

*Entered August 14, 1959
O.P.*

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 1600
Order No. R-1462

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

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

FINDS:

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

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

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

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

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

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

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

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

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

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

THE COMMISSION FURTHER FINDS AND STATES AS FOLLOWS:

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

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

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

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

THE COMMISSION FURTHER FINDS AND STATES AS FOLLOWS:

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

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

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

THE COMMISSION FURTHER FINDS AND STATES AS FOLLOWS:

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

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

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

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

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

THE COMMISSION FURTHER FINDS AND STATES AS FOLLOWS:

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

IT IS THEREFORE ORDERED:

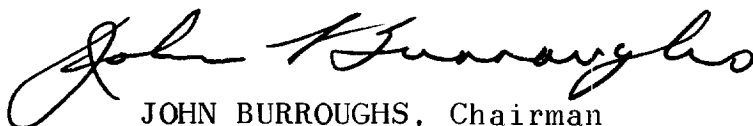
1. That the motion to strike the applicants' allegations relative to well completion methods be and the same is hereby granted.

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

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


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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JOHN BURROUGHS, Chairman

S E A L


MURRAY E. MORGAN, Member


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

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