

OCC
Hobbs

Western Natural Gas Company

1006 MAIN STREET

Houston 2, Texas

P. 11/1/55
NSP-218

W. K. DAVIS
VICE-PRESIDENT
IN CHARGE OF
OPERATIONS

November 21, 1955

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attention: Mr. W. B. Macey

Gentlemen:

Western Natural Gas Company has contemporaneously herewith made application for administrative approval of a non-standard gas proration unit of 160 acres consisting of the SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$ and NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 6, Township 25 South, Range 37 East, Lea County, New Mexico. By this letter Western hereby makes application for a retroactive gas allowable for said unit.

In support of this application Western advises the Commission as follows:

(1) On July 17, 1954, Western first requested waivers from offset lease owners with respect to said 160 acre gas proration unit. After waiting a considerable time waivers were received from all offset owners except one, and Western learned during October of 1954 that this owner owned only the oil rights under its lease, El Paso Natural Gas Company owning the gas rights. The lease contains 40 acres.

(2) On October 28, 1954, Western wrote El Paso requesting a waiver from it.

(3) In November of 1954 El Paso contacted Western, stating that El Paso desired to contribute its 40 acre lease in order to make a 200 acre gas proration unit.

(4) On December 13, 1954, Western wrote to the offset owners again, this time requesting agreement to a 200 acre non-standard gas proration unit. Replies were received from all offset owners within a month thereafter.

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(5) On January 21, 1955, El Paso wrote Western a letter suggesting that El Paso's participation in the proposed 200 acre unit to be on a depleted well basis. This was not acceptable to Western and the matter was finally compromised at a meeting between representatives of Western and El Paso held on February 8, 1955.

(6) Considerable time was thereafter expended in the preparation of necessary unit and operating agreements and the same were not finally agreed upon by the parties until August 3, 1955. On August 13, 1955, Western made application to the Commission for approval of a non-standard gas proration unit to be comprised of the 160 acres owned by Western and the 40 acres owned by El Paso.

(7) On September 15, 1955, a hearing on Western's application was held before the Commission in Santa Fe.

(8) On October 13, 1955, the Commission issued Order No. R-704 which denied Western's application.

From about November 1, 1954, to October 13, 1955, Western was engaged in an attempt to form a 200 acre gas proration unit which would have prevented El Paso's 40 acre lease from being unallocated to any unit. This was done by Western in the good faith belief that the interests of the conservation would best be served by the formation of such unit and that, accordingly, the Commission would expect Western to attempt to form the same. It appears that the only objection to the formation of the unit arose through the decision of the Commission that as a matter of policy tracts would not be considered to be contiguous if they had only a common corner. It is believed that the Western application raised the question for the first time, and accordingly Western should not be charged with a lack of diligence in not anticipating the decision the Commission would make. It is believed that if the policy question had not been involved the Commission would have approved the 200 acre unit.

In view of the circumstances as above outlined, Western requests that the 160 acre unit this day applied for be awarded an allowable to have retroactive effect to November 1, 1954, the date upon which Western could in all probability have obtained approval of such 160 acre unit had the events above outlined not intervened.

El Paso Natural Gas Company has advised Western that if such an allowable is granted El Paso will endeavor to take sufficient gas from the unit to permit Western to utilize such allowable.

Very truly yours,

WESTERN NATURAL GAS COMPANY

By:

Paul C. Hughes
Chief Engineer