

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF EL PASO NATURAL GAS COMPANY
FOR A REHEARING BEFORE THE OIL
CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO TO RECONSIDER
CASE NO. 1641, ORDER NO. R-1410-A,
OF SAID COMMISSION AS BEING THE
APPLICATION OF W. R. WEAVER FOR THE
PROMULGATION OF SPECIAL RULES AND
REGULATIONS GOVERNING THE DRILLING,
SPACING AND PRODUCTION OF WELLS IN
THE ANGELS PEAK-GALLUP OIL POOL,
SAN JUAN COUNTY, NEW MEXICO, AND
THE ORDER OF SAID COMMISSION WITH
RESPECT THERETO.

CASE NO. 1641

APPLICATION FOR REHEARING

Comes now El Paso Natural Gas Company, a Delaware Corporation, with license to do business in the State of New Mexico, hereinafter called applicant, and files its application for rehearing before the New Mexico Oil Conservation Commission in the above styled and numbered cause, and for grounds therefor would respectfully show:

I.

A hearing was held on this case by an Examiner on May 7, 1959, at Santa Fe, New Mexico, and by Order No. R-1410, which was issued on the 28th day of May 1959, the Commission established 80-acre spacing for the Angels Peak-Gallup Oil Pool. A de novo hearing before the Commission was held on the 15th day of July, 1959, and as a result of such hearing the Commission issued Order No. R-1410-A which reaffirmed the Commission's previous ruling with respect to such 80-acre spacing.

II.

Rule 2 of said Order No. R-1410-A states:

"Each well completed or recompleted in the Angels Peak-Gallup Oil Pool shall be located on a unit containing 80 acres, more or less, which consists of the N/2, S/2, E/2 or W/2 of a governmental quarter section."

The uncontradicted evidence entered in and comprising the record in this case established conclusively that one well drilled in the Angels Peak-Gallup Oil Pool can efficiently and economically drain an area of at least 320 acres; that many wells in said Angels Peak-Gallup Oil Pool ~~probably~~ ^{properly} should be classified as gas wells, and that the production of gas from such wells has a greater value than the production of oil from the same wells.

III.

The Order of said Commission which established 80-acre spacing for all wells in said Angels Peak-Gallup Oil Pool will cause the drilling of unnecessary gas wells and will result in economic waste. The Commission's Order fails to give effect to the uncontradicted evidence and fails to comply with the provisions of Section 65-3-14-(b), New Mexico Statutes Annotated, 1953 Compilation, which provides:

"The Commission may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one (1) well, and in so doing the commission shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells, and the prevention of reduced recovery which might result from the drilling of too few wells."

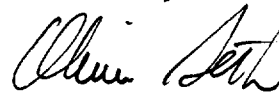
The Commission erred in disregarding the uncontradicted testimony and the applicable provisions of law in Order No. R-1410-A, insofar as it provides for 80-acre spacing for drilling and limits the acreage to 80-acres which may be attributable to a gas well in determining the permissible gas production under the limiting gas-oil ratio established for said Pool, causes the drilling of

unnecessary wells, violates the correlative rights of owners, permits waste and increases risk arising from the drilling of an excessive number of wells. Applicant alleges that said Order is not supported by the evidence, constitutes discrimination, causes economic waste and confiscates property rights of working interest owners without due process of law.

WHEREFORE, applicant requests that the matter be set down for rehearing before the Commission, pursuant to Rule 1220, Rules and Regulations of the New Mexico Oil Conservation Commission, and Section 65-3-22-(a), New Mexico Statutes Annotated, 1953 Compilation, and that on such rehearing the Commission issue Rules and Regulations to classify gas wells in said Pool, and to permit the allocation of acreage to each gas well of not exceeding 320 acres in determining the permissible gas production as limited by the gas-oil ratio established for the Pool. Applicant requests that the Commission adopt the Rules recommended by applicant. Applicant has no additional testimony to offer and relies upon the record heretofore made.

SETH, MONTGOMERY, FEDERICI & ANDREWS

By:



Attorneys for Applicant
Santa Fe, New Mexico

BEN R. HOWELL
GARRETT C. WHITWORTH
El Paso, Texas
Attorneys for Applicant

*July 13th
checked & mailed
July 15th*