Company, Applicant, and to Mr. Jack M. Campbell of Olmsted, Cohen & Bingaman, attorneys for Southern Union Gas Company, Petitioner.

  
James L. Parmelee, Jr.,  
Staff Counsel  
New Mexico Public Service Commission  
Bataan Memorial Building  
Santa Fe, New Mexico 87501

DOCKET: SPECIAL HEARING - WEDNESDAY - MARCH 22, 1972

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL, STATE LAND OFFICE  
BUILDING, SANTA FE, NEW MEXICO

**CASE 4682:** Application of El Paso Natural Gas Company for amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-1670, as it pertains to the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico, to provide the following:

- A. That any operator may, at his option, drill a second well on any established proration unit in the Blanco-Mesaverde Gas Pool.
- B. That the wells on any established proration unit in the Blanco-Mesaverde Gas Pool having more than one well shall be treated as a single well for proration purposes and any reference to a well in the proration rules shall pertain to all wells on an established proration unit.
  - (1) That state deliverability test of each well shall be combined for the allowable deliverability allocation and the wells considered as a single unit for the acreage allocation.
  - (2) The production from each well shall be metered separately in compliance with Rule 403, however, the production shall be combined and reported as a single volume on Forms C-114 and C-115 and applied against the single allowable for the proration unit, and one status shall be carried for the proration unit.
  - (3) Classification of the wells on a proration unit as marginal or non-marginal shall be determined by combining the performance of all wells in the proration unit.

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. 4682

APPLICATION OF EL PASO NATURAL  
GAS COMPANY FOR AMENDMENT OF THE  
RULES AND REGULATIONS GOVERNING  
THE BLANCO-MESAVERDE GAS POOL,  
SAN JUAN AND RIO ARriba COUNTIES,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

These matters come before the Commission at 9 a.m. on June 29, 1972, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission," pursuant to motions to intervene in the above-entitled cause and a motion for an order from the Commission limiting and defining the evidence it will receive and consider in the above-entitled cause and restricting such evidence to those matters provided for by the Statutes of New Mexico, and a motion for the continuance of the above-entitled cause until such time as the Commission has prepared an environmental impact statement.

NOW, on this 6th day of July, 1972, the Commission, a quorum being present, having considered each of the above-described motions, the arguments presented therewith, 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 Section 65-3-10, New Mexico Statutes Annotated, 1953 Compilation, empowers and gives the duty to the Commission to prevent the waste of hydrocarbons and to protect the correlative rights of owners of interests in said hydrocarbons.
- (3) That Section 65-3-5, New Mexico Statutes Annotated, 1953 Compilation, gives the Commission jurisdiction and authority over all matters relating to the conservation of oil and gas.
- (4) That "waste" and "correlative rights" are defined by Sections 65-3-3 and 65-3-29, respectively, New Mexico Statutes Annotated, 1953 Compilation.
- (5) That the public has a vital interest in the conservation of the natural resources of the State of New Mexico.

(6) That the Commission's decision to approve or disapprove the application of El Paso Natural Gas Company in Case 4682 must be predicated upon the prevention of the waste of hydrocarbons and the protection of the correlative rights of owners of property in the Blanco-Mesaverde Gas Pool.

(7) That the Commission will receive evidence that is relevant to the prevention of waste of hydrocarbons and the protection of correlative rights.

(8) Evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental impact will be received by the Commission and considered in its determination to approve or disapprove the application if the party offering same can show the relevance of such matters to the prevention of waste and the protection of correlative rights.

(9) The Commission also has the authority to gather for informational purposes evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental matters, though such are not to be considered in its determination of approval or disapproval of the subject application.

(10) That the Commission will receive evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental matters if offered by a party merely for informational purposes.

(11) That after it has made its decision to approve or disapprove the application upon the basis of evidence that is relevant to waste and protection of correlative rights, and if that decision should be to approve the application, it will consider evidence offered for informational purposes only to the fullest extent possible in the implementation of the decision.

(12) That the New Mexico Oil Conservation Commission is not required by Section 12-20-6, New Mexico Statutes Annotated, 1953 Compilation, to prepare an environmental impact statement prior to the hearing of this case.

IT IS THEREFORE ORDERED:

(1) In accordance with the above, the three petitioners, the New Mexico Environmental Improvement Agency, the New Mexico Municipal League, and the New Mexico Public Service Commission each are hereby granted permission to intervene in the above-styled cause, subject to the following:

- A. Evidence offered or which is elicited on cross-examination which is not relevant to the waste of hydrocarbons shall be admitted for informational purposes only.

-3-  
CASE NO. 4682

B. Evidence which is offered or which is elicited on cross-examination which is relevant to the waste of hydrocarbons shall be admitted for all purposes.

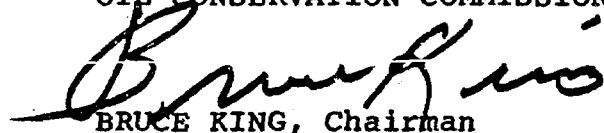
(2) To the extent that the above findings are in conflict with the motion of Southern Union Production Company, Southern Union Gathering Company, and Southern Union Gas Company, said motion is denied; to the extent the above findings are not in conflict with said motion, the motion is granted.

(3) That the motion of the New Mexico Environmental Improvement Agency to continue the above-entitled cause until such time as the New Mexico Oil Conservation Commission has prepared an environmental impact statement is hereby denied.


(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

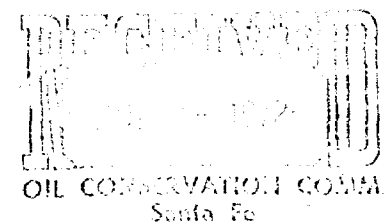
  
BRUCE KING, Chairman

ALEX J. ARMIJO, Member

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

S E A L

dr/



BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESA )  
VERDE GAS POOL THAT WILL PROVIDE )  
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WELL ON AN ESTABLISHED PRORATION UNIT, )  
AND FOR THE ASSIGNMENT OF ALLOWABLE )  
FOR SUCH UNIT. )

CASE NO. 4682

ANSWER OF NEW MEXICO ENVIRONMENTAL IMPROVEMENT AGENCY  
TO QUESTIONS PROPOUNDED BY COUNSEL FOR THE  
OIL CONSERVATION COMMISSION

1. Q. Do you own any property in the Blanco-Mesa Verde Pool?  
A. No. I am appearing on behalf of the Environmental Improvement Agency in the capacity of an agency assistant attorney general and am not appearing on behalf of myself.
2. Q. Does the Environmental Improvement Agency own any property in the pool?  
A. No. The Agency is a state governmental administrative unit which owns no property rights in the Blanco-Mesa Verde Pool. Its interest in this particular application is the environmental effects which may result from any change in existing property rights in the pool.
3. Q. Does anyone you represent own any property in the pool?  
A. No. I am representing the Agency which has no existing property right within the Blanco-Mesa Verde Pool.
4. Q. Are you seeking more gas production from the pool?  
A. No.
5. Q. Are you seeking less gas production from the pool?  
A. No. We are seeking the continuance of existing gas production from the pool.
6. Q. Is it your contention that you or anyone that you profess to represent has such an interest that you could come before this Commission in a separate case to adopt certain spacing rules in the pool?  
A. Yes, to the extent that the case could constitute a major state action substantially affecting the environment.
7. Q. Is it your contention that, although the Environmental Improvement Agency does not have a property right in the pool, the public has such a vital interest in the proper spacing of wells in the pool that it should be represented in this case?  
A. Yes, insofar as a determination of the existing property rights in the pool will have an environmental impact on the human environment.



8. Q. Is it your contention that because you represent a state agency, you have a right to intervene?
- A. The Environmental Improvement Agency has a right to submit a Petition for Intervention because the question before the Oil Conservation Commission is one that substantially affects the quality of the human environment. The Oil Conservation Commission should grant this petition in order to assure a full review of the environmental issues involved.
9. Q. What will you gain or lose by the direct operation of the Commission's decision?
- A. The Environmental Improvement Agency will gain or lose no particular property right by the direct operation of the Commission's decision. However, the Agency will lose the opportunity to effectively administer the regulations promulgated by the Environmental Improvement Board in a way most rationally suited to New Mexico's needs. It will also be injured to the extent more funds will be needed for staffing of programs to develop new and more extensive regulations for the Board's consideration. Assuming new regulations are adopted, more funds will be needed to insure their enforcement. Finally, we will lose the ability to effectively carry out the legislative mandate of assuming responsibility "for environmental management and consumer protection...in order to ensure an environment that in the greatest possible measure: will confer optimum health, safety, comfort and economic and social well-being on its inhabitants; will protect this generation as well as those yet unborn from health threats posed by the environment; and will maximize the economic and cultural benefits of a healthy people." [Section 12-19-2 N.M.S.A., 1953 Comp. (1971 Supp.)]
10. Q. Is that a certainty or is it mere speculative or contingent?
- A. Certainty.
11. Q. Will the Environmental Improvement Agency be bound in any way by the decision of this Commission?
- A. Yes, to the extent that the decision will affect environmental management and consumer protection.
12. Q. Do you foresee that the Commission's decision will in any way encroach upon the authority of the agency you represent?
- A. No.
13. Q. Do you foresee that any rule or regulation of the Environmental Improvement Agency will be subject of interpretation in this hearing?
- A. We are unable to anticipate at this time whether any of the Environmental Improvement Board's regulations will need to be interpreted.
14. Q. Is it your contention that if the Commission should find that waste is occurring in the pool and that correlative rights are being violated in the pool, that it could deny this application because approval may result in less gas being available to you sometime in the future?
- A. Yes, in terms of less gas being available to the citizens of New Mexico and what effects this shortage of gas will have on the quality of the human environment in New Mexico.

It is clear from Section 12-20-6 N.M.S.A., 1953 Comp. (1971 Supp.) that the factors that must be considered by the Oil Conservation Commission have been enlarged or supplemented

to include not only waste and correlative rights but also the impact that a determination on these two factors may have on the human environment. The requirement that the impact on human environment be considered is not only a procedural requirement, in the narrow sense, but is a consideration that indeed will affect substantive determinations.

As was stated in Arlington Coalition v. Volpe, \_\_\_\_\_ F.2d \_\_\_\_\_, 3 E.R.C. 1195, 2001 (4th Cir. 1972) in answer to the argument, work on the road construction need not be enjoined while the environmental impact was being prepared:

Filing a report without suspension of work on Arlington I-66 until the report has been considered by the Secretary is not the sort of compliance that is likely to change the result. Section 102(C) contemplates not only that a report be compiled but also that the Secretary take into account the information contained therein in determining the final location and design of a highway. (Emphasis added.)

This statute does not limit the authority of any governmental agency in any permanent or conclusive manner. It does, however, contain a mandate that action can be taken only following complete awareness on the part of the actor of the environmental consequences of his action and following his having taken the steps required by the Act. [Natural Helium Corporation v. Morton, \_\_\_\_\_ F.2d \_\_\_\_\_, 3 E.R.C. 1129 (10th Cir. 1971)].

Section 12-20-6, supra, consequently requires an examination of all relevant issues, not only of waste but of economics and the environment.

15. Q. Is it your contention that if the Commission should find that waste is not occurring in the pool and that correlative rights are not being violated in the pool, that it could approve this application because approval may result in more gas being available to you sometime in the future?
- A. Yes. See answer to Question 14 above.
16. Q. Is it your contention that the Commission has the authority to directly control the amount of gas to be used in the state -- out of state? -- Regardless of waste and correlative rights?
- A. No.
17. Q. Is it your contention that the Commission has the authority to indirectly control the amount of gas to be used in the state -- out of the state? -- Regardless of waste and correlative rights?
- A. Yes.
- Note: The problem with this question is the use of the word "authority". The Oil Conservation Commission's statutory authority to deny or grant this application based upon waste, correlative rights and environmental factors will indirectly affect the amount of gas to be used.
18. Q. Does the Environmental Improvement Agency have the authority to prohibit the use of certain inferior fuels if the use of such has an adverse effect upon the environment?
- A. The Environmental Improvement Agency has no such direct authority.
19. Q. Does the Environmental Improvement Agency have the authority to require the use of certain fuels if the use of other fuels would adversely effect the environment?
- A. The Environmental Improvement Agency has no such direct authority.

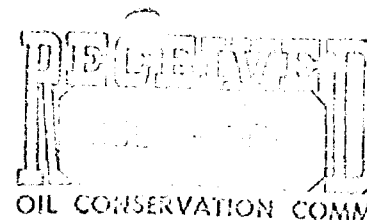
Note: These Answers are submitted in lieu of all oral statements made in response to the questions asked by Commission counsel on June 29, 1972.

Respectfully submitted,



Douglas W. Fraser  
Agency Assistant Attorney General  
P.E.R.A. Building  
Santa Fe, New Mexico

cc: El Paso Natural Gas Company  
Southern Union Gas Company  
New Mexico Municipal League, Inc.  
New Mexico Public Service Commission



BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESA )  
VERDE GAS POOL THAT WILL PROVIDE )  
FOR THE OPTIONAL DRILLING OF A SECOND )  
WELL ON AN ESTABLISHED PRORATION UNIT,)  
AND FOR THE ASSIGNMENT OF ALLOWABLE )  
FOR SUCH UNIT. )

CASE NO. 4682

ANSWER OF NEW MEXICO PUBLIC SERVICE COMMISSION  
TO QUESTIONS PROPOUNDED BY COUNSEL FOR THE  
OIL CONSERVATION COMMISSION

1. Q. Does the Public Service Commission own any property in the Blanco-Mesa Verde Pool?  
A. No.
2. Q. Does anyone you represent own any property in the pool?  
A. Some utilities under the supervision and regulation of the Public Service Commission own property in the pool.
3. Q. Are you seeking more gas production from the pool?  
A. No.
4. Q. Are you seeking less gas -- some gas?  
A. No.
5. Q. Is it your contention that you or anyone that you profess to represent has such an interest that you could come before this Commission in a separate case to adopt certain spacing rules in the pool?  
A. No. (Except utilities owning property in the pool.)
6. Q. It is your contention that though you, Public Service Commission, do not have a property right in the pool but that the public has such a vital interest in the proper spacing of wells in the pool that it should be represented in this case?  
A. Yes, the Public Service Commission is bound by statute to represent the interests of public utilities, consumers of

utility products and the general public and the duty to ensure, to the extent of its ability, that utilities continue to serve the public.

7. Q. Is it your contention that because you represent a state agency (state subdivision) you have a right to intervene?  
A. Not a "right" to intervene but hopefully a "privilege" to intervene because of the Public Service Commission's interest.
8. Q. What will you (or the ones you represent) gain or lose by the direct operation of the Commission's decision?  
A. The answer to this question is unknown at this time but will hopefully be developed by the evidence presented.
9. Q. Is that a certainty or is it mere speculative or contingent?  
A. This will hopefully be answered by the evidence presented.
10. Q. Will you (or the ones you represent) be bound in any way by the decision of this Commission?  
A. Yes, the short and long range gas supply for New Mexico utilities will be affected and the Public Service Commission will be bound by the decision.
11. Q. Do you foresee that the Commission's decision will in anyway encroach upon the authority of the agency you represent?  
A. No.
12. Q. Do you foresee that any rule or regulation of your agency will be subject of interpretation in this hearing?  
A. No.
13. Q. Is it your contention that the Commission has the authority to directly control the amount of gas to be used in the state -- out of state? -- Regardless of waste and correlative rights?  
A. No.
14. Q. Is it your contention that the Commission has the authority to indirectly control the amount of gas to be used in the state -- out of the state? -- Regardless of waste and correlative rights?

- A. Yes, the granting or denying of the application will have precisely this effect.
15. Q. Does the Public Service Commission have any control over the amount of gas committed to instate use -- out of state use?
- A. No.

Respectfully submitted,



James L. Parmelee, Jr.  
Staff Counsel  
New Mexico Public Service Commission  
Bataan Memorial Building  
Santa Fe, New Mexico 87501

cc: El Paso Natural Gas Company  
Southern Union Gas Company  
New Mexico Municipal League, Inc.  
Environmental Improvement Agency  
New Mexico State Planning Office

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE  
STATE OF NEW MEXICO

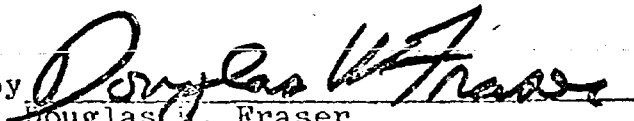
IN THE MATTER OF THE APPLICATION OF )  
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VERDE GAS POOL THAT WILL PROVIDE FOR )  
THE OPTIONAL DRILLING OF A SECOND )  
WELL ON AN ESTABLISHED PRORATION UNIT, )  
AND FOR THE ASSIGNMENT OF ALLOWABLE )  
FOR SUCH UNIT. )

Case No. 4682

MOTION

COMES NOW the New Mexico Environmental Improvement Agency through its attorney, Douglas W. Fraser, Agency Assistant Attorney General, to move that this hearing on the proposed adoption of an amended general rule in the Blanco-Mesa Verde Gas Pool be rescheduled until such time as the proposal may be accompanied with an environmental impact statement as required by Section 12-20-6 N.M.S.A., 1953 Comp. (1971 Supp.)

ENVIRONMENTAL IMPROVEMENT AGENCY

by   
Douglas W. Fraser  
Agency Assistant Attorney  
General  
P. O. Box 2348  
Santa Fe, New Mexico 87501

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE  
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
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FOR SUCH UNIT. )

Case No. 4682

RESPONSE

COMES NOW the New Mexico Environmental Improvement Agency, through its attorney, Douglas W. Fraser, Agency Assistant Attorney General, to respond to the Motion of Southern Union Production Company, Southern Union Gathering Company and Southern Union Gas Company for an Order limiting and defining the evidence which it will receive and consider in this case and hereby states that insofar as the Motion if granted might limit the evidence to be presented so that a determination by this Commission could not be made properly as to whether or not the Commission must issue an environmental impact statement, the Motion or its subsequent Order would be in violation of Section 12-20-6 N.M.S.A., 1953 Comp. (1971 Supp.) Said statute requires an environmental impact statement to be included in every recommendation or report on major state actions significantly affecting the quality of the human environment. The Commission must determine whether applicant's requested order adopting a general rule providing for the optional drilling of a second well on an established proration unit and for the assignment of allowable for such unit would be, if issued, an action requiring an impact statement under Section 12-20-6, supra.

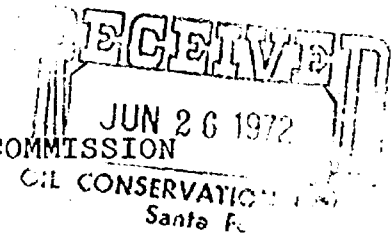
WHEREFORE, insofar as the Motion limiting and defining the evidence would limit the Commission's ability to make a finding as to the necessity of an environmental impact statement, the Motion should be denied.

ENVIRONMENTAL IMPROVEMENT AGENCY

by Douglas W. Fraser  
Douglas W. Fraser  
Agency Assistant Attorney General  
P. O. Box 2348  
Santa Fe, New Mexico



BEFORE THE OIL CONSERVATION COMMISSION  
OF THE  
STATE OF NEW MEXICO



IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
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FOR SUCH UNIT. )

Case No. 4682

RESPONSE

El Paso Natural Gas Company hereby responds to the Motion of Southern Union Production Company, Southern Union Gathering Company, and Southern Union Gas Company for an Order limiting and defining the evidence which it will receive and consider in this case, and states:

1. The Applicant, El Paso Natural Gas Company, recognizes that any Order entered by the Commission approving the Application in this case must be based upon prevention of waste and protection of correlative rights, pursuant to the Oil and Gas Conservation Statutes of New Mexico.

2. In addition to the powers and duties conferred upon the Commission by the Oil and Gas Conservation Statutes, the Commission also is authorized and required to consider the manner in which its actions may affect the environment, and the Commission is required to make a detailed Environmental Impact Statement in connection with any major state action which significantly affects the quality of the human environment. The Commission must determine whether this case is of such a nature as to require preparation of such a Statement, and to that end the Commission should receive and consider evidence relating to the various factors specified in Section 12-20-6 N.M.S.A., which it must consider if it determines that an Environmental Impact Statement is required in this case.

3. The Commission should receive and consider evidence relative to the market demand for gas from the San Juan Basin and from the Blanco-Mesaverde Gas Pool in particular, and should consider all the effects of its actions in this case (including those environmental in nature) not only upon the producers, but also upon the purchasers, distributors and ultimate consumers of this gas. In this regard, the Commission should not blind itself to the national energy crisis and the serious problems currently facing the natural gas industry throughout the country; nor is the Commission required by law to disregard such important matters.

The Commission has the authority, as well as the duty, to determine that a market exists for the additional deliverability that will be developed by the drilling of additional wells if the Application is approved. Obviously, the economic feasibility of the infill drilling program is directly related to market conditions and is predicated upon the assumption of a firm demand for gas from the San Juan Basin.

The Commission also should consider the waste, both physical and economic, which will result if the productive life of the Blanco-Mesaverde Gas Pool is permitted to continue beyond the physical capability of existing wells and related facilities and beyond the time that natural gas can be expected to fulfill a significant portion of the total energy requirements of the state and nation. El Paso is prepared to present evidence to the effect that, although the productive life of the pool will be shortened, additional reserves will be recovered as a direct result of the infill drilling program and, in any event, the additional deliverability developed by the drilling of additional wells pursuant to the approval of the Application in this case will result in greater deliverability of gas from the Blanco-Mesaverde Gas Pool at the end of a 20-year period than would

exist if the additional development does not occur.

4. In order to ensure proper recognition of all factors pertinent to this case, and in order not to preclude any such matters, the Commission should refrain from entering an order limiting and defining the evidence which it will receive and consider in this matter.

WHEREFORE, the Motion of Southern Union Production Company, Southern Union Gathering Company, and Southern Union Gas Company should be denied.

MONTGOMERY, FEDERICI, ANDREWS, HANNAHS  
& MORRIS

By Richard J. Morris  
P.O. Box 2307  
Santa Fe, N.M. 87501

Attorneys for El Paso Natural Gas Company

#### CERTIFICATE OF MAILING

I hereby certify that I caused to be mailed a true and correct copy of the foregoing Response to MR. JACK M. CAMPBELL of Olmsted, Cohen & Bingham, Attorneys for Southern Union Gas Company, P.O. Box 877, Santa Fe, N.M. 87501; MR. CLARENCE E. HINKLE of Hinkle, Bondurant, Cox & Eaton, P.O. Box 10, Roswell, N.M. 88201, Attorneys for Aztec Oil & Gas Company; to MR. DOUGLAS W. FRASER, Agency Assistant Attorney General for Environmental Improvement Agency, PERA Building, P.O. Box 2348, Santa Fe, N.M. 87501; MR. FRANK COPPLER, Attorney for New Mexico Municipal League, P.O. Box 846, Santa Fe, N.M. 87501; and MR. JAMES L. PARMELEE, JR., Staff Counsel for New Mexico Public Service Commission, Bataan Memorial Building, Santa Fe, N.M. 87501, this 26th day of June, 1972.

Richard J. Morris

Rec'd  
5-30-72  
A.L.P.

BN

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESA )  
VERDE GAS POOL THAT WILL PROVIDE FOR )  
THE OPTIONAL DRILLING OF A SECOND )  
WELL ON AN ESTABLISHED PRORATION UNIT, )  
AND FOR THE ASSIGNMENT OF ALLOWABLE )  
FOR SUCH UNIT. )

Case No. 4682

MOTION

Comes now, Jack M. Campbell, one of the attorneys for Southern Union Production Company, Southern Union Gathering Company and Southern Union Gas Company, enters his appearance in this matter on behalf of said companies, and for their Motion to the Commission states:

1. Applicant, El Paso Natural Gas Company, by its Response to Motion for Continuance (Paragraph 4) recites that its evidence "will show that approval of its application will enable it to supply gas to meet the needs of consumers who are dependent upon El Paso for their supply of natural gas, including Southern Union Gas Company and the other utilities who distribute natural gas to New Mexico consumers. El Paso intends to demonstrate that approval of its application in this case will alleviate gas shortages and will reduce the possibility of its being forced to curtail deliveries of gas to Southern Union Gas Company and other distributors in the State of New Mexico who obtain a portion of their gas supply from El Paso Natural Gas Company."

2. The laws of New Mexico clearly establish jurisdictional limits to this Commission in the discharge of its statutory duties and powers. No order may be issued by the Commission except it stems from or is made necessary by the prevention of waste or the

protection of correlative rights. The matters referred to in Applicant's Response to Motion for Continuance do not come within the jurisdictional limits described above.

3. To permit any evidence other than that relating to matters of prevention of waste and protection of correlative rights, as defined by the Statutes of New Mexico, is unlawful and will seriously prejudice any final order which the Commission may, after hearing, issue in this matter.

WHEREFORE: Movants request the Commission to issue its order limiting and defining the evidence which it will receive and consider in this matter and restricting such evidence to those matters provided for by the Statutes of New Mexico.

Respectfully submitted,

SOUTHERN UNION PRODUCTION COMPANY  
SOUTHERN UNION GATHERING COMPANY  
SOUTHERN UNION GAS COMPANY

By: Jack M. Campbell  
Jack M. Campbell  
One of their Attorneys

Dated: May 30, 1972

I hereby certify that copies of this Motion have this date been mailed to Attorneys of record in this matter at their business addresses.

Jack M. Campbell  
Jack M. Campbell

*Conservation file*

OLMSTED & COHEN

ATTORNEYS AT LAW

CHARLES D. OLMSTED  
SAUL COHEN

JEFF BINGAMAN

PADRE GALLEGOS HOUSE  
231 WASHINGTON AVENUE  
P. O. BOX 877

SANTA FE, NEW MEXICO 87501  
TELEPHONE (505) 962-3595

JACK M. CAMPBELL, OF COUNSEL

May 11, 1972

Mr. A. L. Porter,  
Secretary - Director  
Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501  
OIL CONSERVATION COMM.  
Santa Fe

**RECEIVED**  
MAY 12 1972

Dear Mr. Porter:

I have received your Notice of Continuance of Case No. 4682 from May 2, 1972, to July 19, 1972.

Your notice indicates that arguments on motions will be heard at 9 a.m. on June 27, 1972, in Santa Fe. I regret to tell you that on that date I will be in Washington, D. C., and will be unable to present oral argument on a motion which I intend to file prior to June 1. I realize how difficult it is to assemble the full Commission, but I must under the circumstances request that the date for arguments be set at some other day. I could be present for oral argument on Thursday, June 29, or I could be available on any date during the week of June 19.

I would very much appreciate your consideration of this request.

Very truly yours,

*Jack M. Campbell*  
Jack M. Campbell *ff.*

JMC:et

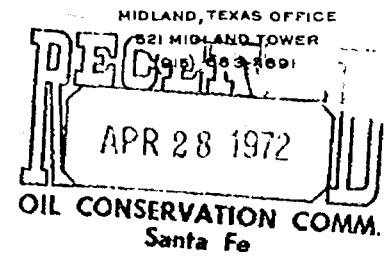
cc: Richard S. Morris

CLARENCE E. HINKLE  
W. E. BONDURANT, JR.  
LEWIS C. COX, JR.  
PAUL W. EATON, JR.  
CONRAD E. COFFIELD  
HAROLD L. HENDLEY, JR.  
STUART D. SHANOR  
C. D. MARTIN  
PAUL J. KELLY, JR.  
J. M. LITTLE

LAW OFFICES  
HINKLE, BONDURANT, COX & EATON  
600 HINKLE BUILDING  
POST OFFICE BOX 10  
ROSWELL, NEW MEXICO 88201

TELEPHONE (505) 822-8510

April 27, 1972



Mr. A. L. Porter, Jr.  
Secretary-Director  
New Mexico Oil Conservation Commission  
Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Porter:

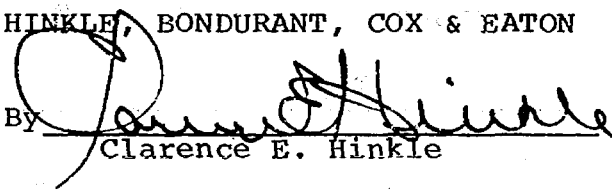
You will find enclosed original and two Xerox copies of Motion of Aztec Oil & Gas Company for continuance of Case No. 4682, being the application of El Paso Natural Gas Company to amend the Blanco Mesaverde Gas Pool Rules to provide for the optional drilling of a second well on an established proration unit.

We are sending a copy of the Motion to Montgomery, Federici, Andrews, Hannahs & Morris, attorneys for El Paso Natural Gas Company.

In our telephone conversation this morning, I advised you of the Motion and the grounds which Aztec Oil & Gas Company is urging for continuance of the case. You indicated that the Motion was being filed too late for the Commission to take action before the hearing but that it would be given consideration and acted upon at the hearing on May 2.

Yours sincerely,

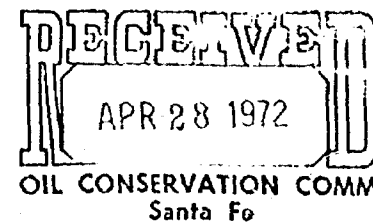
HINKLE, BONDURANT, COX & EATON

By   
Clarence E. Hinkle

CEH:jg  
Enclosures

cc: Mr. Kenneth A. Swanson  
Montgomery, Federici, Andrews, Hannahs & Morris

BEFORE THE OIL CONSERVATION  
COMMISSION OF THE STATE OF NEW MEXICO



IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESAVERDE )  
GAS POOL THAT WILL PROVIDE FOR THE )  
OPTIONAL DRILLING OF A SECOND WELL )  
ON AN ESTABLISHED PRORATION UNIT, AND )  
FOR THE ASSIGNMENT OF ALLOWABLE FOR )  
SUCH UNIT. )

CASE NO. 4682

MOTION FOR CONTINUANCE

Petitioner, Aztec Oil & Gas Company hereby enters its appearance in this cause and respectfully moves for a continuance of this case to a date to be established as more particularly hereinafter set forth. In support of this motion, Petitioner respectfully presents the following:

1. Petitioner is the owner of interests in more than 500 wells and is the operator of 130 wells which are completed in the Blanco Mesaverde Gas Pool of San Juan, Rio Arriba and Sandoval Counties, New Mexico, and the proration units assigned to each of these wells may be affected by the Commission's actions in this case.
2. Most of the gas which Petitioner produces from the Blanco Mesaverde Gas Pool is transported for sale in interstate markets and is subject to Federal Power Commission pricing regulations.
3. El Paso Natural Gas Company has alleged that its proposal will prevent waste and protect the correlative rights of operators producing gas from the Blanco Mesaverde reservoir.
4. At the present time it is impossible for Petitioner and other "large producer's" (the term "large producer" as used herein is defined as a producer, other than a pipeline company, which sells more than 10 billion cubic feet of gas annually in interstate commerce) to evaluate the effect of El Paso Natural Gas Company's proposal upon their respective rights for the following reasons, among others:

(a) The present Federal Power Commission guideline rate for gas produced from this reservoir is 13¢ per mcf and all amounts received by producers in excess of such guideline rate are collected subject



to refund.

(b) There is now pending before the Federal Power Commission a rule making proceeding designated as Docket No. R-425 which has as its expressed purpose the determination of appropriate just and reasonable area rate levels for gas to be sold in the Rocky Mountain Area (of which the San Juan Basin is a subarea) under contracts executed prior to October 1, 1968, which proceeding would presumably cover substantially all sales from existing Blanco Mesaverde Units. The State of New Mexico filed a response in this Docket, which response included testimony by a representative of this Commission and a recommendation for a rate of 40¢ per mcf for San Juan Basin gas.

(c) El Paso Natural Gas Company has heretofore submitted to all producers from whom it purchases gas in the San Juan Basin contract amendments which provide for a rate of 28¢ per mcf for gas to be produced from wells completed in the San Juan Basin on or after June 1, 1970, which would include all infill wells contemplated in this proceeding. In addition to such 28¢ per mcf rate, the subject contract amendments also include a provision for BTU adjustments either upward or downward from a base of 1,000 BTU's per cubic foot of gas. El Paso Natural Gas Company has recommended to the Federal Power Commission, by its response in FPC Docket No. R-425, that this rate be established by the Commission as the appropriate area rate level for gas sold from wells completed in the San Juan Basin on or after June 1, 1970.

(d) Several large producers have heretofore filed with the Federal Power Commission notices of change in price for the purpose of implementing the rate change as provided in their contract amendments with El Paso Natural Gas Company. The Federal Power Commission has accepted such rate increase applications but has suspended same for a period of 5 months, the earliest of which suspension periods will terminate on September 17, 1972.

5. Under existing Federal Power Commission regulations, large producers operating in the San Juan Basin are subject to such uncertainties as to price that they are unable to determine whether this proceeding will adversely affect their correlative rights. Because of these uncertainties, it is impossible to predict with any reasonable degree of accuracy whether

or not the majority of possible infill wells would result in an economic success or failure. Inasmuch as the issue of correlative rights cannot possibly be determined prior to the time when the Federal Power Commission takes affirmative action in Docket No. R-425 or permits the collection or renegotiated rates in the producers filings hereinabove referred to, this hearing should be continued until a date which is at least 15 days after the issuance by the Federal Power Commission of its pricing order in its Docket No. R-425 or after the date on which such renegotiated rate increases are permitted by FPC regulations to take effect, whichever date is the earlier. It is essential that this hearing be conducted after a reasonable length of time following such Federal Power Commission action for the purpose of permitting the affected parties to calculate and present to this Commission the effect which any order entered in this proceeding might have on their individual operations.

6. This motion is made for the sole and express purpose of allowing the necessary time for action by a Federal agency, which action will profoundly affect Petitioner and other large producers subject to this proceeding even to the extent of influencing the substantive decision of whether such affected party should, (1) support Applicant in this proceeding, (2) oppose Applicant, or (3) take no action whatsoever. In the absence of such information, which may reasonably be expected to be available no later than September 17, 1972, it is impossible for such determinations to be realistically made.

Wherefore Petitioner respectfully moves that the captioned cause be continued until a date which is at least fifteen (15) days after the date when the Federal Power Commission enters its pricing order in its Docket No. R-425 or September 17, 1972, whichever shall first occur. Petitioner further requests that this Commission rule upon this motion at the earliest possible date in order that all interested parties to this proceeding might be advised of the Commission's action without delay. A copy of this Petition is being delivered on this 28<sup>th</sup> day of April, 1972, to Montgomery, Federici, Andrews, Hannahs & Morris, attorneys for El Paso Natural Gas Company.

DATED: April 26, 1972

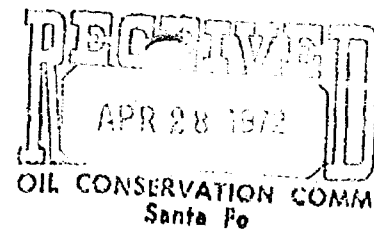
Kenneth A. Swanson

Kenneth A. Swanson

Clarence E. Hinkle

Clarence E. Hinkle

Attorneys for Aztec Oil & Gas Company



BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF EL PASO NATURAL GAS COMPANY )  
FOR AMENDMENT OF THE RULES AND )  
REGULATIONS GOVERNING THE )  
BLANCO-MESAVERDE GAS POOL, )  
SAN JUAN AND RIO ARriba COUNTIES, )  
NEW MEXICO. )

Case No. 4682

PETITION FOR LEAVE TO INTERVENE

COMES NOW the New Mexico Environmental Improvement Agency, through its attorney, Douglas W. Fraser, Agency Assistant Attorney General, to petition the New Mexico Oil Conservation Commission for leave to intervene as a party in the hearings on the proposed amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool commencing on Tuesday, May 2, 1972, at 9:00 A.M. in the State Land Office Building, Morgan Hall, Santa Fe, New Mexico.

The New Mexico Environmental Improvement Agency is a state governmental unit established under the authority of the Environmental Improvement Act [Sections 12-19-1 through 13, N.M.S.A., 1953 Comp. (1971 Supp.)] and as such is the state agency which is directly concerned with the ecological effects of the proposed general rule in the Blanco-Mesaverde Gas Pool on the human environment. It is this agency's concern that all evidence relating to the amendment of Rules and Regulations governing the Blanco-Mesaverde Gas Pool that may affect the human environment be presented and analyzed in a thorough manner and that alternatives be considered.

WHEREFORE, the Environmental Improvement Agency respectfully prays that we be entered as a party in these proceedings.

For Environmental Improvement Agency  
*Douglas W. Fraser*  
Douglas W. Fraser  
Agency Assistant Attorney General  
P.E.R.A. Building, P.O. Box 2348  
Santa Fe, New Mexico 87501


IN THE MATTER OF THE APPLICATION  
OF EL PASO NATURAL GAS COMPANY  
FOR AMENDMENT OF THE RULES AND  
REGULATIONS GOVERNING THE BLANCO-  
MESAVERDE GAS POOL, SAN JUAN AND  
RIO ARriba COUNTIES, NEW MEXICO.

VERIFICATION

Bryan E. Miller, acting director of the New Mexico  
Environmental Improvement Agency, being first duly sworn under  
oath, states that he has read the above petition and knows the  
contents thereof; and that the same is true of his own knowledge,  
information, or belief.

  
BRYAN E. MILLER

Subscribed and sworn to before me this 28th day of April,  
1972.

  
NOTARY PUBLIC

My Commission Expires:

Dec 13 1975

BEFORE THE NEW MEXICO OIL  
CONSERVATION COMMISSION


IN THE MATTER OF THE APPLICATION)  
OF EL PASO NATURAL GAS COMPANY )  
FOR AMENDMENT OF THE RULES AND )  
REGULATIONS GOVERNING THE )  
BLANCO-MESAVERDE GAS POOL, SAN )  
JUAN AND RIO ARriba COUNTIES, )  
NEW MEXICO. )

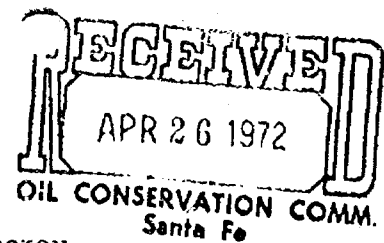
Case No. 4682

CERTIFICATE OF SERVICE

This is to certify that on this date I served a true copy of the Petition for Intervention personally to the New Mexico Oil Conservation Commission and by mail to: Montgomery, Federici, Andrews, Hannahs and Morris, Attorneys for El Paso Natural Gas Company; Jack M. Campbell and Olmsted, Cohen and Bingaman, Attorneys for Southern Union Gas Company; and Frank Coppler, Attorney for the New Mexico Municipal League, Inc.

Dated at Santa Fe, New Mexico, on this 28th day of April, 1972.

  
Douglas W. Fraser  
Agency Assistant Attorney General  
P.E.R.A. Building, P. O. Box 2348  
Santa Fe, New Mexico 87501



BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF EL PASO )  
NATURAL GAS COMPANY FOR AN ORDER OF THIS )  
COMMISSION ADOPTING A GENERAL RULE IN THE )  
BLANCO MESA VERDE GAS POOL THAT WILL PROVIDE )  
FOR THE OPTIONAL DRILLING OF A SECOND WELL ON )  
AN ESTABLISHED PRORATION UNIT, AND FOR THE )  
ASSIGNMENT OF ALLOWABLE FOR SUCH UNIT. )

CASE NO. 4682

PETITION FOR LEAVE TO INTERVENE

Comes now the New Mexico Municipal League, Inc., an incorporated association serving its member New Mexico municipalities representing itself as a user of natural gas and on behalf of its member municipalities who are users of natural gas and on behalf of residents of said members and files its petition for leave to intervene in this cause. The purpose of this intervention is to analyze the effect on petitioner, its member municipalities and persons living within the boundaries of its member municipalities, of El Paso Natural Gas application in case #4682. The end result of the intervention is to assure reasonable and proper gas service in member municipalities.

1. Petitioner New Mexico Municipal League, hereinafter referred to as the League, is an association of cities, towns and villages organized for the purpose of, among other things, representing participating municipalities in matters which directly affect municipal government in New Mexico and this petition is filed upon authority of the Board of Directors of said League duly made and entered at a meeting of said Board of Directors held on the 20th day of May, 1970.

2. El Paso Natural Gas Company supplies gas to the following cities who are members of the League:

City of Deming  
City of Las Cruces

The address of the New Mexico Municipal League for all purposes is  
Post Office Box 846, Santa Fe, New Mexico 87501.

3. This petition for leave to intervene is filed by the League on behalf of the several thousand residents of the municipalities served by the gas company which are members of the League and who are also consumers and rate payers of the gas company.

4. Intervenor does not have sufficient information at this time to assess its position in the matter and whether it should support Applicant, El Paso Natural Gas Company, as a wholesale supplier of gas to many public utilities under the jurisdiction of Intervenor or whether to support the position of Petitioner, Southern Union Gas Company, a public utility under the jurisdiction of Intervenor, or take a third position.

WHEREFORE, Intervenor respectfully prays that it be permitted to intervene in the above proceeding; that it be accorded all rights appropriate to its status as such Intervenor and be allowed to take a position or not as the facts develop.

DONE at Santa Fe, New Mexico, this 26<sup>th</sup> day of April, 1972.

Respectfully submitted,

NEW MEXICO MUNICIPAL LEAGUE

Frank Coppler  
Frank Coppler  
Esq.  
P.O. Box 846  
Santa Fe, New Mexico

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

Frank Coppler, whose address for all purposes is P.O. Box 846, Santa Fe, New Mexico, Attorney for the New Mexico Municipal League, Petitioner herein, states that the foregoing Petition for and on behalf of the New Mexico Municipal League, was prepared by him on instruction and authority of the Board of Directors of the New Mexico Municipal League; that he has read the same and believes that statements contained therein are true.

Frank Coppler  
Frank Coppler

Subscribed and sworn to before me this 26 day of April, 1972.

Margaret Jeanne Jenkins  
Notary Public

My Commission expires:

May 5, 1975

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

I, Frank Coppler, Attorney for the New Mexico Municipal League, do hereby certify that on April 26, 1972, I did mail a true and correct copy of the foregoing petition to Mr. Richard Morris of Montgomery, Federici, Andrews, Hannaha & Morris, attorneys for El Paso Natural Gas Company, Applicant, and to Mr. Jack M. Campbell of Olmsted, Cohen & Bingaman, attorneys for Southern Union Gas Company, Petitioner and Mr. James L. Parmelee, Jr., Staff Counsel, New Mexico Public Service Commission.

Frank Coppler  
Frank Coppler, Esq.  
P.O. Box 846  
Santa Fe, New Mexico 87501



RECEIVED

11/13/72

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESA )  
VERDE GAS POOL THAT WILL PROVIDE FOR )  
THE OPTIONAL DRILLING OF A SECOND )  
WELL ON AN ESTABLISHED PRORATION UNIT, )  
AND FOR THE ASSIGNMENT OF ALLOWABLE )  
FOR SUCH UNIT. )

CASE NO. 4682

PETITION FOR LEAVE TO INTERVENE  
AND MOTION FOR CONTINUANCE

Comes now, the New Mexico Public Service Commission (Intervenor) and respectfully requests that the Oil Conservation Commission allow intervention in the above-styled and numbered matter and respectfully moves for a continuance of the matter to a date mutually acceptable to Applicant; Southern Union Gas Company, but not less than 30 days from March 22, 1972.

As grounds for this Motion, Intervenor states:

1. Intervenor is the regulatory body of the State of New Mexico having general and exclusive jurisdiction by virtue of statute over the rates, charges, service regulations and other matters relating to the sale of natural gas and electricity by public utilities in the State of New Mexico, and the sale of natural gas and electricity by any person, firm or corporation to any utility for resale in the State of New Mexico.

2. Numerous natural gas and electric utilities in the State of New Mexico depend upon El Paso Natural Gas Company (El Paso)

for their source of supply of natural gas for distribution and for a source of fuel to generate electricity.

3. Intervenor has a direct interest in the matter before the Commission to the end that reasonable and proper natural gas and electric service shall be assured to consumers in the State of New Mexico.

4. Intervenor does not have sufficient information at this time to assess its position in the matter and whether it should support Applicant, El Paso Natural Gas Company, as a wholesale supplier of gas to many public utilities under the jurisdiction of Intervenor or whether to support the position of Petitioner, Southern Union Gas Company, a public utility under the jurisdiction of Intervenor, or take a third position.

5. Attorney for Intervenor became aware of this Application on March 9, 1972. This does not provide sufficient time for preparation prior to the hearing date.

WHEREFORE, Intervenor respectfully prays that it be permitted to intervene in the above proceeding; that it be accorded all rights appropriate to its status as such Intervenor and be allowed to take a position or not as the facts develop. Intervenor further prays that the above requested continuance be allowed.

DONE at Santa Fe, New Mexico, this 14th day of March, 1972.

Respectfully submitted,

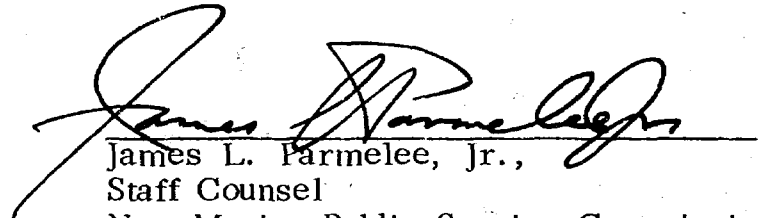
NEW MEXICO PUBLIC SERVICE COMMISSION



JAMES L. PARMELEE, JR., Staff Counsel  
Bataan Memorial Building  
Santa Fe, New Mexico 87501

CERTIFICATE OF SERVICE

I hereby certify that I have this day mailed a copy of the foregoing Petition for Leave to Intervene and Motion for Continuance to Mr. Richard Morris of Montgomery, Federici, Andrews, Hannahs & Morris, attorneys for El Paso Natural Gas Company, Applicant, and to Mr. Jack M. Campbell of Olmsted, Cohen & Bingaman, attorneys for Southern Union Gas Company, Petitioner.

  
James L. Parmelee, Jr.,  
Staff Counsel  
New Mexico Public Service Commission  
Bataan Memorial Building  
Santa Fe, New Mexico 87501

RECEIVED

MAR 18 1972

BEFORE THE OIL CONSERVATION COMMISSION

COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESAVERDE ) Case No. 4682  
GAS POOL THAT WILL PROVIDE FOR THE )  
OPTIONAL DRILLING OF A SECOND WELL )  
ON AN ESTABLISHED PRORATION UNIT, AND )  
FOR THE ASSIGNMENT OF ALLOWABLE FOR )  
SUCH UNIT. )

RESPONSE TO MOTION FOR CONTINUANCE

El Paso Natural Gas Company makes the following response to the Motion for Continuance filed herein on March 9, 1972 by Southern Union Gas Company:

1. By its application in Case No. 4682, El Paso Natural Gas Company is requesting the Commission to adopt rules applicable to the Blanco Mesaverde Gas Pool of San Juan, Rio Arriba, and Sandoval Counties, New Mexico, to permit the drilling of an additional well on established gas proration units and to permit the deliverabilities of all wells on those proration units to be combined for allowable purposes.

2. There are over 2000 wells and proration units in the Blanco Mesaverde Gas Pool in New Mexico, and assuming one-half (or 1000) of these proration units attract a second well, the additional production over the next 20 years is estimated to be approximately 800 billion cubic feet of gas. The producing rate at the end of 20 years is expected to be greater even after the withdrawal of the additional 800 billion cubic feet with the 1000 infill wells than it would have been absent those additional wells. The additional revenue which would be generated by the additional wells is estimated to be in excess of \$200 million for the gas alone. The cost of drilling these wells would be approximately \$83 million. The additional royalty and taxes

accruing to the State of New Mexico during the next 20 years from this program is estimated to exceed \$25 million.

3. El Paso urgently requests that the hearing proceed as scheduled in order that El Paso and others may commence the infill drilling program at the earliest possible date. Early commencement of this program will provide gas to help meet the market requirement for the 1972-1973 heating season in New Mexico and in other parts of the country served by gas produced from the Blanco Mesaverde Gas Pool.

4. El Paso intends to present evidence at the hearing on its application to prove that approval of its application will prevent waste and protect correlative rights of the operators in the pool. In addition, El Paso's evidence will show that approval of its application will enable it to supply gas to meet the needs of consumers who are dependent upon El Paso for their supply of natural gas, including Southern Union Gas Company and other utilities who distribute natural gas to New Mexico consumers. El Paso intends to demonstrate that approval of its application in this case will alleviate gas shortages and will reduce the possibility of its being forced to curtail deliveries of gas to Southern Union Gas Company and other distributors in the State of New Mexico who obtain a portion of their gas supply from El Paso Natural Gas Company. El Paso provided 46 billion cubic feet for New Mexico consumers during 1971.

5. As an owner, producer and operator in the Blanco Mesaverde Gas Pool, long before El Paso arrived, Southern Union Gas Company has facts and studies readily available to it which should enable it to prepare for the hearing of this case on March 22, 1972. El Paso Natural Gas Company intends to hold a meeting of all operators in the Blanco Mesaverde Gas Pool on March 14, 1972,

to which meeting Southern Union Gas Company has been invited. At this operators' meeting, El Paso intends to outline, summarize, and discuss its application, as the result of which Southern Union Gas Company should be fully informed as to the matters that will be presented at the hearing before the Commission on March 22, 1972.

6. Southern Union Gas Company will not be prejudiced by denial of its Motion for Continuance, but El Paso Natural Gas Company and other operators in the Blanco Mesaverde Gas Pool, together with consumers of natural gas who are dependent upon the gas supply from the Blanco Mesaverde Gas Pool, will be substantially prejudiced by delay in hearing and approval of the application.

WHEREFORE, El Paso Natural Gas Company requests that Southern Union Gas Company's Motion for Continuance be denied. In the event the Commission should determine to grant the Motion for Continuance, El Paso Natural Gas Company respectfully requests that a new date for hearing be set at the earliest practicable time.

MONTGOMERY, FEDERICI, ANDREWS,  
HANNAHS & MORRIS

By Richard S. Morris  
P.O. Box 2307  
Santa Fe, N.M. 87501  
Attorneys for El Paso Natural Gas  
Company.

CERTIFICATE OF DELIVERY

I certify that I delivered a true and correct copy of the foregoing Response to Motion for Continuance to the office of JACK M. CAMPBELL, 237 East Palace Avenue, Santa Fe, N.M. 87501, Attorney for Southern Union Gas Company, this 13th day of March, 1972.

Richard S. Morris

RECEIVED

MAR 9 1972

BEFORE THE OIL CONSERVATION  
COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESAVERDE )  
GAS POOL THAT WILL PROVIDE FOR THE )  
OPTIONAL DRILLING OF A SECOND WELL )  
ON AN ESTABLISHED PRORATION UNIT, AND )  
FOR THE ASSIGNMENT OF ALLOWABLE FOR )  
SUCH UNIT. )

CASE NO. 4682

MOTION FOR CONTINUANCE

Petitioner, Southern Union Gas Company, by its attorneys Jack M. Campbell and Olmsted, Cohen & Bingaman enters its appearance in this matter and respectfully moves for a continuance of this matter to a date mutually acceptable to Applicant, Petitioner and the Commission but not less than thirty (30) days from March 22, 1972.

As its grounds for this Motion, Petitioner states:

1. It is an owner, producer and operator of properties within the horizontal and vertical limits of the Blanco Mesa Verde Gas Pool of San Juan, Rio Arriba and Sandoval Counties, New Mexico.
2. It supplies natural gas to New Mexico consumers and has serious concerns relative to the long-term natural gas supplies available to such consumers from this pool with regard to this Application.
3. Its correlative rights to its prorata share of gas from this pool can be adversely affected in this matter.
4. While Applicant has been suggesting for several months that it might file an application concerning spacing in this pool, there has been no information available to Petitioner or its attorneys as to the definite position of Applicant concerning the filing, or as to the exact nature of its proposal, until the filing of the Application in this matter. To Petitioner's knowledge there has, to date, been no meeting of pool operators to consider this matter. There has been no action taken to provide a basis for or to justify the expense for Petitioner's advance preparation.

5. One of the Attorneys for Petitioner became aware of this application on Saturday, March 4. Petitioner received notice only through the official Commission notice of hearing process on March 6, 1972. This provides only eleven (11) working days for preparation prior to the hearing date.

6. Applicant has called a meeting of pool operators in El Paso, Texas, on March 14 at 2 P.M. Only five (5) working days remain between this meeting and the hearing date. This time lapse is totally inadequate for evaluation of Applicant's position by pool operators and for appropriate action.

7. This matter is of great significance to Petitioner, other operators in the pool, royalty owners, those responsible for management of public lands in the pool, and state agencies responsible for maintaining natural gas supplies to New Mexico consumers at reasonable costs.

8. Technical and economic factors require substantial preparation for cross-examination and presentation of Petitioner's evidence requires substantial time.

9. Its attorneys cannot adequately represent Petitioner in this matter unless additional time is allowed for preparation.

WHEREFORE, Petitioner respectfully requests a continuance in this matter, as stated above, and asks the Commission to rule upon this matter as soon as possible after Applicant has had an opportunity to respond hereto. A copy of this Petition is being delivered to attorneys for Applicant, Montgomery, Federici, Andrews, Hannahs & Morris on the afternoon of March 9, 1972.

  
JACK M. CAMPBELL  
One of the attorneys for Southern Union Gas Co.

DATED: March 9, 1972.



RECEIVED  
JUL 1 1972  
OIL CONSERVATION COMM.  
SANTA FE

BEFORE THE OIL CONSERVATION  
COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF  
EL PASO NATURAL GAS COMPANY FOR AN  
ORDER OF THIS COMMISSION ADOPTING A  
GENERAL RULE IN THE BLANCO MESAVERDE  
GAS POOL THAT WILL PROVIDE FOR THE  
OPTIONAL DRILLING OF A SECOND WELL ON  
AN ESTABLISHED PRORATION UNIT, AND FOR  
THE ASSIGNMENT OF ALLOWABLE FOR SUCH  
UNIT.

CASE NO. 4682  
ORDER NO. \_\_\_\_\_

APPLICATION

Comes now EL PASO NATURAL GAS COMPANY, a Delaware corporation, authorized to do business in the State of New Mexico, and requests a hearing before the Commission. Applicant respectfully alleges and states as follows:


1. Heretofore, in accordance with provisions of Order No. R-1670, this Commission has established gas proration units in the Blanco Mesaverde Gas Pool of San Juan, Rio Arriba and Sandoval Counties, New Mexico.
2. Applicant is the owner of oil and gas leases covering lands located within the horizontal and vertical limits of said Blanco Mesaverde Gas Pool.
3. In order to prevent waste and protect correlative rights, applicant believes that the New Mexico Oil Conservation Commission should promulgate rules and regulations which would permit, at the operator's option, the drilling of a second well on any established proration unit in the Blanco Mesaverde Gas Pool and to further provide for the assignment of allowable for such unit.
4. Applicant respectfully requests this Commission to further amend Order R-1670 to provide the following:
  - A. That any operator may, at his option, drill a second well on any established proration unit in the Blanco Mesaverde Gas Pool.
  - B. That the wells on any established proration unit in the Blanco Mesaverde Gas Pool having more than one well shall be treated

as a single well for proration purposes and any reference to a well in the proration rules shall pertain to all wells on an established proration unit.

- (1) That state deliverability test of each well shall be combined for the allowable deliverability allocation and the wells considered as a single unit for the acreage allocation.
- (2) The production from each well shall be metered separately in compliance with Rule 403, however, the production shall be combined and reported as a single volume on Forms C 114 and C 115 and applied against the single allowable for the proration unit, and one status shall be carried for the proration unit.
- (3) Classification of the wells on a proration unit as marginal or non-marginal shall be determined by combining the performance of all wells in the proration unit.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing after due notice as prescribed by law, and, after such notice and hearing, Order R-1670 be amended as requested.

EL PASO NATURAL GAS COMPANY

  
A. M. Derrick  
Assistant Vice President

DOCKET: REGULAR HEARING - TUESDAY - NOVEMBER 21, 1972

9 A.M. - STATE LAND OFFICE CONFERENCE ROOM, STATE  
LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

CASE 4763: (De Novo) (Continued from the October 18, 1972 Regular Hearing)

Application of Black River Corporation for compulsory pooling and non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 3, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising, approximately, a 409.22-acre non-standard proration unit. Said acreage to be dedicated to its Cities "3" Federal Well No. 2 located 2212 feet from the North line and 1998 feet from the East line of said Section 3.

Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

Upon application of Rutter and Wilbanks Corporation this case will be heard De Novo under the provisions of Rule 1220.

CASE 4764: (De Novo) (Continued from the October 18, 1972, Regular Hearing)

Application of Black River Corporation for compulsory pooling, and non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 3, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising, approximately, a 407.20-acre non-standard proration unit. Said acreage to be dedicated to its Cities "3" Federal Well No. 1 located 1960 feet from the North line and 1980 feet from the West line of said Section 3.

Also to be considered will be costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

Upon application of Rutter and Wilbanks Corporation this case will be heard De Novo under the provisions of Rule 1220.

CASE 4765: (De Novo) (Continued from the October 18, 1972 Regular Hearing)

Application of Michael P. Grace and Corinne Grace for compulsory pooling and non-standard proration unit, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all

(Case 4765 continued from page 1)

mineral interests underlying the W/2 of Section 3, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising, approximately, a 407.20-acre non-standard proration unit. Said acreage to be dedicated to a well located 1980 feet from the North line and 1980 feet from the West line of said Section 3.

Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

Upon application of Rutter and Wilbanks Corporation this case will be heard De Novo under the provisions of Rule 1220.

CASE 4771: (De Novo)

Application of Black River Corporation for a non-standard gas unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 402.22-acre, more or less, non-standard gas unit adjacent to the Washington Ranch-Morrow Gas Pool, comprising the W/2 of Section 4, Township 26 South, Range 24 East, Eddy County, New Mexico, to be dedicated to a well to be located at an unorthodox location 1985 feet from the North line and 2087 feet from the West line of said Section 4.

Upon application of Michael P. Grace II and Corinne Grace this case will be heard De Novo under the provisions of Rule 1220.

CASE 4772: (De Novo)

Application of Black River Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all leasehold, mineral, and royalty interests underlying the W/2 of Section 4, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising a 402.22-acre, more or less, non-standard gas unit. Said acreage to be dedicated to a well to be located at an unorthodox location 1985 feet from the North line and 2087 feet from the West line of said Section 4.

Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

Upon application of Michael P. Grace II and Corinne Grace this case will be heard De Novo under the provisions of Rule 1220.

CASE 4766: (De Novo)

Application of Michael P. Grace and Corinne Grace for compulsory pooling and a non-standard unit, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all mineral interests underlying the W/2 of Section 4, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising approximately a 402-acre non-standard proration unit. Said acreage to be dedicated to a well to be drilled 1980 feet from the North line and 1980 feet from the West line of said Section 4. Also to be considered will be the costs of drilling said well, a charge for the risk involved, and a provision for the allocation of charges for supervision of said well.

Upon application of Michael P. Grace II and Corinne Grace this case will be heard De Novo under the provisions of Rule 1220.

CASE 4796: (Continued from the August 16, 1972 Regular Hearing and October 18, 1972 Regular Hearing)

Application of Michael P. Grace II and Corinne Grace for capacity allowable, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an exception to the General Rules and Regulations governing the prorated gas pools of Southeast New Mexico, promulgated by Order No. R-1670, as amended, to produce their City of Carlsbad "COM" Well No. 1, located in Unit 0 of Section 25, Township 22 South, Range 26 East, South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico, at full capacity.

CASE 4733: (De Novo)

Application of David Fasken for pool contraction and creation of a new gas pool, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the horizontal limits of the Indian Basin-Morrow Gas Pool, Eddy County, New Mexico, by the deletion therefrom of all of Sections 4 and 5, Township 21 South, Range 24 East. Applicant further seeks the creation of a new gas pool with horizontal limits comprising all of said Sections 4 and 5 for the production of gas from the Morrow formation.

Upon application of David Fasken, this case will be heard De Novo under the provisions of Rule 1220.

CASE 4865: Application of David Fasken for special allowables, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the general rules and regulations governing the prorated gas pools of Southeast New Mexico, promulgated by Order No. R 1670, as amended, to produce his Ross Federal Well No. 1 located 1980 feet from the South and West lines of Section 4 and his Shell Federal Well No. 1 located 1980 feet from the South and West lines of Section 5, both

(Case 4865 continued from page 3)

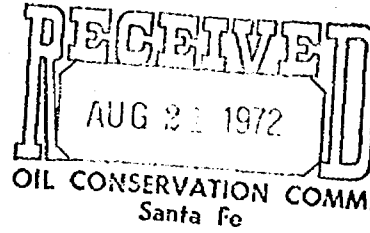
in Township 21 South, Range 24 East, Indian Basin-Morrow Gas Pool, Eddy County, New Mexico, at the capacity of the wells to produce, or in the alternative, to permit the production of the wells at a rate in excess of the allowable sufficient to offset the alleged decline in pressure due to production from wells to the south.

UNIVERSAL RESOURCES CORPORATION

11411 NORTH CENTRAL EXPRESSWAY



DALLAS, TEXAS 75231  
AREA 214/691-0040



REPLY TO:  
1720 COLORADO STATE BANK BUILDING  
DENVER, COLORADO 80202  
AREA 303/572-1511

AUGUST 18, 1972

Personal

Mr. Al Porter, Jr., Sec'y. - Dir.  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Pete:

A separate letter has been mailed today. It is self-explanatory. Please call me collect if my personal appearance at the spacing hearing August 29 would lend any help to the problem. Best regards.

Sincerely,

Curtis J. Little

dm

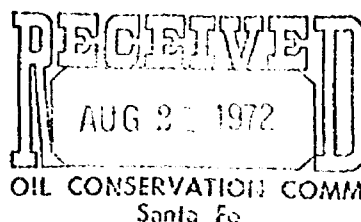
# UNIVERSAL RESOURCES CORPORATION

11411 NORTH CENTRAL EXPRESSWAY



DALLAS, TEXAS 75231  
AREA 214/691-0040

August 18, 1972



REPLY TO:  
1720 COLORADO STATE BANK BUILDING  
DENVER, COLORADO 80202  
AREA 303/572-1511

Re: Mesaverde Spacing Hearing  
August 29, 1972

New Mexico Oil Conservation Commission  
State Land Office Building  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attention: Mr. Al Porter, Jr.  
Secretary-Director

Gentlemen:

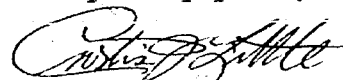
I have been a resident of the state of New Mexico for sixteen years engaged in the exploration for and the production of oil and gas in the Four Corners. I hold a Bachelor of Science degree in Geology from Southern Methodist University, 1950. Some of my activities in the industry are as follows:

|                |   |   |
|----------------|---|---|
| Past President | - | Albuquerque Petroleum Club  |
| Past President | - | Albuquerque Geological Society                                    |
| Past President | - | New Mexico Geological Society                                     |
| Past President | - | Rocky Mountain Section, American Association Petroleum Geologists |

Certified Petroleum Geologist No. 50 (By the A.A.P.G.)

It is my desire as an individual and as Division Manager, Rocky Mountain Division, Universal Resources Corporation, to urge the granting of 160-acre spacing for Mesaverde gas in the San Juan Basin. In my opinion, after sixteen years' experience working in the San Juan Basin, the character of the tight Mesaverde sands can not be drained by 320-acre spacing. By granting the application for 160-acre spacing, the economy of the state of New Mexico will be immensely enhanced, by the eventual drilling of 2000 wells costing approximately 200 million dollars, and from state taxes from the gas production. Gas has been produced commercially in the San Juan Basin for fifty years and in my opinion by the granting of the application another fifty years of production is assured.

Very truly yours,

  
Curtis J. Little

CJL:dm



DOCKET: SPECIAL HEARING - WEDNESDAY - MARCH 22, 1972

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL, STATE LAND OFFICE  
BUILDING, SANTA FE, NEW MEXICO

CASE 4682: Application of El Paso Natural Gas Company for amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-1670, as it pertains to the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico, to provide the following:

- A. That any operator may, at his option, drill a second well on any established proration unit in the Blanco-Mesaverde Gas Pool.
- B. That the wells on any established proration unit in the Blanco-Mesaverde Gas Pool having more than one well shall be treated as a single well for proration purposes and any reference to a well in the proration rules shall pertain to all wells on an established proration unit.
  - (1) That state deliverability test of each well shall be combined for the allowable deliverability allocation and the wells considered as a single unit for the acreage allocation.
  - (2) The production from each well shall be metered separately in compliance with Rule 403, however, the production shall be combined and reported as a single volume on Forms C-114 and C-115 and applied against the single allowable for the proration unit, and one status shall be carried for the proration unit.
  - (3) Classification of the wells on a proration unit as marginal or non-marginal shall be determined by combining the performance of all wells in the proration unit.

Case No. 4682  
Order No. R-4498

(2) That in any application to reconsider the subject matter of Case 4682 the Commission shall first determine whether or not it will incorporate the record of the June 29, 1972, hearing before the Commission and the findings and order entered by the Commission in this case.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

BRUCE KING, Chairman

ALEX J. ARMIJO, Member

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

S E A L

dr/

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. 4682

APPLICATION OF EL PASO NATURAL  
GAS COMPANY FOR AMENDMENT OF THE  
RULES AND REGULATIONS GOVERNING  
THE BLANCO-MESAVERDE GAS POOL,  
SAN JUAN AND RIO ARriba COUNTIES,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

These matters come before the Commission at 9 a.m. on June 29, 1972, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission," pursuant to motions to intervene in the above-entitled cause and a motion for an order from the Commission limiting and defining the evidence it will receive and consider in the above-entitled cause and restricting such evidence to those matters provided for by the Statutes of New Mexico, and a motion for the continuance of the above-entitled cause until such time as the Commission has prepared an environmental impact statement.

NOW, on this 6th day of July, 1972, the Commission, a quorum being present, having considered each of the above-described motions, the arguments presented therewith, 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 Section 65-3-10, New Mexico Statutes Annotated, 1953 Compilation, empowers and gives the duty to the Commission to prevent the waste of hydrocarbons and to protect the correlative rights of owners of interests in said hydrocarbons.
- (3) That Section 65-3-5, New Mexico Statutes Annotated, 1953 Compilation, gives the Commission jurisdiction and authority over all matters relating to the conservation of oil and gas.
- (4) That "waste" and "correlative rights" are defined by Sections 65-3-3 and 65-3-29, respectively, New Mexico Statutes Annotated, 1953 Compilation.
- (5) That the public has a vital interest in the conservation of the natural resources of the State of New Mexico.

(6) That the Commission's decision to approve or disapprove the application of El Paso Natural Gas Company in Case 4682 must be predicated upon the prevention of the waste of hydrocarbons and the protection of the correlative rights of owners of property in the Blanco-Mesaverde Gas Pool.

(7) That the Commission will receive evidence that is relevant to the prevention of waste of hydrocarbons and the protection of correlative rights.

(8) Evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental impact will be received by the Commission and considered in its determination to approve or disapprove the application if the party offering same can show the relevance of such matters to the prevention of waste and the protection of correlative rights.

(9) The Commission also has the authority to gather for informational purposes evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental matters, though such are not to be considered in its determination of approval or disapproval of the subject application.

(10) That the Commission will receive evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental matters if offered by a party merely for informational purposes.

(11) That after it has made its decision to approve or disapprove the application upon the basis of evidence that is relevant to waste and protection of correlative rights, and if that decision should be to approve the application, it will consider evidence offered for informational purposes only to the fullest extent possible in the implementation of the decision.

(12) That the New Mexico Oil Conservation Commission is not required by Section 12-20-6, New Mexico Statutes Annotated, 1953 Compilation, to prepare an environmental impact statement prior to the hearing of this case.

IT IS THEREFORE ORDERED:

(1) In accordance with the above, the three petitioners, the New Mexico Environmental Improvement Agency, the New Mexico Municipal League, and the New Mexico Public Service Commission each are hereby granted permission to intervene in the above-styled cause, subject to the following:

- A. Evidence offered or which is elicited on cross-examination which is not relevant to the waste of hydrocarbons shall be admitted for informational purposes only.

B. Evidence which is offered or which is elicited on cross-examination which is relevant to the waste of hydrocarbons shall be admitted for all purposes.

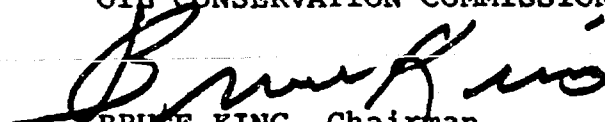
(2) To the extent that the above findings are in conflict with the motion of Southern Union Production Company, Southern Union Gathering Company, and Southern Union Gas Company, said motion is denied; to the extent the above findings are not in conflict with said motion, the motion is granted.

(3) That the motion of the New Mexico Environmental Improvement Agency to continue the above-entitled cause until such time as the New Mexico Oil Conservation Commission has prepared an environmental impact statement is hereby denied.


(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
BRUCE KING, Chairman

ALEX J. ARMIJO, Member

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

S E A L

dr/

J. O. SETH (1883-1963)

A. K. MONTGOMERY  
WM. R. FEDERICI  
FRANK ANDREWS  
FRED C. HANNAHS  
RICHARD S. MORRIS  
SUMNER G. BUELL  
SETH D. MONTGOMERY  
FRANK ANDREWS III

OWEN M. LOPEZ  
JEFFREY R. BRANNEN  
JOHN BENNETT POUND

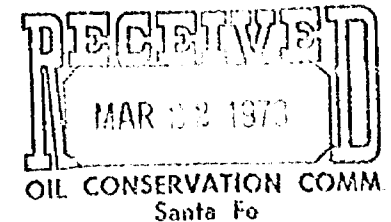
MONTGOMERY, FEDERICI, ANDREWS, HANNAHS & MORRIS

ATTORNEYS AND COUNSELORS AT LAW

350 EAST PALACE AVENUE  
SANTA FE, NEW MEXICO 87501

March 21, 1973

POST OFFICE BOX 2307  
AREA CODE 505  
TELEPHONE 982-3876



Mr. A. L. Porter, Jr.  
Secretary-Director  
New Mexico Oil Conservation Commission  
P.O. Box 2088  
Santa Fe, N.M. 87501

RE: NMOCC Case No. 4682, Application of El Paso Natural Gas  
Company for Amendment of the Rules and Regulations  
Governing the Blanco-Mesaverde Gas Pool, San Juan and  
Rio Arriba Counties, New Mexico

Dear Mr. Porter:

On behalf of El Paso Natural Gas Company, we request that the subject case be dismissed. We would appreciate the Commission, in its Order of Dismissal, specifically providing that the dismissal is without prejudice to El Paso's right to make new application with the Commission at a later date.

At the time this case was filed, and at the various times the case has been continued, we expected the Federal Power Commission to take immediate action in its docket No. RP-425 concerning the establishment of an area rate applicable to the San Juan Basin. It now appears that it may be some time before the Commission acts in that matter, particularly in view of the pending Congressional legislation which would affect the Commission's overall administration of gas pricing. At such time as these matters are resolved sufficiently to permit economic analysis of infill drilling, El Paso may wish to file a new application with the Commission.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Richard J. Morris".

RSM:F  
2652

cc: Mr. A. M. Derrick  
Vice President  
El Paso Natural Gas Co.  
P.O. Box 1492  
El Paso, Texas 79998

Mr. David H. Rainey  
El Paso Natural Gas Co.  
P.O. Box 198  
Santa Fe, N.M. 87501

DOCKET: REGULAR HEARING - TUESDAY - NOVEMBER 21, 1972

9 A.M. - STATE LAND OFFICE CONFERENCE ROOM, STATE  
LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

CASE 4763: (De Novo) (Continued from the October 18, 1972 Regular Hearing)

Application of Black River Corporation for compulsory pooling and non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 3, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising, approximately, a 409.22-acre non-standard proration unit. Said acreage to be dedicated to its Cities "3" Federal Well No. 2 located 2212 feet from the North line and 1998 feet from the East line of said Section 3.

Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

Upon application of Rutter and Wilbanks Corporation this case will be heard De Novo under the provisions of Rule 1220.

CASE 4764: (De Novo) (Continued from the October 18, 1972, Regular Hearing)

Application of Black River Corporation for compulsory pooling, and non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the W/2 of Section 3, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising, approximately, a 407.20-acre non-standard proration unit. Said acreage to be dedicated to its Cities "3" Federal Well No. 1 located 1980 feet from the North line and 1980 feet from the West line of said Section 3.

Also to be considered will be costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

Upon application of Rutter and Wilbanks Corporation this case will be heard De Novo under the provisions of Rule 1220.

CASE 4765: (De Novo) (Continued from the October 18, 1972 Regular Hearing)

Application of Michael P. Grace and Corinne Grace for compulsory pooling and non-standard proration unit, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all

(Case 4765 continued from page 1)

mineral interests underlying the W/2 of Section 3, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising, approximately, a 407.20-acre non-standard proration unit. Said acreage to be dedicated to a well located 1980 feet from the North line and 1980 feet from the West line of said Section 3.

Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

Upon application of Rutter and Wilbanks Corporation this case will be heard De Novo under the provisions of Rule 1220.

CASE 4771: (De Novo)

Application of Black River Corporation for a non-standard gas unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 402.22-acre, more or less, non-standard gas unit adjacent to the Washington Ranch-Morrow Gas Pool, comprising the W/2 of Section 4, Township 26 South, Range 24 East, Eddy County, New Mexico, to be dedicated to a well to be located at an unorthodox location 1985 feet from the North line and 2087 feet from the West line of said Section 4.

Upon application of Michael P. Grace II and Corinne Grace this case will be heard De Novo under the provisions of Rule 1220.

CASE 4772: (De Novo)

Application of Black River Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all leasehold, mineral, and royalty interests underlying the W/2 of Section 4, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising a 402.22-acre, more or less, non-standard gas unit. Said acreage to be dedicated to a well to be located at an unorthodox location 1985 feet from the North line and 2087 feet from the West line of said Section 4.

Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

Upon application of Michael P. Grace II and Corinne Grace this case will be heard De Novo under the provisions of Rule 1220.



CASE 4766: (De Novo)

Application of Michael P. Grace and Corinne Grace for compulsory pooling and a non-standard unit, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all mineral interests underlying the W/2 of Section 4, Township 26 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, comprising approximately a 402-acre non-standard proration unit. Said acreage to be dedicated to a well to be drilled 1980 feet from the North line and 1980 feet from the West line of said Section 4. Also to be considered will be the costs of drilling said well, a charge for the risk involved, and a provision for the allocation of charges for supervision of said well.

Upon application of Michael P. Grace II and Corinne Grace this case will be heard De Novo under the provisions of Rule 1220.

CASE 4796: (Continued from the August 16, 1972 Regular Hearing and October 18, 1972 Regular Hearing)

Application of Michael P. Grace II and Corinne Grace for capacity allowable, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an exception to the General Rules and Regulations governing the prorated gas pools of Southeast New Mexico, promulgated by Order No. R-1670, as amended, to produce their City of Carlsbad "COM" Well No. 1, located in Unit O of Section 25, Township 22 South, Range 26 East, South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico, at full capacity.

CASE 4733: (De Novo)

Application of David Fasken for pool contraction and creation of a new gas pool, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the horizontal limits of the Indian Basin-Morrow Gas Pool, Eddy County, New Mexico, by the deletion therefrom of all of Sections 4 and 5, Township 21 South, Range 24 East. Applicant further seeks the creation of a new gas pool with horizontal limits comprising all of said Sections 4 and 5 for the production of gas from the Morrow formation.

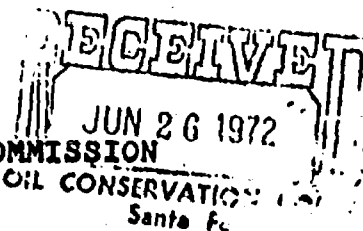
Upon application of David Fasken, this case will be heard De Novo under the provisions of Rule 1220.

CASE 4865: Application of David Fasken for special allowables, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the general rules and regulations governing the prorated gas pools of Southeast New Mexico, promulgated by Order No. R 1670, as amended, to produce his Ross Federal Well No. 1 located 1980 feet from the South and West lines of Section 4 and his Shell Federal Well No. 1 located 1980 feet from the South and West lines of Section 5, both

(Case 4865 continued from page 3)

in Township 21 South, Range 24 East, Indian Basin-Morrow Gas Pool, Eddy County, New Mexico, at the capacity of the wells to produce, or in the alternative, to permit the production of the wells at a rate in excess of the allowable sufficient to offset the alleged decline in pressure due to production from wells to the south.

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE  
STATE OF NEW MEXICO



IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO-MESA )  
VERDE GAS POOL THAT WILL PROVIDE FOR )  
THE OPTIONAL DRILLING OF A SECOND )  
WELL ON AN ESTABLISHED PRORATION UNIT, )  
AND FOR THE ASSIGNMENT OF ALLOWABLE )  
FOR SUCH UNIT. )

Case No. 4682

RESPONSE

El Paso Natural Gas Company hereby responds to the Motion of Southern Union Production Company, Southern Union Gathering Company, and Southern Union Gas Company for an Order limiting and defining the evidence which it will receive and consider in this case, and states:

1. The Applicant, El Paso Natural Gas Company, recognizes that any Order entered by the Commission approving the Application in this case must be based upon prevention of waste and protection of correlative rights, pursuant to the Oil and Gas Conservation Statutes of New Mexico.

2. In addition to the powers and duties conferred upon the Commission by the Oil and Gas Conservation Statutes, the Commission also is authorized and required to consider the manner in which its actions may affect the environment, and the Commission is required to make a detailed Environmental Impact Statement in connection with any major state action which significantly affects the quality of the human environment. The Commission must determine whether this case is of such a nature as to require preparation of such a Statement, and to that end the Commission should receive and consider evidence relating to the various factors specified in Section 12-20-6 N.M.S.A., which it must consider if it determines that an Environmental Impact Statement is required in this case.

3. The Commission should receive and consider evidence relative to the market demand for gas from the San Juan Basin and from the Blanco-Mesaverde Gas Pool in particular, and should consider all the effects of its actions in this case (including those environmental in nature) not only upon the producers, but also upon the purchasers, distributors and ultimate consumers of this gas. In this regard, the Commission should not blind itself to the national energy crisis and the serious problems currently facing the natural gas industry throughout the country; nor is the Commission required by law to disregard such important matters.

The Commission has the authority, as well as the duty, to determine that a market exists for the additional deliverability that will be developed by the drilling of additional wells if the Application is approved. Obviously, the economic feasibility of the infill drilling program is directly related to market conditions and is predicated upon the assumption of a firm demand for gas from the San Juan Basin.

The Commission also should consider the waste, both physical and economic, which will result if the productive life of the Blanco-Mesaverde Gas Pool is permitted to continue beyond the physical capability of existing wells and related facilities and beyond the time that natural gas can be expected to fulfill a significant portion of the total energy requirements of the state and nation. El Paso is prepared to present evidence to the effect that, although the productive life of the pool will be shortened, additional reserves will be recovered as a direct result of the infill drilling program and, in any event, the additional deliverability developed by the drilling of additional wells pursuant to the approval of the Application in this case will result in greater deliverability of gas from the Blanco-Mesaverde Gas Pool at the end of a 20-year period than would

exist if the additional development does not occur.

4. In order to ensure proper recognition of all factors pertinent to this case, and in order not to preclude any such matters, the Commission should refrain from entering an order limiting and defining the evidence which it will receive and consider in this matter.

WHEREFORE, the Motion of Southern Union Production Company, Southern Union Gathering Company, and Southern Union Gas Company should be denied.

MONTGOMERY, FEDERICI, ANDREWS, HANNAHS  
& MORRIS

By Richard J. Morris  
P.O. Box 2307  
Santa Fe, N.M. 87501

Attorneys for El Paso Natural Gas Company

#### CERTIFICATE OF MAILING

I hereby certify that I caused to be mailed a true and correct copy of the foregoing Response to MR. JACK M. CAMPBELL of Olmsted, Cohen & Bingaman, Attorneys for Southern Union Gas Company, P.O. Box 877, Santa Fe, N.M. 87501; MR. CLARENCE E. HINKLE of Hinkle, Bondurant, Cox & Eaton, P.O. Box 10, Roswell, N.M. 88201, Attorneys for Aztec Oil & Gas Company; to MR. DOUGLAS W. FRASER, Agency Assistant Attorney General for Environmental Improvement Agency, PERA Building, P.O. Box 2348, Santa Fe, N.M. 87501; MR. FRANK COPPLER, Attorney for New Mexico Municipal League, P.O. Box 846, Santa Fe, N.M. 87501; and MR. JAMES L. PARMELEE, JR., Staff Counsel for New Mexico Public Service Commission, Bataan Memorial Building, Santa Fe, N.M. 87501, this 26th day of June, 1972.

Richard J. Morris

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. 4682

APPLICATION OF EL PASO NATURAL  
GAS COMPANY FOR AMENDMENT OF THE  
RULES AND REGULATIONS GOVERNING  
THE BLANCO-MESAVERDE GAS POOL,  
SAN JUAN AND RIO ARriba COUNTIES,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

These matters come before the Commission at 9 a.m. on June 29, 1972, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission," pursuant to motions to intervene in the above-entitled cause and a motion for an order from the Commission limiting and defining the evidence it will receive and consider in the above-entitled cause and restricting such evidence to those matters provided for by the Statutes of New Mexico, and a motion for the continuance of the above-entitled cause until such time as the Commission has prepared an environmental impact statement.

NOW, on this 6th day of July, 1972, the Commission, a quorum being present, having considered each of the above-described motions, the arguments presented therewith, 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 Section 65-3-10, New Mexico Statutes Annotated, 1953 Compilation, empowers and gives the duty to the Commission to prevent the waste of hydrocarbons and to protect the correlative rights of owners of interests in said hydrocarbons.
- (3) That Section 65-3-5, New Mexico Statutes Annotated, 1953 Compilation, gives the Commission jurisdiction and authority over all matters relating to the conservation of oil and gas.
- (4) That "waste" and "correlative rights" are defined by Sections 65-3-3 and 65-3-29, respectively, New Mexico Statutes Annotated, 1953 Compilation.
- (5) That the public has a vital interest in the conservation of the natural resources of the State of New Mexico.

(6) That the Commission's decision to approve or disapprove the application of El Paso Natural Gas Company in Case 4682 must be predicated upon the prevention of the waste of hydrocarbons and the protection of the correlative rights of owners of property in the Blanco-Mesaverde Gas Pool.

(7) That the Commission will receive evidence that is relevant to the prevention of waste of hydrocarbons and the protection of correlative rights.

(8) Evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental impact will be received by the Commission and considered in its determination to approve or disapprove the application if the party offering same can show the relevance of such matters to the prevention of waste and the protection of correlative rights.

(9) The Commission also has the authority to gather for informational purposes evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental matters, though such are not to be considered in its determination of approval or disapproval of the subject application.

(10) That the Commission will receive evidence concerning market demand, curtailment of gas supplies, energy crisis, and environmental matters if offered by a party merely for informational purposes.

(11) That after it has made its decision to approve or disapprove the application upon the basis of evidence that is relevant to waste and protection of correlative rights, and if that decision should be to approve the application, it will consider evidence offered for informational purposes only to the fullest extent possible in the implementation of the decision.

(12) That the New Mexico Oil Conservation Commission is not required by Section 12-20-6, New Mexico Statutes Annotated, 1953 Compilation, to prepare an environmental impact statement prior to the hearing of this case.

IT IS THEREFORE ORDERED:

(1) In accordance with the above, the three petitioners, the New Mexico Environmental Improvement Agency, the New Mexico Municipal League, and the New Mexico Public Service Commission each are hereby granted permission to intervene in the above-styled cause, subject to the following:

- A. Evidence offered or which is elicited on cross-examination which is not relevant to the waste of hydrocarbons shall be admitted for informational purposes only.

-3-  
CASE NO. 4682

B. Evidence which is offered or which is elicited on cross-examination which is relevant to the waste of hydrocarbons shall be admitted for all purposes.

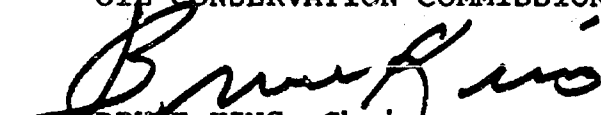
(2) To the extent that the above findings are in conflict with the motion of Southern Union Production Company, Southern Union Gathering Company, and Southern Union Gas Company, said motion is denied; to the extent the above findings are not in conflict with said motion, the motion is granted.

(3) That the motion of the New Mexico Environmental Improvement Agency to continue the above-entitled cause until such time as the New Mexico Oil Conservation Commission has prepared an environmental impact statement is hereby denied.


(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
BRUCE KING, Chairman

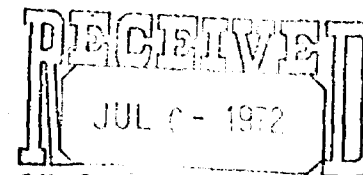
ALEX J. ARMIJO, Member

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

S E A L

dr/





BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESA )  
VERDE GAS POOL THAT WILL PROVIDE )  
FOR THE OPTIONAL DRILLING OF A SECOND )  
WELL ON AN ESTABLISHED PRORATION UNIT, )  
AND FOR THE ASSIGNMENT OF ALLOWABLE )  
FOR SUCH UNIT. )

CASE NO. 4682

ANSWER OF NEW MEXICO PUBLIC SERVICE COMMISSION  
TO QUESTIONS PROPOUNDED BY COUNSEL FOR THE  
OIL CONSERVATION COMMISSION

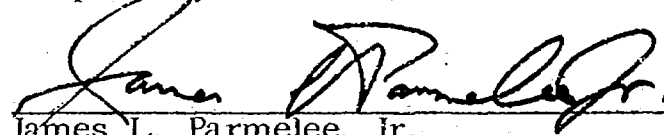
1. Q. Does the Public Service Commission own any property in the Blanco-Mesa Verde Pool?  
A. No.
2. Q. Does anyone you represent own any property in the pool?  
A. Some utilities under the supervision and regulation of the Public Service Commission own property in the pool.
3. Q. Are you seeking more gas production from the pool?  
A. No.
4. Q. Are you seeking less gas -- some gas?  
A. No.
5. Q. Is it your contention that you or anyone that you profess to represent has such an interest that you could come before this Commission in a separate case to adopt certain spacing rules in the pool?  
A. No. (Except utilities owning property in the pool.)
6. Q. It it your contention that though you, Public Service Commission, do not have a property right in the pool but that the public has such a vital interest in the proper spacing of wells in the pool that it should be represented in this case?  
✓ A. Yes, the Public Service Commission is bound by statute to represent the interests of public utilities, consumers of

utility products and the general public and the duty to ensure, to the extent of its ability, that utilities continue to serve the public.

7. Q. Is it your contention that because you represent a state agency (state subdivision) you have a right to intervene?
- A. Not a "right" to intervene but hopefully a "privilege" to intervene because of the Public Service Commission's interest.
8. Q. What will you (or the ones you represent) gain or lose by the direct operation of the Commission's decision?
- A. The answer to this question is unknown at this time but will hopefully be developed by the evidence presented.
9. Q. Is that a certainty or is it mere speculative or contingent?
- A. This will hopefully be answered by the evidence presented.
10. Q. Will you (or the ones you represent) be bound in any way by the decision of this Commission?
2. A. Yes, the short and long range gas supply for New Mexico utilities will be affected and the Public Service Commission will be bound by the decision.
11. Q. Do you foresee that the Commission's decision will in anyway encroach upon the authority of the agency you represent?
- A. No.
12. Q. Do you foresee that any rule or regulation of your agency will be subject of interpretation in this hearing?
- A. No.
13. Q. Is it your contention that the Commission has the authority to directly control the amount of gas to be used in the state -- out of state? -- Regardless of waste and correlative rights?
- A. No.
14. Q. Is it your contention that the Commission has the authority to indirectly control the amount of gas to be used in the state -- out of the state? -- Regardless of waste and correlative rights?

- 2 - A. Yes, the granting or denying of the application will have precisely this effect.
15. Q. Does the Public Service Commission have any control over the amount of gas committed to instate use -- out of state use?
- A. No.

Respectfully submitted,



James L. Parmelee, Jr.  
Staff Counsel  
New Mexico Public Service Commission  
Bataan Memorial Building  
Santa Fe, New Mexico 87501

cc: El Paso Natural Gas Company  
Southern Union Gas Company  
New Mexico Municipal League, Inc.  
Environmental Improvement Agency  
New Mexico State Planning Office

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESAVERDE )  
GAS POOL THAT WILL PROVIDE FOR THE )  
OPTIONAL DRILLING OF A SECOND WELL )  
ON AN ESTABLISHED PRORATION UNIT, AND )  
FOR THE ASSIGNMENT OF ALLOWABLE FOR )  
SUCH UNIT. )

CASE NO. 4682


TO ALL PERSONS INTERESTED IN THE  
BLANCO-MESAVERDE POOL.

NOTICE OF CONTINUANCE

The above-described Case 4682 came on for hearing  
at 9 a.m. on May 2, 1972, before the Oil Conservation  
Commission of New Mexico, hereinafter referred to as the  
"Commission."

That the Commission, a quorum being present, and  
being fully advised in the premises, continued Case 4682.  
The Case to be heard at 9 a.m., July 19, 1972, in  
Morgan Hall, State Land Office Building, Santa Fe, New  
Mexico.

The Commission further declared that motions may  
be filed in the Case until June 1, 1972, and that  
arguments on all motions, including those which have  
already been filed, will be heard at 9 a.m. on  
June 27, 1972, in Morgan Hall, State Land Office Build-  
ing, Santa Fe, New Mexico.

  
A. L. PORTER, Jr.  
Secretary-Director



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

GOVERNOR  
BRUCE KING  
CHAIRMAN  
LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER  
STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

NOVEMBER 20, 1972

### M E M O R A N D U M

TO: ALL PERSONS INTERESTED IN THE  
BLANCO-MESAVERDE GAS POOL

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

SUBJECT: CASE 4682 - Application of El Paso Natural  
Gas Company for amendment of the Rules and  
Regulations governing the Blanco-Mesaverde  
Gas Pool, San Juan and Rio Arriba Counties,  
New Mexico.

This is official notice that the above-  
described case has been continued from December 13, 1972  
to April 18, 1973. The hearing will begin at 9 a.m. in  
Morgan Hall, State Land Office Building, Santa Fe, New Mexico.

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

**Memo**

*From*

IDA RODRIGUEZ  
Secretary to Director

*To*

Mailed to all interested  
parties on November 21, 1972



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

GOVERNOR  
BRUCE KING  
CHAIRMAN  
LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER  
STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

August 17, 1972

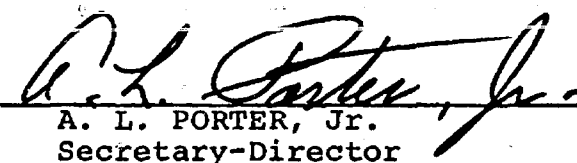
### MEMORANDUM

TO: ALL PERSONS INTERESTED IN THE BLANCO-MESAVERDE GAS POOL

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

SUBJECT: CASE 4682 - Application of El Paso Natural Gas Company for amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico.

This is official notice that at a meeting of the Commission on August 16, 1972, the above-described case was continued from August 29, 1972, to December 13, 1972. The hearing will begin at 9 a.m. in Morgan Hall, State Land Office Building, Santa Fe, New Mexico.

  
A. L. PORTER, Jr.  
Secretary-Director

ALP/dr



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 · SANTA FE  
87501

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

JUNE 30, 1972

### MEMORANDUM

TO: ALL PERSONS INTERESTED IN THE BLANCO-MESAVERDE GAS POOL

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

SUBJECT: CASE 4682 - Application of El Paso Natural Gas Company for amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico.

This is official notice that the above-described case has been continued from JULY 19, 1972 to AUGUST 29, 1972. The hearing will begin at 9 a.m. in Morgan Hall, State Land Office Building, Santa Fe, New Mexico.

  
A. L. PORTER, Jr.  
Secretary-Director

ALP/ir



BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF EL PASO NATURAL GAS COMPANY )  
FOR AMENDMENT OF THE RULES AND )  
REGULATIONS GOVERNING THE )  
BLANCO-MESAVERDE GAS POOL, )  
SAN JUAN AND RIO ARriba COUNTIES, )  
NEW MEXICO. )

Case No. 4682

PETITION FOR LEAVE TO INTERVENE

COMES NOW the New Mexico Environmental Improvement Agency, through its attorney, Douglas W. Fraser, Agency Assistant Attorney General, to petition the New Mexico Oil Conservation Commission for leave to intervene as a party in the hearings on the proposed amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool commencing on Tuesday, May 2, 1972, at 9:00 A.M. in the State Land Office Building, Morgan Hall, Santa Fe, New Mexico.

The New Mexico Environmental Improvement Agency is a state governmental unit established under the authority of the Environmental Improvement Act [Sections 12-19-1 through 13, N.M.S.A., 1953 Comp. (1971 Supp.)] and as such is the state agency which is directly concerned with the ecological effects of the proposed general rule in the Blanco-Mesaverde Gas Pool on the human environment. It is this agency's concern that all evidence relating to the amendment of Rules and Regulations governing the Blanco-Mesaverde Gas Pool that may affect the human environment be presented and analyzed in a thorough manner and that alternatives be considered.

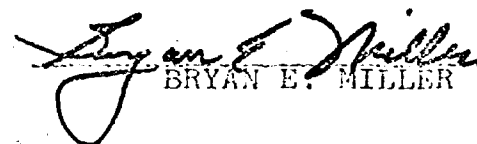
WHEREFORE, the Environmental Improvement Agency respectfully prays that we be entered as a party in these proceedings.

For Environmental Improvement Agency  
*Douglas W. Fraser*  
Douglas W. Fraser  
Agency Assistant Attorney General  
P.E.R.A. Building, P.O. Box 2348  
Santa Fe, New Mexico 87501

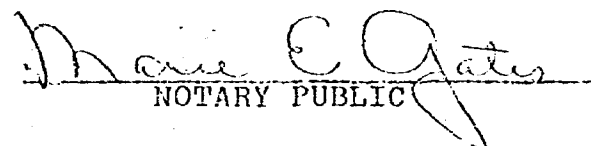
IN THE MATTER OF THE APPLICATION  
OF EL PASO NATURAL GAS COMPANY  
FOR AMENDMENT OF THE RULES AND  
REGULATIONS GOVERNING THE BLANCO-  
MESAVARDE GAS POOL, SAN JUAN AND  
RIO ARriba COUNTIES, NEW MEXICO.

VERIFICATION

Bryan E. Miller, acting director of the New Mexico  
Environmental Improvement Agency, being first duly sworn under  
oath, states that he has read the above petition and knows the  
contents thereof; and that the same is true of his own knowledge,  
information, or belief.

  
BRYAN E. MILLER

Subscribed and sworn to before me this 28th day of April,  
1972.

  
NOTARY PUBLIC

My Commission Expires:

Dec 13 1975

NEW MEXICO OIL CONSERVATION COMMISSION  
POST OFFICE BOX 2088  
SANTA FE, NEW MEXICO  
87501

This meeting has been called for the purpose of announcing that Case 4682, an application by El Paso Natural Gas Company which has been docketed to be heard today will be continued to the regular July hearing date of July 19, 1972, to be held in Morgan Hall, State Land Office Building, Santa Fe, New Mexico at 9 a.m.

All interested parties will be allowed until June 1, 1972 to file motions. Arguments on all motions, including those which have already been filed will be heard at 9 a.m. June 27, 1972 in Morgan Hall, State Land Office Building, Santa Fe, New Mexico.

A notice will be sent to all operators and purchasers, as well as those parties who have petitioned to intervene in the proceedings advising them as to the action here taken.

A. L. PORTER, Jr.  
Secretary-Director

May 2, 1972



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

MAY 16, 1972

### MEMORANDUM

TO: ALL PERSONS INTERESTED IN THE BLANCO-MESAVERDE GAS POOL

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

SUBJECT: CASE 4682 - Application of El Paso Natural Gas Company for amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico.

Please refer to Notice of Continuance in the above-described case and be advised that the date for arguments on all motions has been changed from 9 a.m. June 27, 1972 to 9 a.m. on June 29, 1972.

  
A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESAVERDE )  
GAS POOL THAT WILL PROVIDE FOR THE )  
OPTIONAL DRILLING OF A SECOND WELL )  
ON AN ESTABLISHED PRORATION UNIT, AND )  
FOR THE ASSIGNMENT OF ALLOWABLE FOR )  
SUCH UNIT. )

CASE NO. 4682


TO ALL PERSONS INTERESTED IN THE  
BLANCO-MESAVERDE POOL.

NOTICE OF CONTINUANCE

The above-described Case 4682 came on for hearing  
at 9 a.m. on May 2, 1972, before the Oil Conservation  
Commission of New Mexico, hereinafter referred to as the  
"Commission."

That the Commission, a quorum being present, and  
being fully advised in the premises, continued Case 4682.  
The Case to be heard at 9 a.m., July 19, 1972, in  
Morgan Hall, State Land Office Building, Santa Fe, New  
Mexico.

The Commission further declared that motions may  
be filed in the Case until June 1, 1972, and that  
arguments on all motions, including those which have  
already been filed, will be heard at 9 a.m. on  
June 27, 1972, in Morgan Hall, State Land Office Build-  
ing, Santa Fe, New Mexico.

  
A. L. PORTER, Jr.  
Secretary-Director



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

MARCH 15, 1972

### M E M O R A N D U M

TO: ALL PERSONS INTERESTED IN THE BLANCO-MESAVERDE GAS POOL

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

SUBJECT: CASE 4682 - Application of El Paso Natural Gas Company for amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico.

The New Mexico Oil Conservation Commission has determined that the above-described case, set for hearing before the Oil Conservation Commission at 9 o'clock a.m. on March 22, 1972, will be continued to 9 o'clock a.m. on May 2, 1972, Morgan Hall, State Land Office Building, Santa Fe, New Mexico. This action is being taken in order to give all interested persons an opportunity to familiarize themselves with the case.

ALP/ir

NEW MEXICO OIL CONSERVATION COMMISSION  
P. O. BOX 2088  
SANTA FE, NEW MEXICO

March 15, 1972

IN THE MATTER OF THE APPLICATION OF  
EL PASO NATURAL GAS COMPANY FOR AN  
ORDER OF THIS COMMISSION ADOPTING A  
GENERAL RULE IN THE BLANCO-MESAVERDE  
GAS POOL THAT WILL PROVIDE FOR THE  
OPTIONAL DRILLING OF A SECOND WELL  
ON AN ESTABLISHED PRORATION UNIT, AND  
FOR THE ASSIGNMENT OF ALLOWABLE FOR  
SUCH UNIT.

CASE NO. 4682

The New Mexico Oil Conservation Commission will  
convene at 9:00 a.m., March 22, 1972, in Morgan Hall,  
State Land Office Building, Santa Fe, New Mexico, at  
which time Case 4682 will be continued to May 2, 1972,  
same place and time.

---

A. L. PORTER, Jr.

IN THE MATTER OF THE APPLICATION OF  
EL PASO NATURAL GAS COMPANY FOR AN  
ORDER OF THIS COMMISSION ADOPTING A  
GENERAL RULE IN THE BLANCO MESAVERDE  
GAS POOL THAT WILL PROVIDE FOR THE  
OPTIONAL DRILLING OF A SECOND WELL  
ON AN ESTABLISHED PRORATION UNIT, AND  
FOR THE ASSIGNMENT OF ALLOWABLE FOR  
SUCH UNIT.

CASE NO. 4682

MOTION FOR CONTINUANCE

Petitioner, Southern Union Gas Company, by its attorneys Jack M. Campbell and Olmsted, Cohen & Bingham enters its appearance in this matter and respectfully moves for a continuance of this matter to a date mutually acceptable to Applicant, Petitioner and the Commission but not less than thirty (30) days from March 22, 1972.

As its grounds for this Motion, Petitioner states:

1. It is an owner, producer and operator of properties within the horizontal and vertical limits of the Blanco MesaVerde Gas Pool of San Juan, Rio Arriba and Sandoval Counties, New Mexico.
2. It supplies natural gas to New Mexico consumers and has serious concerns relative to the long-term natural gas supplies available to such consumers from this pool with regard to this Application.
3. Its correlative rights to its prorata share of gas from this pool can be adversely affected in this matter.
4. While Applicant has been suggesting for several months that it might file an application concerning spacing in this pool, there has been no information available to Petitioner or its attorneys as to the definite position of Applicant concerning the filing, or as to the exact nature of its proposal, until the filing of the Application in this matter. To Petitioner's knowledge there has, to date, been no meeting of pool operators to consider this matter. There has been no action taken to provide a basis for or to justify the expense for Petitioner's advance preparation.



5. One of the Attorneys for Petitioner became aware of this application on Saturday, March 4. Petitioner received notice only through the official Commission notice of hearing process on March 6, 1972. This provides only eleven (11) working days for preparation prior to the hearing date.

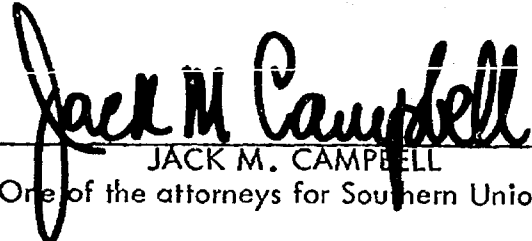
6. Applicant has called a meeting of pool operators in El Paso, Texas, on March 14 at 2 P.M. Only five (5) working days remain between this meeting and the hearing date. This time lapse is totally inadequate for evaluation of Applicant's position by pool operators and for appropriate action.

7. This matter is of great significance to Petitioner, other operators in the pool, royalty owners, those responsible for management of public lands in the pool, and state agencies responsible for maintaining natural gas supplies to New Mexico consumers at reasonable costs.

8. Technical and economic factors require substantial preparation for cross-examination and presentation of Petitioner's evidence requires substantial time.

9. Its attorneys cannot adequately represent Petitioner in this matter unless additional time is allowed for preparation.

WHEREFORE, Petitioner respectfully requests a continuance in this matter, as stated above, and asks the Commission to rule upon this matter as soon as possible after Applicant has had an opportunity to respond hereto. A copy of this Petition is being delivered to attorneys for Applicant, Montgomery, Federici, Andrews, Hannahs & Morris on the afternoon of March 9, 1972.

  
JACK M. CAMPBELL  
One of the attorneys for Southern Union Gas Co.

DATED: March 9, 1972.

RECEIVED

MAY 13 1972

CONSERVATION COMM.

BEFORE THE OIL CONSERVATION

COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESAVERDE ) Case No. 4682  
GAS POOL THAT WILL PROVIDE FOR THE )  
OPTIONAL DRILLING OF A SECOND WELL )  
ON AN ESTABLISHED PRORATION UNIT, AND )  
FOR THE ASSIGNMENT OF ALLOWABLE FOR )  
SUCH UNIT. )

RESPONSE TO MOTION FOR CONTINUANCE

El Paso Natural Gas Company makes the following response to the Motion for Continuance filed herein on March 9, 1972 by Southern Union Gas Company:

1. By its application in Case No. 4682, El Paso Natural Gas Company is requesting the Commission to adopt rules applicable to the Blanco Mesaverde Gas Pool of San Juan, Rio Arriba, and Sandoval Counties, New Mexico, to permit the drilling of an additional well on established gas proration units and to permit the deliverabilities of all wells on those proration units to be combined for allowable purposes.

2. There are over 2000 wells and proration units in the Blanco Mesaverde Gas Pool in New Mexico, and assuming one-half (or 1000) of these proration units attract a second well, the additional production over the next 20 years is estimated to be approximately 800 billion cubic feet of gas. The producing rate at the end of 20 years is expected to be greater even after the withdrawal of the additional 800 billion cubic feet with the 1000 infill wells than it would have been absent those additional wells. The additional revenue which would be generated by the additional wells is estimated to be in excess of \$200 million for the gas alone. The cost of drilling these wells would be approximately \$83 million. The additional royalty and taxes

accruing to the State of New Mexico during the next 20 years from this program is estimated to exceed \$25 million.

3. El Paso urgently requests that the hearing proceed as scheduled in order that El Paso and others may commence the infill drilling program at the earliest possible date. Early commencement of this program will provide gas to help meet the market requirement for the 1972-1973 heating season in New Mexico and in other parts of the country served by gas produced from the Blanco Mesaverde Gas Pool.

4. El Paso intends to present evidence at the hearing on its application to prove that approval of its application will prevent waste and protect correlative rights of the operators in the pool. In addition, El Paso's evidence will show that approval of its application will enable it to supply gas to meet the needs of consumers who are dependent upon El Paso for their supply of natural gas, including Southern Union Gas Company and other utilities who distribute natural gas to New Mexico consumers. El Paso intends to demonstrate that approval of its application in this case will alleviate gas shortages and will reduce the possibility of its being forced to curtail deliveries of gas to Southern Union Gas Company and other distributors in the State of New Mexico who obtain a portion of their gas supply from El Paso Natural Gas Company. El Paso provided 46 billion cubic feet for New Mexico consumers during 1971.

5. As an owner, producer and operator in the Blanco Mesaverde Gas Pool, long before El Paso arrived, Southern Union Gas Company has facts and studies readily available to it which should enable it to prepare for the hearing of this case on March 22, 1972. El Paso Natural Gas Company intends to hold a meeting of all operators in the Blanco Mesaverde Gas Pool on March 14, 1972,

to which meeting Southern Union Gas Company has been invited. At this operators' meeting, El Paso intends to outline, summarize, and discuss its application, as the result of which Southern Union Gas Company should be fully informed as to the matters that will be presented at the hearing before the Commission on March 22, 1972.

6. Southern Union Gas Company will not be prejudiced by denial of its Motion for Continuance, but El Paso Natural Gas Company and other operators in the Blanco Mesaverde Gas Pool, together with consumers of natural gas who are dependent upon the gas supply from the Blanco Mesaverde Gas Pool, will be substantially prejudiced by delay in hearing and approval of the application.

WHEREFORE, El Paso Natural Gas Company requests that Southern Union Gas Company's Motion for Continuance be denied. In the event the Commission should determine to grant the Motion for Continuance, El Paso Natural Gas Company respectfully requests that a new date for hearing be set at the earliest practicable time.

MONTGOMERY, FEDERICI, ANDREWS,  
HANNAHS & MORRIS

By Richard S. Morris  
P.O. Box 2307  
Santa Fe, N.M. 87501  
Attorneys for El Paso Natural Gas  
Company.

CERTIFICATE OF DELIVERY

I certify that I delivered a true and correct copy of the foregoing Response to Motion for Continuance to the office of JACK M. CAMPBELL, 237 East Palace Avenue, Santa Fe, N.M. 87501, Attorney for Southern Union Gas Company, this 13th day of March, 1972.

Richard S. Morris

RECEIVED  
MAR 14 1972  
OIL CONSERVATION COMMISSION

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESA )  
VERDE GAS POOL THAT WILL PROVIDE FOR )  
THE OPTIONAL DRILLING OF A SECOND )  
WELL ON AN ESTABLISHED PRORATION UNIT, )  
AND FOR THE ASSIGNMENT OF ALLOWABLE )  
FOR SUCH UNIT. )

CASE NO. 4682

PETITION FOR LEAVE TO INTERVENE  
AND MOTION FOR CONTINUANCE

Comes now, the New Mexico Public Service Commission (Intervenor) and respectfully requests that the Oil Conservation Commission allow intervention in the above-styled and numbered matter and respectfully moves for a continuance of the matter to a date mutually acceptable to Applicant; Southern Union Gas Company, but not less than 30 days from March 22, 1972.

As grounds for this Motion, Intervenor states:

1. Intervenor is the regulatory body of the State of New Mexico having general and exclusive jurisdiction by virtue of statute over the rates, charges, service regulations and other matters relating to the sale of natural gas and electricity by public utilities in the State of New Mexico, and the sale of natural gas and electricity by any person, firm or corporation to any utility for resale in the State of New Mexico.

2. Numerous natural gas and electric utilities in the State of New Mexico depend upon El Paso Natural Gas Company (El Paso)

for their source of supply of natural gas for distribution and for a source of fuel to generate electricity.

3. Intervenor has a direct interest in the matter before the Commission to the end that reasonable and proper natural gas and electric service shall be assured to consumers in the State of New Mexico.

4. Intervenor does not have sufficient information at this time to assess its position in the matter and whether it should support Applicant, El Paso Natural Gas Company, as a wholesale supplier of gas to many public utilities under the jurisdiction of Intervenor or whether to support the position of Petitioner, Southern Union Gas Company, a public utility under the jurisdiction of Intervenor, or take a third position.

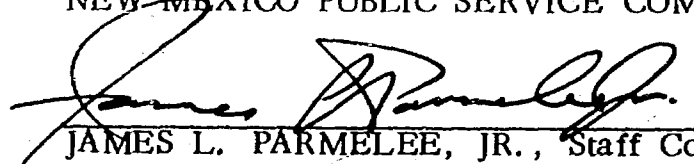
5. Attorney for Intervenor became aware of this Application on March 9, 1972. This does not provide sufficient time for preparation prior to the hearing date.

WHEREFORE, Intervenor respectfully prays that it be permitted to intervene in the above proceeding; that it be accorded all rights appropriate to its status as such Intervenor and be allowed to take a position or not as the facts develop. Intervenor further prays that the above requested continuance be allowed.

DONE at Santa Fe, New Mexico, this 14th day of March, 1972.

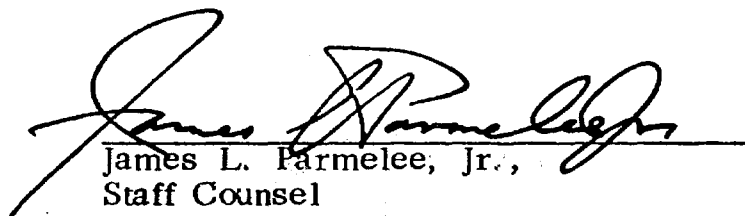
Respectfully submitted,

NEW MEXICO PUBLIC SERVICE COMMISSION

  
JAMES L. PARMELEE, JR., Staff Counsel  
Bataan Memorial Building  
Santa Fe, New Mexico 87501

CERTIFICATE OF SERVICE

I hereby certify that I have this day mailed a copy of the foregoing Petition for Leave to Intervene and Motion for Continuance to Mr. Richard Morris of Montgomery, Federici, Andrews, Hannahs & Morris, attorneys for El Paso Natural Gas Company, Applicant, and to Mr. Jack M. Campbell of Olmsted, Cohen & Bingaman, attorneys for Southern Union Gas Company, Petitioner.

  
James L. Parmelee, Jr.,  
Staff Counsel  
New Mexico Public Service Commission  
Bataan Memorial Building  
Santa Fe, New Mexico 87501

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF EL PASO )  
NATURAL GAS COMPANY FOR AN ORDER OF THIS )  
COMMISSION ADOPTING A GENERAL RULE IN THE )  
BLANCO MESA VERDE GAS POOL THAT WILL PROVIDE )  
FOR THE OPTIONAL DRILLING OF A SECOND WELL ON )  
AN ESTABLISHED PRORATION UNIT, AND FOR THE )  
ASSIGNMENT OF ALLOWABLE FOR SUCH UNIT. )

CASE NO. 4682

PETITION FOR LEAVE TO INTERVENE

Comes now the New Mexico Municipal League, Inc., an incorporated association serving its member New Mexico municipalities representing itself as a user of natural gas and on behalf of its member municipalities who are users of natural gas and on behalf of residents of said members and files its petition for leave to intervene in this cause. The purpose of this intervention is to analyze the effect on petitioner, its member municipalities and persons living within the boundaries of its member municipalities, of El Paso Natural Gas application in case #4682. The end result of the intervention is to assure reasonable and proper gas service in member municipalities.

1. Petitioner New Mexico Municipal League, hereinafter referred to as the League, is an association of cities, towns and villages organized for the purpose of, among other things, representing participating municipalities in matters which directly affect municipal government in New Mexico and this petition is filed upon authority of the Board of Directors of said League duly made and entered at a meeting of said Board of Directors held on the 20th day of May, 1970.

2. El Paso Natural Gas Company supplies gas to the following cities who are members of the League:

City of Deming  
City of Las Cruces



The address of the New Mexico Municipal League for all purposes is  
Post Office Box 846, Santa Fe, New Mexico 87501.

3. This petition for leave to intervene is filed by the League on behalf of the several thousand residents of the municipalities served by the gas company which are members of the League and who are also consumers and rate payers of the gas company.

4. Intervenor does not have sufficient information at this time to assess its position in the matter and whether it should support Applicant, El Paso Natural Gas Company, as a wholesale supplier of gas to many public utilities under the jurisdiction of Intervenor or whether to support the position of Petitioner, Southern Union Gas Company, a public utility under the jurisdiction of Intervenor, or take a third position.

WHEREFORE, Intervenor respectfully prays that it be permitted to intervene in the above proceeding; that it be accorded all rights appropriate to its status as such Intervenor and be allowed to take a position or not as the facts develop.

DONE at Santa Fe, New Mexico, this 26<sup>th</sup> day of April, 1972.

Respectfully submitted,

NEW MEXICO MUNICIPAL LEAGUE

Frank Coppler  
Frank Coppler  
Esq.  
P.O. Box 846  
Santa Fe, New Mexico

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

Frank Coppler, whose address for all purposes is P.O. Box 846, Santa Fe, New Mexico, Attorney for the New Mexico Municipal League, Petitioner herein, states that the foregoing Petition for and on behalf of the New Mexico Municipal League, was prepared by him on instruction and authority of the Board of Directors of the New Mexico Municipal League; that he has read the same and believes that statements contained therein are true.

  
Frank Coppler


Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 1972.

\_\_\_\_\_  
Notary Public

My Commission expires:

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

I, Frank Coppler, Attorney for the New Mexico Municipal League, do hereby certify that on April 26, 1972, I did mail a true and correct copy of the foregoing petition to Mr. Richard Morris of Montgomery, Federici, Andrews, Hannahs & Morris, attorneys for El Paso Natural Gas Company, Applicant, and to Mr. Jack M. Campbell of Olmsted, Cohen & Bingaman, attorneys for Southern Union Gas Company, Petitioner and Mr. James L. Parmelee, Jr., Staff Counsel, New Mexico Public Service Commission.

  
Frank Coppler, Esq.  
P.O. Box 846  
Santa Fe, New Mexico 87501

Rec'd  
5-30-72  
A.L.P.

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESA )  
VERDE GAS POOL THAT WILL PROVIDE FOR )  
THE OPTIONAL DRILLING OF A SECOND )  
WELL ON AN ESTABLISHED PRORATION UNIT, )  
AND FOR THE ASSIGNMENT OF ALLOWABLE )  
FOR SUCH UNIT. )

Case No. 4682

MOTION

Comes now, Jack M. Campbell, one of the attorneys for Southern Union Production Company, Southern Union Gathering Company and Southern Union Gas Company, enters his appearance in this matter on behalf of said companies, and for their Motion to the Commission states:

1. Applicant, El Paso Natural Gas Company, by its Response to Motion for Continuance (Paragraph 4) recites that its evidence "will show that approval of its application will enable it to supply gas to meet the needs of consumers who are dependent upon El Paso for their supply of natural gas, including Southern Union Gas Company and the other utilities who distribute natural gas to New Mexico consumers. El Paso intends to demonstrate that approval of its application in this case will alleviate gas shortages and will reduce the possibility of its being forced to curtail deliveries of gas to Southern Union Gas Company and other distributors in the State of New Mexico who obtain a portion of their gas supply from El Paso Natural Gas Company."

2. The laws of New Mexico clearly establish jurisdictional limits to this Commission in the discharge of its statutory duties and powers. No order may be issued by the Commission except it stems from or is made necessary by the prevention of waste or the

protection of correlative rights. The matters referred to in Applicant's Response to Motion for Continuance do not come within the jurisdictional limits described above.

3. To permit any evidence other than that relating to matters of prevention of waste and protection of correlative rights, as defined by the Statutes of New Mexico, is unlawful and will seriously prejudice any final order which the Commission may, after hearing, issue in this matter.

WHEREFORE: Movants request the Commission to issue its order limiting and defining the evidence which it will receive and consider in this matter and restricting such evidence to those matters provided for by the Statutes of New Mexico.

Respectfully submitted,

SOUTHERN UNION PRODUCTION COMPANY  
SOUTHERN UNION GATHERING COMPANY  
SOUTHERN UNION GAS COMPANY

By: Jack M. Campbell  
Jack M. Campbell  
One of their Attorneys

Dated: May 30, 1972

I hereby certify that copies of this Motion have this date been mailed to Attorneys of record in this matter at their business addresses.

Jack M. Campbell  
Jack M. Campbell

BEFORE THE OIL CONSERVATION  
COMMISSION OF THE STATE OF NEW MEXICO

RECEIVED  
APR 28 1972  
OIL CONSERVATION COMM.  
Santa Fe

IN THE MATTER OF THE APPLICATION OF  
EL PASO NATURAL GAS COMPANY FOR AN  
ORDER OF THIS COMMISSION ADOPTING A  
GENERAL RULE IN THE BLANCO MESAVERDE  
GAS POOL THAT WILL PROVIDE FOR THE  
OPTIONAL DRILLING OF A SECOND WELL  
ON AN ESTABLISHED PRORATION UNIT, AND  
FOR THE ASSIGNMENT OF ALLOWABLE FOR  
SUCH UNIT.

CASE NO. 4682

MOTION FOR CONTINUANCE

Petitioner, Aztec Oil & Gas Company hereby enters its appearance  
in this cause and respectfully moves for a continuance of this case to  
a date to be established as more particularly hereinafter set forth.  
In support of this motion, Petitioner respectfully presents the following:

1. Petitioner is the owner of interests in more than 500 wells  
and is the operator of 130 wells which are completed in the Blanco  
Mesaverde Gas Pool of San Juan, Rio Arriba and Sandoval Counties, New  
Mexico, and the proration units assigned to each of these wells may be  
affected by the Commission's actions in this case.

2. Most of the gas which Petitioner produces from the Blanco  
Mesaverde Gas Pool is transported for sale in interstate markets and is  
subject to Federal Power Commission pricing regulations.

3. El Paso Natural Gas Company has alleged that its proposal  
will prevent waste and protect the correlative rights of operators  
producing gas from the Blanco Mesaverde reservoir.

4. At the present time it is impossible for Petitioner and other  
"large producer's" (the term "large producer" as used herein is defined  
as a producer, other than a pipeline company, which sells more than 10  
billion cubic feet of gas annually in interstate commerce) to evaluate  
the effect of El Paso Natural Gas Company's proposal upon their respective  
rights for the following reasons, among others:

(a) The present Federal Power Commission guideline rate for  
gas produced from this reservoir is 13¢ per mcf and all amounts received  
by producers in excess of such guideline rate are collected subject

to refund.

(b) There is now pending before the Federal Power Commission a rule making proceeding designated as Docket No. R-425 which has as its expressed purpose the determination of appropriate just and reasonable area rate levels for gas to be sold in the Rocky Mountain Area (of which the San Juan Basin is a subarea) under contracts executed prior to October 1, 1968, which proceeding would presumably cover substantially all sales from existing Blanco Mesaverde Units. The State of New Mexico filed a response in this Docket, which response included testimony by a representative of this Commission and a recommendation for a rate of 40¢ per mcf for San Juan Basin gas.

(c) El Paso Natural Gas Company has heretofore submitted to all producers from whom it purchases gas in the San Juan Basin contract amendments which provide for a rate of 28¢ per mcf for gas to be produced from wells completed in the San Juan Basin on or after June 1, 1970, which would include all infill wells contemplated in this proceeding. In addition to such 28¢ per mcf rate, the subject contract amendments also include a provision for BTU adjustments either upward or downward from a base of 1,000 BTU's per cubic foot of gas. El Paso Natural Gas Company has recommended to the Federal Power Commission, by its response in FPC Docket No. R-425, that this rate be established by the Commission as the appropriate area rate level for gas sold from wells completed in the San Juan Basin on or after June 1, 1970.

(d) Several large producers have heretofore filed with the Federal Power Commission notices of change in price for the purpose of implementing the rate change as provided in their contract amendments with El Paso Natural Gas Company. The Federal Power Commission has accepted such rate increase applications but has suspended same for a period of 5 months, the earliest of which suspension periods will terminate on September 17, 1972.

5. Under existing Federal Power Commission regulations, large producers operating in the San Juan Basin are subject to such uncertainties as to price that they are unable to determine whether this proceeding will adversely affect their correlative rights. Because of these uncertainties, it is impossible to predict with any reasonable degree of accuracy whether

or not the majority of possible infill wells would result in an economic success or failure. Inasmuch as the issue of correlative rights cannot possibly be determined prior to the time when the Federal Power Commission takes affirmative action in Docket No. R-425 or permits the collection or renegotiated rates in the producers filings hereinabove referred to, this hearing should be continued until a date which is at least 15 days after the issuance by the Federal Power Commission of its pricing order in its Docket No. R-425 or after the date on which such renegotiated rate increases are permitted by FPC regulations to take effect, whichever date is the earlier. It is essential that this hearing be conducted after a reasonable length of time following such Federal Power Commission action for the purpose of permitting the affected parties to calculate and present to this Commission the effect which any order entered in this proceeding might have on their individual operations.

6. This motion is made for the sole and express purpose of allowing the necessary time for action by a Federal agency, which action will profoundly affect Petitioner and other large producers subject to this proceeding even to the extent of influencing the substantive decision of whether such affected party should, (1) support Applicant in this proceeding, (2) oppose Applicant, or (3) take no action whatsoever. In the absence of such information, which may reasonably be expected to be available no later than September 17, 1972, it is impossible for such determinations to be realistically made.

Wherefore Petitioner respectfully moves that the captioned cause be continued until a date which is at least fifteen (15) days after the date when the Federal Power Commission enters its pricing order in its Docket No. R-425 or September 17, 1972, whichever shall first occur. Petitioner further requests that this Commission rule upon this motion at the earliest possible date in order that all interested parties to this proceeding might be advised of the Commission's action without delay. A copy of this Petition is being delivered on this \_\_\_\_ day of April, 1972, to Montgomery, Federici, Andrews, Hannahs & Morris, attorneys for El Paso Natural Gas Company.

DATED: April 26, 1972

Kenneth A. Swanson  
Kenneth A. Swanson

Clarence E. Hinkle  
Clarence E. Hinkle  
Attorneys for Aztec Oil & Gas Company

EXTRA COPIES

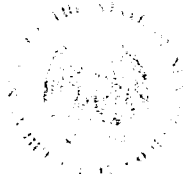
MAILED TO ALL INTERESTED PARTIES ON THE  
LIST.

ir/

5/16/72

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# OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMISTEAD  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

August 17, 1972


## MEMORANDUM

TO: ALL PERSONS INTERESTED IN THE BLANCO-MESAVERDE GAS POOL

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

SUBJECT: CASE 4682 - Application of El Paso Natural Gas Company for amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico.

This is official notice that at a meeting of the Commission on August 16, 1972, the above-described case was continued from August 29, 1972, to December 13, 1972. The hearing will begin at 9 a.m. in Morgan Hall, State Land Office Building, Santa Fe, New Mexico.

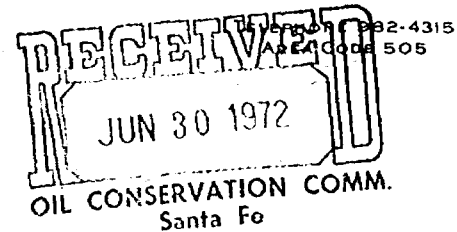
  
A. L. PORTER, Jr.  
Secretary-Director

ALP/dr

JASON W. KELLAHIN  
ROBERT E. FOX

KELLAHIN AND FOX  
ATTORNEYS AT LAW  
54 1/2 EAST SAN FRANCISCO STREET  
POST OFFICE BOX 1769  
SANTA FE, NEW MEXICO 87501

June 29, 1972



Mr. A. L. Porter, Jr., Director  
Oil Conservation Commission of New Mexico  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Case No. 4682, Application of El Paso Natural  
Gas Company for Adoption of Rules, Blanco  
Mesaverde Pool.

Dear Mr. Porter:

Pursuant to the provisions of Commission Rule 1208,  
the undersigned enter their appearance in the  
above case as attorneys for Continental Oil  
Company.

By copy of this letter, notice is given to parties  
of record in the above proceeding with a request  
that we be furnished with such pleadings, pleas  
or motions as may hereafter be filed in this  
case, as provided in said rule.

Yours very truly,

KELLAHIN & FOX

By *Jason W. Kellahin*  
Jason W. Kellahin

JWK:brs

cc: Mr. Richard S. Morris  
Attorney for El Paso Natural Gas Co.

Hon. Jack M. Campbell  
Attorney for Southern Union Gas Co.

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

June 15, 1972

C  
O  
P  
Y

Mr. R. B. Giles  
Amoco Production Company  
Security Life Building  
Denver, Colorado 80202

Gentlemen:

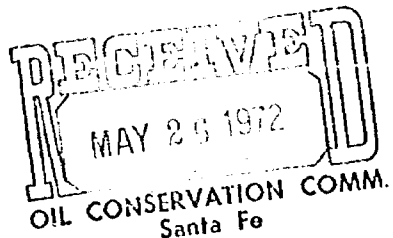
Please find enclosed copies of motions in  
Case 4682 to be heard at 9 a.m. June 29, 1972,  
as you requested.

Very truly yours,

*S/ 6-15-72*

GEORGE M. HATCH  
Attorney

GMH/dr  
enclosures



Amoco Production Company  
Security Life Building  
Denver, Colorado 80202

May 24, 1972

File: VDP-251-986.511

New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

ATTENTION: Mr. A. L. Porter, Jr.

Gentlemen:

Re: Case 4682, Blanco-Mesaverde Gas Pool

Please refer to your memorandum dated May 16, 1972, advising that arguments on all motions in the above described case will now be heard at 9:00 a.m. on June 29, 1972.

Amoco Production Company, as an owner and operator of a number of wells completed in the Blanco-Mesaverde gas pool, is an interested party in this proceeding. We would, therefore, appreciate being advised concerning all motions to be heard on June 29, 1972.

Yours very truly,

Vinton D. Pierce

VDP:pk/ka

AMERADA HESS CORPORATION

P. O. BOX 2040  
TULSA, OKLAHOMA 74102  
918-584-5554

May 11, 1972  
RECEIVED  
MAY 11 1972  
U.S. DEPT. OF THE INTERIOR

*GMA*

New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr.  
Secretary-Director

Re: Case No. 4682  
Blanco-Mesaverde Gas Pool  
San Juan & Rio Arriba Counties

Gentlemen:

By this letter, Amerada Hess Corporation enters its formal appearance in the captioned case. Amerada Hess owns interest in a number of wells in the Pool.

The purpose of making a formal appearance in the case at this time is to assure receipt of any notice of continuance that may be issued for the case in the future.

Very truly yours,

*T.W. Lynch*

Thomas W. Lynch  
General Attorney

TWL:dml

PUBCO

POST OFFICE BOX 869 • ALBUQUERQUE, NEW MEXICO 87103 • TELEPHONE (505) 842-1940

March 20, 1972

RECEIVED  
MAR 21 1972  
NEW MEXICO OIL CONSERVATION COMM.

*JK*

New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr.

Re: Case No. 4682

Gentlemen:

In the matter of the application of El Paso Natural Gas Company for an order of the Commission adopting a general rule in the Blanco Mesaverde gas pool that will provide for the optional drilling of a second well on an established proration unit, and for the assignment of allowable for such unit, Case No. 4682, to be heard on March 22, 1972, Pubco Petroleum Corporation supports the motion for continuance filed by Southern Union Gas Company on March 9, 1972.

Very truly yours,

*J. C. Johnson*  
J. C. Johnson  
Vice President Production

JCJ:

# Mobil Oil Corporation

P.O. BOX 633  
MIDLAND, TEXAS 79701

AIR MAIL

March 15, 1972

RECEIVED

MAR 16 1972

CONSERVATION COMMISSION

New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attn: Mr. A. L. Porter, Jr.

IN THE MATTER OF THE APPLICATION  
OF EL PASO NATURAL GAS COMPANY  
FOR AN ORDER OF THIS COMMISSION  
ADOPTING A GENERAL RULE IN THE  
BLANCO MESAVERDE GAS POOL THAT  
WILL PROVIDE FOR THE OPTIONAL  
DRILLING OF A SECOND WELL ON AN  
ESTABLISHED PRORATION UNIT, AND  
FOR THE ASSIGNMENT OF ALLOWABLE  
FOR SUCH UNIT. CASE NO. 4682

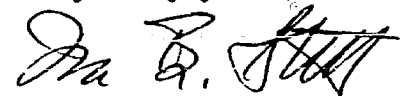
Gentlemen:

Mobil Oil Corporation, an operator in the Blanco Mesaverde Gas Pool, hereby notifies the Commission of our support of the Southern Union Gas Company motion for continuance of the subject hearing to a date not less than 30 days from March 22, 1972.

Mobil attended the pool operators meeting, called by El Paso Natural Gas, on March 14, 1972 and we feel that more time is necessary to evaluate the many questions arising from the discussions during the meeting. The remaining time, 5 working days, is totally inadequate for an operator to gather and prepare the economic and technical information necessary to properly appraise one's position.

Mobil therefore respectfully recommends that the Commission grant Southern Union Gas Company's motion for continuance as stated in their petition of March 9, 1972.

Very truly yours,



Ira B. Stitt  
Division Operations Engineer

WBSimmonsJr/lm  
cc: El Paso Natural Gas Company  
P. O. Box 1492  
El Paso, Texas 79999  
ATTN: A. M. Derrick

Southern Union Gas Company  
Fidelity Union Tower  
Dallas, Texas 75201  
ATTN: Oran L. Haseltine

May 2, 1972 - 9 a.m.

Name

Company

Address

R. F. BAILEY

BAILEY, SIPES, WILLIAMSON & RUNYAN

1100 V & I TOWER,  
MIDLAND, TX. 79701

J. D. SMOTHERMAN

CONSOLIDATED OIL & GAS

C. E. MILLIGAN

COLORADO OIL & GAS CORP.

SUITE 1300, 1860

LINCOLN, DENVER

Lincoln Bldg. 80203

F.O. Box 444

1000 DENVER CLUB

DENVER, COLO 80201

Richard S. Morris

Montgomery et al

Smith Fe



BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO FOR THE  
PURPOSE OF CONSIDERING:

CASE NO. 5264  
Order No. R-1670-T-A

APPLICATION OF EL PASO NATURAL GAS  
COMPANY FOR THE AMENDMENT OF ORDER  
NO. R-1670, BLANCO MESAVERDE POOL,  
SAN JUAN AND RIO ARriba COUNTIES,  
NEW MEXICO.

NUNC PRO TUNC

BY THE COMMISSION:

It appearing to the Commission that Order No. R-1670-T,  
dated November 14, 1974, does not correctly state the intended  
order of the Commission in one particular.

IT IS THEREFORE ORDERED

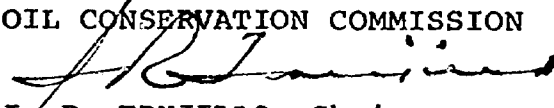
(1) That Paragraph (9) on Page 2 of Order No. R-1670-T,  
be and the same is hereby corrected to read in its entirety  
as follows:

(9) That Section 65-3-5, New Mexico Statutes Annotated,  
1953 Compilation, confers jurisdiction on the Commission  
over all matters relating to the conservation of oil and  
gas.

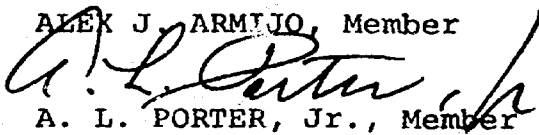
(2) That the correction set forth in this order be  
entered nunc pro tunc as of November 14, 1974.

DONE at Santa Fe, New Mexico, on this 19th day of  
November, 1974.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

jr/

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO FOR THE  
PURPOSE OF CONSIDERING:

CASE NO. 5264  
Order No. R-1670-T-A

APPLICATION OF EL PASO NATURAL GAS  
COMPANY FOR THE AMENDMENT OF ORDER  
NO. R-1670, BLANCO MESAVERDE POOL,  
SAN JUAN AND RIO ARriba COUNTIES,  
NEW MEXICO.

NUNC PRO TUNC

BY THE COMMISSION:

It appearing to the Commission that Order No. R-1670-T,  
dated November 14, 1974, does not correctly state the intended  
order of the Commission in one particular.

IT IS THEREFORE ORDERED

(1) That Paragraph (9) on Page 2 of Order No. R-1670-T,  
be and the same is hereby corrected to read in its entirety  
as follows:

(9) That Section 65-3-5, New Mexico Statutes Annotated,  
1953 Compilation, confers jurisdiction on the Commission  
over all matters relating to the conservation of oil and  
gas.

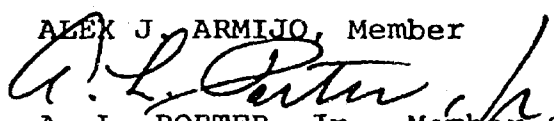
(2) That the correction set forth in this order be  
entered nunc pro tunc as of November 14, 1974.

DONE at Santa Fe, New Mexico, on this 19th day of  
November, 1974.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
I, R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

jr/

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. 5264  
Order No. R-1670-T

APPLICATION OF EL PASO NATURAL GAS  
COMPANY FOR THE AMENDMENT OF ORDER  
NO. R-1670, BLANCO MESAVERDE POOL,  
SAN JUAN AND RIO ARriba COUNTIES,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 13 and August 14, 1974, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 14th day of November, 1974, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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 Blanco Mesaverde Pool, located in San Juan and Rio Arriba Counties, New Mexico, was created by Commission Order No. 799, dated February 25, 1949.

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

(4) That the applicant, El Paso Natural Gas Company, seeks an order amending said Order No. R-1670 to permit the optional drilling of an additional well on each 320-acre proration unit in the Blanco Mesaverde Pool; to determine the deliverability of each proration unit upon which an additional well is drilled by adding the deliverabilities of the two wells; to permit the production of the allowable assigned to a proration unit containing two wells from both wells in any proportion; to consider both wells on a proration unit as one well for purposes of balancing underproduction or overproduction; to report the production of each well on the unit as well as the total unit production; and to compare the unit production against the unit allowable for determining whether a unit should be classified marginal or non-marginal.

(5) That the Blanco Mesaverde Pool has been developed for approximately 20 years on 320-acre proration units.

(6) That to change the unit size now in said pool would disturb the equities under many of the existing proration units.

(7) That the proration unit size in the Blanco Mesaverde Pool should continue to be 320 acres.

(8) That Section 65-3-10, New Mexico Statutes Annotated, 1953 Compilation, empowers the Commission to prevent waste of hydrocarbons and to protect the correlative rights of the owners of each interest in said hydrocarbons.

(9) That Section 65-3-5, New Mexico Statutes Annotated, 1953 Compilation, confers jurisdiction on the Commission over all matters relating to the conversion of oil and gas.

(10) That "waste" is defined by Section 65-3-3, New Mexico Statutes Annotated, 1953 Compilation.

(11) That the evidence reveals that the Blanco Mesaverde Pool is not a homogeneous, uniform reservoir.

(12) That the producing formation of the Blanco Mesaverde Pool is comprised of various overlapping, interconnecting, and lenticular sands of relatively low permeability, many of which are not being efficiently drained by existing wells in the pool but which could be more efficiently and economically drained and developed by the drilling of additional wells pursuant to the rule changes proposed by the applicant.

(13) That infill drilling will substantially increase recoverable reserves from the Blanco Mesaverde Pool.

(14) That infill drilling will result in greater ultimate recovery of the reserves under the various proration units in the pool.

(15) That infill drilling in the Blanco Mesaverde Pool will result in more efficient use of reservoir energy and will tend to ensure greater ultimate recovery of gas from the pool, thereby preventing waste.

(16) That if infill drilling is implemented in the Blanco Mesaverde Pool, each operator will be afforded the opportunity to produce, without waste, his just and equitable share of the gas from the Pool, and his correlative rights, as defined by Section 65-3-29, New Mexico Statutes Annotated, 1953 Compilation, therefore, will not be impaired.

(17) That both wells on a proration unit should be produced so long as it is economically feasible to do so.

(18) That the application should be approved.

IT IS THEREFORE ORDERED:

(1) That the Special Rules for the Blanco Mesaverde Pool in San Juan and Rio Arriba Counties, New Mexico, as promulgated by Order No. R-1670, as amended, are hereby amended to permit the optional drilling of a second well on each proration unit; to provide that the deliverability of a proration unit containing two wells shall be the sum of the deliverabilities of each of the wells; to provide that the unit allowable may be produced from both of the wells in any proportion; to consider both wells on the proration unit as one well for purposes of balancing underproduction or overproduction; to provide for the reporting of production from each well individually and to require the reporting of total production from the unit; and to compare the unit production against the unit allowable in determining whether a unit should be classified marginal or non-marginal.

(2) That Rule 2 of the Special Rules for the Blanco Mesaverde Pool, as promulgated by Order No. R-1670, as amended, is hereby amended to read in its entirety as follows:

"RULE 2 (A). The initial well drilled on a 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 drilled on a proration unit shall be located in the quarter section of the unit not containing a well, and shall be located with respect to the unit boundaries as described in Rule 2 (A) above.

"The plats (Form C-102) accompanying the Application for Permit to Drill (OCC Form C-101 or Federal Form 9-331-C) for the second well on a proration unit shall have outlined thereon the boundaries of the unit and shall show the location of the first well on the unit as well as the proposed new well.

"RULE 2 (C). In the event a second well is drilled on any proration unit, both wells shall be produced for so long as it is economically feasible to do so."

(3) That the Special Rules for the Blanco Mesaverde Pool as promulgated by Order No. R-1670, as amended, are hereby amended by the addition of the following Special Rule 9:

RULE 9 (A). The product obtained by multiplying each proration unit's acreage factor by the calculated deliverability (expressed as MCF per day) for the well(s) on the unit shall be known as the AD Factor for the unit. The acreage factor shall be determined to the second decimal place by dividing the acreage within the proration unit by 320, subject to the acreage tolerances provided in Rule 5 (A). The AD Factor shall be computed to the nearest whole number.

RULE 9 (B). The monthly allowable to be assigned to each marginal proration unit shall be equal to its latest available monthly production.

RULE 9 (C). The pool allowable remaining each month after deducting the total allowable assigned to marginal proration units shall be allocated among the non-marginal units entitled to an allowable in the following manner:

1. Seventy-five percent (75%) of the pool allowable remaining to be allocated to non-marginal units shall be allocated among such units in the proportion that each unit's "AD Factor" bears to the total "AD Factor" for all non-marginal units in the pool.

2. Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal units shall be allocated among such units in the proportion that each unit's acreage factor bears to the total acreage factor for all non-marginal units in the pool.

RULE 9 (D). The current deliverability tests, taken in accordance with the "Gas Well Testing Procedures-San Juan Basin, New Mexico," shall be used in calculating allowables for the proration units in the pool for the 12-month period beginning April 1 of the following year.

RULE 9 (E). When calculating the allowable for a proration unit containing two wells, in accordance with Rule 9 of these rules, the deliverability of both wells shall be added in calculating the AD Factor and the unit allowable may be produced from both wells.

(4) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 10 (C):

RULE 10 (C). The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Rules and Procedures - San Juan Basin, New Mexico."

No well shall be eligible for reclassification to "Exempt Marginal" status unless it is located on a marginal proration unit.

(5) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 12:

RULE 12. The full production of gas from each well, including drilling gas, shall be charged against the proration unit's allowable regardless of the disposition of the gas; provided, however, that gas used in maintaining the producing ability of the well shall not be charged against the allowable.

(6) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 14:

RULE 14 (A). Underproduction: Any non-marginal proration unit which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14 (B). Production during any one month of a gas proration period in excess of the allowable assigned to a proration unit for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

(7) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 15:

RULE 15 (A). Overproduction: Any proration unit which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period. Said overproduction shall be made up during the succeeding gas proration period. Any unit which has not made up the overproduction carried into a gas proration period by the end of said period shall not be produced until such overproduction is made up.

RULE 15 (B). If, during any month, it is discovered that a proration unit is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well, six times its average monthly allowable for the months available), it shall not be produced that month nor each succeeding month until it is overproduced in an amount six times or less its average monthly allowable, as determined hereinabove.

RULE 15 (C). Allowable assigned to a proration unit during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction chargeable to such unit in determining the amount of overproduction which must be made up pursuant to the provisions of Rules 15 (A) or 15 (B) above.



RULE 15 (D). The Secretary-Director of the Commission shall have authority to permit a well which is subject to shut-in, pursuant to Rules 15 (A) or 15 (B) above, to produce up to 500 MCF of gas per month upon proper showing to the Secretary-Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for any well produced in excess of the monthly rate authorized by the Secretary-Director.

RULE 15 (E). The Commission may allow overproduction to be made up at a lesser rate than permitted under Rules 15 (A), 15 (B), or 15 (D) above upon a showing at public hearing that the same is necessary to avoid material damage to the well.

RULE 15 (F). Any allowable accruing to a proration unit at the end of a gas proration period due to the cancellation of underage in the pool and the redistribution thereof shall be applied against the unit's overproduction.

RULE 15 (G). The Secretary-Director of the Commission shall have authority to grant a pool-wide moratorium of up to three months on the shutting in of gas wells in a pool during periods of high-demand emergency upon proper showing that such emergency exists, and that a significant number of the wells in the pool are subject to shut-in pursuant to the provisions of Rules 15 (A) or 15 (B) above. No moratorium beyond the aforementioned three months shall be granted except after notice and hearing.

(8) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Section E:

#### E. CLASSIFICATION OF UNITS

RULE 16 (A). The proration period (as defined in Rule 13) shall be divided into four classification periods of three months each, commencing on April 1, July 1, October 1, and January 1. After the production data is available for the last month of each classification period, any unit which had an underproduced status at the beginning of the proration period shall be classified marginal if its highest single month's production during the classification period is less than its average

monthly allowable during said classification period; provided however, that the operator of any unit so classified, or other interested party, shall have 15 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Commission that the unit is not of marginal character and should not be so classified.

RULE 16 (B). The Secretary-Director may reclassify a marginal or non-marginal proration unit at any time the unit's production data, deliverability data, or other evidence as to the unit's producing ability justifies such reclassification.

RULE 17. A proration unit which is classified as marginal shall not be permitted to accumulate underproduction, and any underproduction accrued to the unit prior to its classification as marginal shall be cancelled.

RULE 18. If, at the end of a proration period, a marginal proration unit has produced more than the total allowable for the period, assigned to a non-marginal unit of like deliverability and acreage, the marginal unit shall be reclassified non-marginal and its allowable and net status adjusted accordingly. (If the unit has been classified as marginal for one proration period only, or a portion of one proration period only, any underproduction cancelled as the result of such classification shall be reinstated upon reclassification back to non-marginal status. All uncompensated-for overproduction accruing to the unit while marginal shall be chargeable upon reclassification to non-marginal.)

RULE 19. A proration unit containing a well which has been reworked or recompleted shall be classified non-marginal as of the date of reconnection of the well to a pipeline until such time as production data, deliverability data, or other evidence as to the unit's producing ability indicates that the unit should be classified marginal.

RULE 20. All proration units not classified marginal shall be classified non-marginal.

(9) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 21 (A):

RULE 21 (A). The monthly gas production from each well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 in accordance with Rule 1115 of the Commission's Rules and Regulations, so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas reported was produced. The operator shall show on such report what disposition has been made of the gas produced. The sum of the production from both wells on the proration unit shall also be reported for multiple-well units.

(10) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 23:

RULE 23. Failure to comply with the provisions of this order or the rules contained herein shall result in the cancellation of allowable assigned to the affected proration unit. No further allowable shall be assigned to the affected unit until all rules and regulations are complied with. The Secretary-Director shall notify the operator of the unit and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

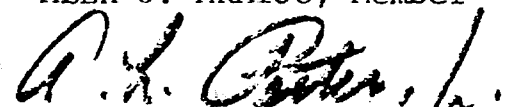
(11) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

dr/



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

GOVERNOR  
BRUCE KING  
CHAIRMAN  
LAND COMMISSIONER  
ALEX J. ARMJO  
MEMBER  
STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

MAY 16, 1972


### MEMORANDUM

TO: ALL PERSONS INTERESTED IN THE BLANCO-MESAVERDE GAS POOL

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

SUBJECT: CASE 4682 - Application of El Paso Natural Gas Company for amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico.

Please refer to Notice of Continuance in the above-described case and be advised that the date for arguments on all motions has been changed from 9 a.m. June 27, 1972 to 9 a.m. on June 29, 1972.

  
A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
EL PASO NATURAL GAS COMPANY FOR AN )  
ORDER OF THIS COMMISSION ADOPTING A )  
GENERAL RULE IN THE BLANCO MESAVERDE )  
GAS POOL THAT WILL PROVIDE FOR THE )  
OPTIONAL DRILLING OF A SECOND WELL )  
ON AN ESTABLISHED PRORATION UNIT, AND )  
FOR THE ASSIGNMENT OF ALLOWABLE FOR )  
SUCH UNIT. )

CASE NO. 4682

TO ALL PERSONS INTERESTED IN THE  
BLANCO-MESAVERDE POOL.

NOTICE OF CONTINUANCE

The above-described Case 4682 came on for hearing  
at 9 a.m. on May 2, 1972, before the Oil Conservation  
Commission of New Mexico, hereinafter referred to as the  
"Commission."

That the Commission, a quorum being present, and  
being fully advised in the premises, continued Case 4682.  
The Case to be heard at 9 a.m., July 19, 1972, in  
Morgan Hall, State Land Office Building, Santa Fe, New  
Mexico.

The Commission further declared that motions may  
be filed in the Case until June 1, 1972, and that  
arguments on all motions, including those which have  
already been filed, will be heard at 9 a.m. on  
June 27, 1972, in Morgan Hall, State Land Office Build-  
ing, Santa Fe, New Mexico.

  
A. L. PORTER, Jr.  
Secretary-Director



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMijo  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

JUNE 30, 1972

### MEMORANDUM

TO: ALL PERSONS INTERESTED IN THE BLANCO-MESAVERDE GAS POOL

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

SUBJECT: CASE 4682 - Application of El Paso Natural Gas Company for amendment of the Rules and Regulations governing the Blanco-Mesaverde Gas Pool, San Juan and Rio Arriba Counties, New Mexico.

This is official notice that the above-described case has been continued from JULY 19, 1972 to AUGUST 29, 1972. The hearing will begin at 9 a.m. in Morgan Hall, State Land Office Building, Santa Fe, New Mexico.

  
A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

7890 F  
Lynco C. Corp. Insurance  
and  
Engineering  
Box 80110  
✓ Mena, Ariz. Co.  
P. 800 2009  
T. 800 80110

✓ R. E. WYNN *Office*  
1525-Republic National Bank Building  
Dallas, Texas 75219 *Suite 270, 3303 Lee Parkway*

JEROME P. MCHUGH & ASSOCIATES  
~~930-Petroleum Club Building~~ *1800 17th St.*  
Denver, Colorado *80202*

✓ SOUTHERN UNION GAS COMPANY  
~~1000-Union Gas Building~~  
Jack Campbell *75201*

✓ P. O. Box 877  
Santa Fe, New Mexico 87501

✓ CAULKINS OIL COMPANY  
2100 Colorado State Bank Building  
Denver, Colorado *80202*

✓ CONTINENTAL OIL COMPANY  
Box 2197  
Houston, Texas *77001*

JASON KELLAHIN *Box 1769*  
~~54 1/2 E. San Francisco Street~~  
Santa Fe, New Mexico 87501

✓ SOUTHERN UNION GATHERING COMPANY  
~~1000-Union Gas Building~~  
Dallas, Texas *75201*

✓ MONSANTO COMPANY  
~~1102-Lincoln Tower~~ *1st Savings Bldg*  
Denver, Colorado *101 N. Marionfield-midland*

NEW MEXICO ENVIRONMENTAL IMPROVEMENT AGENCY  
Box 2348  
Santa Fe, New Mexico

Attention: *Alaron Bond*  
Douglas Fraser

NEW MEXICO PUBLIC SERVICE COMMISSION  
Bataan Memorial Building  
Santa Fe, New Mexico

Attention: James L. Parmelee, Jr.

NEW MEXICO MUNICIPAL LEAGUE  
Box 846  
Santa Fe, New Mexico

Attention: Frank Coppler

NEW MEXICO STATE PLANNING OFFICE  
Executive Legislative Building  
Santa Fe, New Mexico

Attention: Brad Hayes

UNITED STATES GEOLOGICAL SURVEY  
Box 959  
Farmington, New Mexico 87401

UNITED STATES GEOLOGICAL SURVEY  
Box 1857  
Roswell, New Mexico 88201

Colorado Oil and Gas Corporation  
Post Office Box 749 - 1000 Denver Club Bldg.  
Denver, Colorado 80201

Mr. C. E. Milligan

Mr. R. F. Bailey  
Bailey, Sipes, Williamson & Runyan, *Consulting Engineers*  
Attorneys at Law - 1100 V & J Tower  
Midland, Texas 79701

CONSOLIDATED OIL & GAS INC.  
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Mr. J. D. Smothermon

Union Texas Petroleum  
1860 Lincoln - Suite 788  
Denver, Colorado

*B. H. Stapler*  
*SATURN OIL CO*  
*Box 5596*  
*Midland, Tex. 79701*

Emery Arnold

Mr. Curtis J. Little  
Universal Resources Corp.  
~~11411 N. Central Expressway~~

*1720 Colorado State Bank Bldg*  
*Denver, Colorado 80202*

Mr. J. L. Corkill  
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815 6th Street St. SW  
Calgary 2, Alberta / Canada

*Richard H. Carpenter*  
*Bigher, Byrd, Carpenter,*  
*+ Croust*  
*Suite 200 - Bokum Bldg*  
*ST*



✓✓ GREAT WESTERN OIL COMPANY  
Box 1659  
Midland, Texas 79701

✓✓ BROOKS HALL Oil Corp  
1710 Liberty Bank Building *1704 City National Bank Tower  
Box 224*  
Oklahoma City, Oklahoma 73102

✓✓ KIMBARK OPERATING COMPANY  
288 Clayton Street *1100 Denver Center Bldg.  
1770 Lincoln St.*  
Denver, Colorado 80203

✓ KOCH INDUSTRIES, INC.  
Box 2256  
Wichita, Kansas 67201

✓ MARATHON OIL COMPANY  
539 S. Main Street  
Findley, Ohio 45840

Attention: J. O. Terrell Couch

✓ MERRION & BAYLESS  
205 Petroleum Club Plaza  
Farmington, New Mexico 87401

✓ MOBIL OIL CORPORATION  
Box 633  
Midland, Texas 79701

✓ JAMES E. SPERLING  
Box 2168  
Albuquerque, New Mexico 87103

✓✓ NORTHWEST PRODUCTION CORPORATION  
Box ~~17916~~ *1796*  
El Paso, Texas ~~79949~~ *79949*

✓ OCCIDENTAL PETROLEUM CORPORATION  
10889 Wilshire Blvd.  
Los Angeles, California 90024

✓ C. M. PAUL  
Box 234  
Farmington, New Mexico 87401

✓ PUBCO PETROLEUM CORPORATION  
Box 869  
Albuquerque, New Mexico 87103

OK RINCO ROYALTY COMPANY, INC.  
Box 2283  
Ft. Worth, Texas 76101

✓ WILLIAM C. RUSSELL  
1775 Broadway  
New York, New York 10017

✓ EL PASO NATURAL GAS COMPANY

✓ Dick Morris *Wm. Fashina*  
350 E. Palace Avenue  
Santa Fe, New Mexico 87501

✓ AMOCO PRODUCTION COMPANY  
Box 3092  
Houston, Texas 77001

✓ AMOCO PRODUCTION COMPANY  
Security Life Building  
Denver, Colorado 80202

*Mr. Byrd -  
Attn: Kc.*

✓ *Northwest Pipeline Corp.  
PO Box 1526  
Salt Lake City Utah  
84110*

✓ *Northwest Pipeline Corp.  
One Park Center Bldg  
Suite 1451  
Denver Colo 80202*

✓ *Texaco Oil Co.  
Security Tower Bldg  
Suite 1200  
Denver 80202*

CASE 4682

PETITION TO INTERVENE FROM THE NEW MEXICO ENVIRONMENTAL IMPROVEMENT AGENCY - (Mr. Douglas W. Fraser)

APPLICATION OF EL PASO NATURAL GAS COMPANY (A. M. Derrick)

MOTION FOR CONTINUANCE BY SOUTHERN UNION GAS COMPANY (Jack Campbell)

RESPONSE TO MOTION FOR CONTINUANCE FROM EL PASO NATURAL GAS CO.  
(Richard S. Morris)

PETITION FOR LEAVE TO INTERVENE AND MOTION FOR CONTINUANCE FROM THE NEW MEXICO PUBLIC SERVICE COMMISSION - (James L. Parmelee, Jr.)

LETTER FROM MOBIL OIL CORPORATION SUPPORTING SOUTHERN UNION'S CONTINUANCE APPLICATION (Ira B. Stitt)

LETTER FROM PUBCO SUPPORTING SOUTHERN UNION'S CONTINUANCE APPLICATION  
(J. C. Johnson)

MOTION FOR CONTINUANCE FROM AZTEC OIL & GAS COMPANY (Kenneth A. Swanson and Clarence E. Hinkle)

PETITION FOR LEAVE TO INTERVENE FROM NEW MEXICO MUNICIPAL LEAGUE, INC.  
(Frank Coppler)

APPEARANCE - COLORADO OIL AND GAS CORPORATION, DENVER, COLORADO,  
(Mr. C. E. Milligan)

APPEARANCE - MR. R. F. BAILEY, BAILEY, SIPES, WILLIAMSON & RUNYAN,  
Attorneys at Law, Midland, Texas

APPEARANCE - CONSOLIDATED OIL & GAS INC., DENVER, COLORADO, (Mr. J. D. Smothermon)

LETTER FROM AMERADA HESS CORPORATION, TULSA, OKLAHOMA, (Thomas W. Lynch,  
General Attorney)

LETTER FROM AMOCO PRODUCTION COMPANY, DENVER, COLORADO (Vinton D. Pierce)

MOTION TO LIMIT TESTIMONY - SOUTHERN UNION - JACK M. CAMPBELL

LETTER FROM MR. JASON KELLAHIN, KELLAHIN & FOX, POST OFFICE BOX 1769,  
SANTA FE, NEW MEXICO

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CASE 4683: Application of MARK  
PRODUCTION FOR CREATION OF NEW  
OIL POOL & SPECIAL POOL RULES.

5-23-73  
Curt