



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
CONSERVATION DIVISION

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DIVISION

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CONSERVATION DIVISION
APR 15 1987

MEMORANDUM

TO: OPERATORS IN BASIN-DAKOTA AND BLANCO-MESAVERDE POOLS
FROM: WILLIAM J. LEWIS, DIVISION DIRECTOR *WJL*
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.

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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 All orders approving such exceptions which have been entered but not implemented will be rescinded.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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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 9028
Order No. R-8379

APPLICATION OF OKLAHOMA OIL COMPANY
FOR A NON-STANDARD GAS PRORATION UNIT,
SAN JUAN COUNTY, NEW MEXICO.

RECEIVED

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ORDER OF THE DIVISION

OIL CON. DIV.
DIST. 3

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 5, 1986, and on December 3, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 31st day of December, 1986, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) At the time of both hearings this case was consolidated with Division Cases Nos. 9026, 9027, and 9029 for the purposes of testimony.

(3) The applicant, Oklahoma Oil Company, seeks approval of a 160-acre non-standard gas proration unit comprising the SW/4 of Section 11, Township 31 North, Range 13 West, NMPM, Blanco-Mesaverde and Basin-Dakota Pools, San Juan County, New Mexico, to be dedicated to the existing dually completed Nickles Well No. 1, located 1450 feet from the South line and 1730 feet from the West line (Unit K) of said Section 11.

(4) The entire non-standard proration unit may reasonably be presumed productive of gas from both pools and the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid well.

(5) The applicant further seeks an exception to the General Rules for prorated Gas Pools in Northwest New Mexico, as promulgated by Division Order No. R-8170, as amended,

permitting the application of a full deliverability factor in the formula utilized in determining the allowable in both the Blanco-Mesaverde and Basin-Dakota Pools for said unit.

(6) In utilizing the current formula for calculating gas allocations in both the Blanco-Mesaverde and Basin-Dakota Pools as contained in said Order No. R-8170, there exists an inequity in the gas allowable assigned to a standard 320-acre proration unit containing two wells as compared to the total gas allowable assigned to two 160-acre non-standard proration units which, in effect, gives an allowable advantage to the standard 320-acre unit.

(7) In order to arrive at a more equitable gas allocation to be assigned to the proposed 160-acre non-standard gas proration unit, the gas allocation formula for this particular unit should be modified to assign the full deliverability as the (AD) factor for allowable calculations.

(8) Approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Blanco-Mesaverde and Basin-Dakota Pools, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Oklahoma Oil Company for a 160-acre non-standard gas proration unit in the Blanco-Mesaverde and Basin-Dakota Pools comprising the SW/4 of Section 11, Township 31 North, Range 13 West, NMPM, San Juan County, New Mexico, is hereby approved, said unit to be dedicated to its existing dually completed Nickles Well No. 1 located 1450 feet from the South line and 1730 feet from the West line (Unit K) of said Section 11.

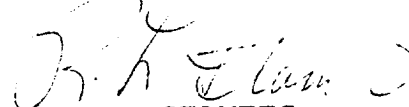
(2) For purposes of calculating the gas allowable for both pools to be assigned to this non-standard unit the acreage factor shall be equal to .50, and the acreage times deliverability factor shall be equal to the deliverability of the well multiplied by 1.0.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


R. L. STAMETS,
Director

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