



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 Enlargement of the Limits of
the Blanco (Mesa Verde) Pool, San
Juan County, New Mexico, and for
the Establishment of an Equitable
and Definite Standard for the Pro-
duction of Gas in the Blanco (Mesa
Verde) Pool, and for the Establish-
ment of Gas Allowables in Said Pool.

Case No. 330

PETITION

Comes now STANOLIND OIL AND GAS COMPANY, and respectfully peti-
tions the Commission for the issuance of an order:

1. Enlarging the limits of the Blanco (Mesa Verde) Pool;
2. Making more definite and certain the provisions of Section 11 of said Order No. 799 which prescribes that wells should produce equitably by proration units in the Field; and
3. Providing in greater detail rules for the prevention of waste and the protection of correlative rights.

In support of the above, your Applicant shows and represents:

1. On March 7th, 1949, the Commission, in order to eliminate waste of natural resources, protect correlative rights, and other purposes, issued Order No. 799, establishing the limits of the Blanco (Mesa Verde) Gas Pool in San Juan County, New Mexico, fixed a general well spacing pattern of one well in a unit of 320 acres, provided regulations for the drilling of wells thereon, inhibited the waste of gas, and by Section 11 of said Order required the equitable production of wells by proration units, and made other provisions all as provided in said Order, reference to which is hereby made for greater certainty.

2. Likewise, on due notice and pursuant to a hearing held at the instance of the Commission, the Commission on September 20th, 1951, issued an Order No. R-89, enlarging the limits of the Blanco

(Mesa Verde) Gas Pool, reference to which order is hereby made for greater particularity as to the lands now embraced in the Blanco (Mesa Verde) Gas Pool.

3. The following described lands should likewise be embraced in the Blanco (Mesa Verde) Gas Pool, namely:

Township 29 North, Range 8 West:

Sections 1, 2, 3, 12, and 13

Township 30 North, Range 8 West:

Sections 1, 2, 3, 10, 11, 12, 13,
14, 15, 22, 23, 24, 25, 26, 27, 34,
35, 36

Township 31 North, Range 8 West:

Sections 25, 26, 27, 28, 29, 30, 31,
32, 33, 34, 35, 36

by reason of the fact that said lands contain numerous prolific producing gas wells from the Mesa Verde formation and are located in the same general field or common accumulation as the lands now included within said Pool as now defined by the Commission.

4. The amount of potential gas producible from the wells in the Pool is in excess of present markets and pipe line capacity for such gas, and this condition will be increasingly acute as the field develops, and waste and drainage of gas will occur, and correlative rights in said Pool can not be protected unless the Commission limits and apportions production in said Pool on an equitable basis determined by the Commission, and otherwise acts so as to discharge its duties and responsibilities under the law.

5. Section 11 of said Order No. 799 is indefinite and uncertain in that it does not provide any standard by which it may be determined whether the wells producing in this field produce equitably, and that in order to prevent waste, prevent drainage, and protect correlative rights, it is necessary that a definite standard for equitable production be fixed.

6. Each owner can best be afforded his opportunity to produce his equitable share of the gas and to recover the gas under his property by applying the test of deliverability against a uniform back pressure fixed by the Commission multiplied by acreage to each well drilled on a 320-acre unit in this area. In order to permit the pipe lines to supply their market demand at all times, advance tentative daily allowables for the calendar year should be set up for the gas wells connected to each transportation system, and these allowables should be recomputed and declared at the end of each year in proportion as the deliverability times acreage of each well bears to the deliverability times acreage of all connected wells in the Blanco (Mesa Verde) Pool, as applied to the actual field production for that year. There should also be provided a method and means to adjust underages and overages that occur in production from the wells in said Pool during each calendar year.

7. That such a standard can not well be placed in force, effect and operation before January 1st, 1953, for the reason that it will require some time to make tests for potential and deliverability of all the wells in the Field, determine over a period of time average working pressures of pipe lines, and to accumulate engineering data sufficient to intelligently fix a uniform back pressure that will prevent waste and protect adequately correlative rights and to make the other determinations necessary, and to set up the necessary machinery to put these standards in operation on a basis fair to all.

8. Notwithstanding this fact, it is desirable in order to protect correlative rights and to prevent the waste of gas to make some tentative regulation of the production of wells to the end that production may be equitable during the calendar year 1952, and to that end, your Applicant shows and represents that for the calendar

year 1952, wells should be permitted to produce a tentative daily gas allowable in relation to the total market demand of the transportation facility to which each well may be connected in proportion as the tested open flow capacity of each well bears to the tested open flow capacity of all wells so connected, subject to adjustment at the end of the year for overages and underages which shall be redetermined at the end of the calendar year on the relation which the open flow capacity of each well bears to the aggregate open flow capacity of all wells in the Blanco (Mesa Verde) Pool, as applied to the actual field production for that year.

9. Provision should be made in and by said Order to the end that the owner of any well that has an underage during any calendar year as compared with its allowable shall have the right to make up said underage during the next calendar year in addition to its regular allowable for the current calendar year and to require that the owners of wells having an overage during any calendar year shall restrict their production during the next year to the extent necessary to equalize the same, and said Order should likewise provide that any well that does not during the ensuing calendar year equalize its overage for the preceding calendar year shall thereafter be shut in by the Commission until such overage is adjusted.

10. Provision should be made in the Order for pipe line nominations, the time and manner of making all well tests, the making of reports, and other detailed matters.

WHEREFORE, your Applicant requests that a hearing be ordered as required by statute in such case, that an early date therefor be fixed as provided by statute; and that on such hearing and after due consideration of such matters, the Commission issue an order in such form as will best prevent waste, prevent drainage, and pro-

test correlative rights, and save to each owner the opportunity to produce his fair share of the gas from the common accumulation.

Respectfully submitted,

Attorney for Applicant.

SANTA FE, Dec. 18 (AP)—The

proposal of the Standard Oil and Gas Co. to institute production of gas in the Blanco field of San Juan County drew opposition from Southern Union Gas Co. and independent operators at a hearing here today.

The prorationing, if authorized, would be the first ever set up on gas production in New Mexico.

The commission took Stano-
vich's request under advisement.
R. R. (Dick) Spurrter, commission
secretary, indicated it would be
several weeks before a decision
will be announced.

"We want to sit down with our attorneys and Elvis Utz, our gas engineer, and discuss this thoroughly before issuing a decision," he said.

See Development Stilled
Opponents of the Stanolind peti-
tion were unanimous in their
declarations that prorationing
would stifle development.

This is not the proper time, they contended, although they said they would not oppose proroguing it and when it is proved necessary at some future time.

At present, the opponents said the demand for gas is greater than the supply and therefore there is no need for prorationing.

These views were expressed by Van Thompson, exploration head of Southern Union Gas; George Locke of the Kingsley-Locke Co., Farmington drillers; Mike Rich, president of the Iowa and Associated

Frank Nuss, Stanolind engineer, testified prorationing would mean equitable distribution of production.

equitable distribution of production. He predicted there would be excess capacity within a year if the present rate of drilling and the present rate of the wells' deliverability continue.

Capacity Cited
Nuss said records give present capacity of El Paso Natural Gas Co. pipelines in the field as 70 million cubic feet a day, and that

for Southern Union Gas Co.'s lines was 45 million. At the present rate the said well completions in the Blanco field in four months should meet that capacity.

...in the pool. Stanolind officials emphasized

Proration of Gas in the Blanco Field

The Daily Times had planned to present as an editorial column forum arguments for and against proration of gas production in the Blanco field. The Stanolind Oil and Gas Co. has filed a petition asking proration. The Oil Conservation Commission of New Mexico will hold a hearing Dec. 18 on the petition.

Spokesmen for Stanolind, including the district engineer, have been invited to set forth in these columns the arguments supporting proration. Thus far no response has been forthcoming.

Since the date for the hearing is fast approaching the Times herewith presents the arguments against proration, and, in the absence of any response to our request for a statement of the position in favor of it, endorses for the immediate future the opposition to the proration proposal. It is our belief that proration of production is ultimately necessary as it applies to natural gas, or practically any other natural resource that can be exhausted or depleted uneconomically. We are now convinced this is not the time for proration of natural gas, however, in the San Juan Basin.

Here are the main arguments advanced by opponents of proration:

1. The supply of gas on top of the ground here has not met present demands, therefore demanding a continuing program of intensive drilling. Proration would discourage additional drilling, especially by smaller operators.

2. Comparable line pressures maintained in the Blanco area rate wells automatically as close as they could be rated mechanically at this time. Line pressures at well heads are all comparable in the Blanco area.

3. With the engineering data at hand it would be difficult, if possible at all, to set up a workable means of testing without wasting much gas to the air. This assertedly would be necessary to stabilize the flow for accurate testing.

4. Most land and royalty owners' present incomes from wells would be reduced appreciably, if not drastically, if proration were put into effect.

5. Most companies and independent operators will admit that, when gas deliverability on top of the ground reaches and surpasses the demand, proration will be necessary and acceptable to all concerned. Many opponents of proration assert that time is five years hence.

6. The character of the Mesa Verde formation in this area, those who oppose proration contend, makes it impossible to damage the sand by overproducing wells. In the case of water drive, overproduction can damage a producing zone. Operators opposing proration declare there is no water drive in this section of the San Juan Basin.

7. It seems apparent that most operators in this area oppose proration at the present time.

In view of these considerations it seems the landowners and royalty holders should take action in the controversy. They can protect their interests by appearing or sending representatives to appear at the hearing in Santa Fe at 10 a.m. Dec. 18, at Mabry Hall, Capitol Building, Santa Fe.

THE NEW MEXICAN

Business Finance

Stanolind Advocates Blanco Gas Proration

A New Mexican Special

FORT WORTH, Tex., Dec. 15.—A hearing before the New Mexico oil conservation commission concerning the possible proration of gas from the Blanco (Mesaverde) pool will be held Dec. 18.

In connection with this hearing, C. F. Bedford, production superintendent for Stanolind Oil and Gas company's North Texas-New Mexico division, issued the following statement Saturday:

"A number of misleading statements have been made concerning the effect of the proposals to be made by Stanolind Oil and Gas company at the Blanco (Mesaverde) pool hearing Dec. 18. The hearing on gas proration is concerned with the Blanco pool only, and will not result in any orders affecting any other gas wells in New Mexico. A recent news report that our proposal calls for the testing of all gas wells in the state is false and completely without foundation.

'Held Equitable'

"The proration of gas in the Blanco pool will not adversely affect any operator or group of operators by limiting production from their wells," Bedford said.

"It is designed to give all Blanco operators and royalty owners the opportunity of sharing equitably in production from the pool."

In describing how the proration rule would work in Blanco, Bedford

posed by Stanolind, a purchaser of gas from the field would advise the New Mexico conservation commission in advance of its gas requirements from Blanco during the next proration period. The commission would then divide the total amount of gas required by all purchasers between all the connected wells in the field on an equitable basis."

Bedford emphasized that the rules would not prevent a purchaser from filling his gas requirements during peak demand periods. "This is the fair and democratic way of taking gas from the field," he said.

Balance Forecast

After discussing the manner in which proration would work, he went on to say, "without a rule of this kind there would be nothing to prevent repeated heavier withdrawals of gas being made each month from your neighbor's well than from your own well." The Stanolind proposal would require the balancing of such heavy gas withdrawals during a subsequent period, so that one well owner will not benefit in the long run at his neighbor's expense.

"The proration of oil has long been recognized in New Mexico and other states as being necessary to prevent waste by limiting production to market demand and to protect correlative rights of all interest owners. In most oil and gas producing states, including Texas and

FARMING

Formerly the Farmington Times Hustler—Established in 188

Dec. 15, 1951

States Case For Gas Proration

A spokesman for the Stanolind Oil and Gas Co. released a statement today setting forth the company's stand in asking for proration of gas production in the Blanco field.

Dec. 11 the Daily Times published an editorial column forum in which the objections to proration were outlined. The Times editorially opposed proration.

'It is our belief,' the newspaper stated, 'that proration of production is ultimately necessary as it applies to natural gas, or practically any other natural resource that can be exhausted or depleted uneconomically. We are convinced however, that this is not the time for proration of natural gas production in the San Juan Basin.'

Below are the statement from Stanolind and the gist of the arguments advanced by opponents to proration.

Here is the statement by C. F. Bedford, production superintendent for the Stanolind Oil and Gas Company's North Texas-New Mexico division:

"A number of misleading statements have been made concerning the effect of the proposals to be made by Stanolind Oil and Gas Co. at the Blanco (Mesaverde) pool hearing Dec. 18. The hearing on gas proration is concerned with the Blanco pool only, and will not result in any orders affecting any other gas wells in New Mexico. A recent news report that our proposal calls for the testing of all gas wells in the state is false and completely without foundation.

"The proration of gas in the Blanco pool will not adversely affect any operator or group of operators by limiting production from their wells. It is designed to give all Blanco operators and royalty owners the opportunity of sharing equitably in production from the pool.

"Under the rules proposed by Stanolind, a purchaser of gas from the field would advise the New Mexico Conservation Commission in advance of its gas requirements from Blanco during the next proration period. The commission would then divide the total amount of gas required by all purchasers between all the connected wells in the field on an equitable basis.

"This is the fair and democratic way of taking gas from the field.

"Without a rule of this kind there would be nothing to prevent repeated heavier withdrawals of gas being made each month from the same well than

from other wells. The Stanolind proposal, requiring the

proration of gas production, so that one well owner will not benefit in the long run at his neighbor's expense.

"The proration of oil has long been recognized in New Mexico, and other states, as being necessary to prevent waste by limiting production to market demand, and to protect correlative rights of all interest owners. In most oil and gas producing states, including Texas and Oklahoma, gas is also prorationed.

"The recent rapid development of gas resources in the Blanco (Mesaverde) pool of the San Juan Basin makes it imperative that production from wells in the pool be placed under the jurisdiction of the New Mexico Conservation Commission.

Editor's note: The Blanco pool, as is the case of every gas and every oil pool in New Mexico, is now under the jurisdiction of the Conservation Commission.

The Farmington Daily Times can not be the newspaper Bedford refers to in his reference to a newspaper report "that our proposal calls for the testing of all gas wells in the state." No such report has appeared in this newspaper, nor on the wire service news reports to which the Daily Times subscribes.

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1. The supply of gas on top of the ground here has not met present demands, therefore demanding a continuing program of intensive drilling. Proration would discourage additional drilling, especially by smaller operators.

2. Comparable line pressures maintained in the Blanco area rate wells automatically as close as they could be rated mechanically at this time. Line pressures at well heads are all comparable in the Blanco area.

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