



STATE OF NEW MEXICO
 ENERGY AND MINERALS DEPARTMENT
 OIL CONSERVATION DIVISION

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 STATE OF NEW MEXICO
 OIL CONSERVATION DIVISION
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M E M O R A N D U M

TO: OPERATORS IN BASIN-DAKOTA AND BLANCO-MESAVERDE POOLS
 FROM: WILLIAM J. LEMAY, DIVISION DIRECTOR
 SUBJECT: NON-STANDARD PRORATION UNITS

There has been a number of applications for exceptions to Rule 5(a)2(2) of Order No. R-8170 for wells located on 160 acres, more or less, non-standard proration units. At the hearings on such applications showing was made that there is an inequity where two 160-acre proration units, having one well on each unit, are compared to a 320-acre proration unit having two wells of similar deliverability in the proration unit. The proposed solution to this inequity is to give the wells a full deliverability in the AD factor portion of the allowable.

Such proposed solution has the following disadvantages:

1. It is contrary to the formula adopted by the original spacing order and the order permitting the second well on each proration unit.
2. It creates an inequity between a 160-acre unit with one well as compared to a 320-acre unit with one well.
3. The proration system would have to be revamped to accommodate the exceptions.
4. The variation of unit sizes is such a common phenomenon that attempting to adjust for deviations in the manner requested constitutes a reservoir-wide problem which should be addressed in rule changes rather than in exceptions to the rules.

Page 2
 Memorandum
 April 15, 1987

5. Wide-spread exceptions as are being requested amount to changing the proration formula by subterfuge to a straight deliverability factor.

The inequities which are apparent in the cases brought before the Division should be addressed by changes in the proration formula or rules implementing them.

All currently pending applications for such exceptions will be denied. All orders approving such exceptions which have been entered but not implemented will be rescinded. All orders which have been implemented will be suspended immediately.

Any party considered aggrieved by this action is invited to file application for a change in the proration formula for the two pools involved, or either of them, or in the rules implementing the formulas together with a plan and analysis showing that a different formula or procedure will be more equitable than the existing rules.

April 17, 1987
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APR 15 1987
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